

**The Law of Accumulation  
and Breakdown of the  
Capitalist System**

Being also a Theory of Crises

HENRYK GROSSMANN

Translated and abridged by Jairus Banaji

Foreword and Introduction by Tony Kennedy

PLUTO  PRESS

# **The Law of Accumulation and Breakdown of the Capitalist System**

Being also a Theory of Crises

HENRYK GROSSMANN

Translated and abridged by Jairus Banaji

Foreword and Introduction by Tony Kennedy

PLUTO  PRESS

This edition first published in English in 1992 by  
Pluto Press, 345 Archway Road, London N6 5AA

First published in German in 1929 as  
*Das Akkumulations – Zusammenbruchsgesetz des  
kapitalistischen Systems (Zugleich eine Krisentheorie)*,  
by C L Hirschfeld, Leipzig; reprinted 1970 by Verlag Neue  
Kritik, Frankfurt am Main.

Translation and selection copyright © 1979 Jairus Banaji  
Foreword and Introduction copyright © 1992 Tony Kennedy  
This edition copyright © Pluto Press 1992

British Library Cataloguing in Publication Data  
Grossmann, Henryk

The law of accumulation and breakdown of the capitalist  
system.

1. Marxism

I. Title

335.4

ISBN 0-7453-0458-3 (hb)

ISBN 0-7453-0459-1 (pb)

Library of Congress Cataloging-in-Publication Data

Grossmann, Henryk, 1881-1950.

[Akkumulations – und Zusammenbruchsgesetz des kapitalistischen  
Systems. English]

The law of accumulation and breakdown of the capitalist system :  
being also a theory of crises / Henryk Grossmann; translated and  
abridged by Jairus Banaji ; foreword and introduction by Tony  
Kennedy.

p. cm.

Translation of: *Das Akkumulations – Zusammenbruchsgesetz des  
kapitalistischen Systems (Zugleich eine Krisentheorie)*—CIP t.p.  
verso.

Includes bibliographical references and index.

ISBN 0-7453-0458-3 (hb)

ISBN 0-7453-0459-1 (pb)

1. Capitalism. 2. Capital. 3. Saving and investment.

4. Business cycles. 5. Marxian economics. I. Banaji, Jairus,  
1947- . II. Title.

HB501.G713 1992

330.12'2-dc20

91-26181

CIP

Typeset in 10 on 12pt Times by Stanford DTP Services, Milton Keynes  
Printed in Great Britain by Billing and Sons, Worcester

## Contents

### Foreword

TONY KENNEDY

ix

### Henryk Grossmann and the Theory of Capitalist Collapse

TONY KENNEDY

1

### Introduction by Henryk Grossmann

29

### 1 The Downfall of Capitalism in the Existing Literature

35

The point at issue

35

The conception of breakdown in the existing literature

42

How Kautsky finally abandoned Marx's theory of accumulation  
and of breakdown

53

Notes

### 2 The Law of Capitalist Breakdown

Is there a theory of breakdown in Marx?

59

Preliminary methodological remarks

60

The equilibrium theory of the neo-harmonists

67

The conditions and tasks of schematic analysis

69

Why was classical economy alarmed by the fall in the rate of  
profit despite an expanding mass of profit?

71

The views of classical economists on the future of capitalism  
(D Ricardo and J S Mill)

72

The Marxist theory of accumulation and breakdown

74

Marx's theory of breakdown is also a theory of crises

83

An anti-critical interlude

85

The logical and mathematical basis of the law of breakdown

96

Why the Marxist theory of accumulation and breakdown was  
misunderstood

101

|  |     |
|--|-----|
| The factors of the breakdown and the business cycle  | 103 |
| Crises and the theory of underconsumption  | 111 |
| The elasticity of accumulation   | 117 |
| The restricted development of productive forces under capitalism                           | 119 |
| The Marxist theory of imperfect valorisation   | 124 |
| Notes  | 127 |
| <b>3 Modifying Countertendencies</b>   |     |
| Introduction   | 130 |
| <i>Part 1: Countertendencies Internal to the Mechanism of Capital</i>                      | 134 |
| Increases in the rate of profit through the expansion of productivity                      | 134 |
| Reducing the costs of variable capital through increases in productivity                   | 139 |
| Shortening the turnover time and its impact on the rate of surplus value                   | 140 |
| The additional money capital required for an expanded scale of production                  | 142 |
| The conflict between use value and exchange value  | 144 |
| The emergence of new spheres of production with a lower organic composition of capital     | 147 |
| The struggle to abolish groundrent   | 149 |
| The struggle to eliminate the commercial profit  | 150 |
| The economic function of 'third persons'   | 153 |
| Expanding the scale of production on the existing technological basis: simple accumulation | 154 |
| The periodic devaluation of capital on the accumulation process                            | 155 |
| The expansion of share capital   | 158 |
| The accumulation of capital and the problem of population                                  | 159 |
| <i>Part 2: Restoring Profitability through World Market Domination</i>                     | 163 |
| Introduction: The economic function of imperialism   | 163 |
| The function of foreign trade under capitalism   | 165 |
| Foreign trade and world monopolies   | 174 |
| The function of capital exports under capitalism   | 179 |
| Notes  | 201 |
| <b>Bibliography</b>  | 202 |
| <b>Index</b>   | 206 |

For Rana Sen (1952–1985)

## Foreword

TONY KENNEDY

Henryk Grossmann's *The Law of Accumulation and Breakdown of the Capitalist System* was first published in 1929 in Leipzig.<sup>1</sup> Both date and place are highly significant. This study of capitalist collapse was published on the eve of the Wall Street crash that preceded the great world depression of the 1930s, the most profound and wide-reaching crisis in the history of capitalism. It was also published in Germany, the country at the epicentre of the crisis of Europe and the wider international balance of power, a crisis only resolved through a descent into fascism and war and intercontinental barbarism on a scale unprecedented in human history.

It was an inauspicious moment for the publication of a major contribution to Marxist theory. The international working-class upsurge that followed the end of the First World War and had received a powerful impetus from the Russian Revolution had everywhere been contained by the mid-1920s. The Stalinist degeneration of the Soviet Union and the official communist movement internationally removed the initiative from the left and put it on the defensive against the rising forces of reaction. In this climate of defeat and demoralisation, Grossmann's work was destined at first to receive a universally hostile response, and then to be ignored for decades.

Grossmann was already close to 50 when his major work was published. He was born in 1881 in Cracow, in what was then Austrian Galicia, into a Jewish mine-owning family. He studied at Vienna, under both the conservative economist Bohm-Bawerk and the Marxist historian Carl Grunberg. After the collapse of the Austro-Hungarian empire in 1918 he became a professional economist under the newly constituted Polish state. He had moved towards socialism during the First World War and, sympathetic to the Russian Revolution, he afterwards became a member of the Polish Communist Party. In 1922 he was appointed professor of economics at Warsaw university, where he remained until harassment from the reactionary Pilsudski regime forced him to emigrate in 1925.



In 1926 Grossmann was invited by his former teacher Grunberg to join the newly established Marxist Institute for Social Research at Frankfurt. The lectures he gave at Frankfurt over the next three years formed the basis of his 1929 book. Respected for his formidable erudition, Grossmann was appointed professor in Frankfurt in 1930. In these years, Grossmann is described as being 'the embodiment of a Central European academic: proper, meticulous and gentlemanly'.<sup>2</sup> Always more of an academic than a political activist, it seems that Grossmann never joined the Communist Party in Germany, though he remained a loyal defender of the Soviet Union.

In the 1930s and 1940s Grossmann found himself increasingly marginalised. He became embroiled in disputes with his colleagues in the Frankfurt school as they either took up revisionist economic theories or moved away from the critique of political economy towards studies of psychology and aesthetics. As they became increasingly hostile towards Stalinism, he became more isolated in his support for the Soviet Union. The biggest problem however was the impact of the triumph of Hitler on the Frankfurt school. Forced to flee to Paris in 1933, Grossmann moved again to London in 1935 and then to the USA in 1937, when the remnants of the Frankfurt school took refuge in New York. With his family in Europe and at odds with his former colleagues, Grossmann lived 'a lonely and isolated existence'.<sup>3</sup> He suffered a stroke and continuing ill-health before his return to East Germany at the end of the war. In 1949 he was offered a professorial post in Leipzig, but died the following year, at the age of 69.

Grossmann's personal tragedy was symbolic of the fate of a generation of Marxists in the inter-war period. His work on breakdown was repudiated by the social democrat Braunthal, by the Stalinist Varga and by the left communist Pannekoek with more or less equal vehemence and with strikingly similar misinterpretations of his central arguments. One of the few people who recognised the value of Grossmann's work was the left communist Paul Mattick, who continued to uphold the Marxist theory of breakdown up to his death in 1981.

Born in Germany in 1904, Mattick was trained as a tool and die maker and became active in revolutionary socialist politics in Berlin and Cologne after the First World War. In 1926 he emigrated to the USA where he became an influential Marxist propagandist over the next half century. As an exponent of a libertarian approach that owed more to Rosa Luxemburg and the Dutch left communists than to Lenin and the Bolsheviks, Mattick was unsympathetic to Grossman's political allegiance to the Soviet Union. Yet in 1933 he defended the adoption of Grossmann's breakdown theory by his small group, as he put it, 'without, in general, sufficiently knowing or even wanting to take account of Grossmann's political interpretation' of

his own theory.<sup>4</sup> Whatever his reservations about Grossmann's politics, Mattick endorsed his theory and he forcefully repudiated the criticism that came from all sides that it advanced a mechanical and fatalistic conception of breakdown.

Mattick's writings, notably his *Marx and Keynes*, first published in 1969, helped to make Marx's theory of breakdown, and Grossmann's elaboration of it, available in English to a new generation of Marxists.<sup>5</sup> With the re-emergence of world recession in the 1970s, this tradition contributed to a revival of Marxist crisis theory and a new interest in Grossmann. Just as the financial crash of 1929 led to the depression of the 1930s, the international stock exchange crash of October 1987 was a harbinger of the global recessionary trends gathering momentum in the early 1990s. The persistent stagnation and decay of global capitalism provides a powerful vindication of Marx's critique of capitalist society. Grossmann's unsurpassed elaboration of this critique offers a rigorous scientific basis from which to interpret contemporary trends.

For Grossmann, writing in the 1920s, re-presenting Marx's theory of capitalist breakdown was no mere academic exercise. Nor was he concerned simply with describing tendencies towards periodic economic crises, of a more or less restricted character, nor even with trends towards more systematic and global recessions. He aimed to show that the essence of Marx's analysis of capitalist society was the identification of the inexorable tendency towards breakdown as the fundamental characteristic of the social system as a whole:

The question I shall examine is whether fully developed capitalism, regarded as an exclusively prevalent and universally widespread system relying only on its own resources, contains the capacity to develop the process of reproduction indefinitely and on a continually expanding basis, or whether this process of expansion runs into limits of one sort or another which it cannot overcome.<sup>6</sup>

Grossmann's book provided an impressive theoretical demonstration of the latter position, through his presentation of the tendencies towards capitalist collapse; the events of the 1930s and 1940s provided an even more powerful confirmation of these tendencies in practice. Capitalism survived, but only after two decades of worldwide turmoil and devastation.

Capitalism revived and continued to expand in the post-war era but only at the cost of reproducing tendencies towards stagnation and decay at a global level. While capitalism boomed in the USA, Western Europe and

Japan, backwardness and poverty remained endemic throughout the third world. Even when a few third world economies underwent rapid expansion and industrialisation in the 1960s and 1970s, the impoverishment of whole areas of Latin America, Africa and Asia intensified. The return of financial instability and economic recession, to plague not merely the backward capitalist world, but the system as a whole in the 1970s and 1980s, confirmed that the tendency towards breakdown – and the recurrent crises that are both an expression of this tendency and a means of forestalling it – are the constant features of modern capitalist society. It is these real developments in world capitalism today that give Marx's revolutionary critique, and Grossmann's unsurpassed elaboration of it, such exceptional pertinence.

The abridged translation presented here was one result of the growing interest in the Marxist critique of political economy in the 1970s. There was a particular concern among Marxists in Britain both to develop Marxist crisis theory in relation to contemporary economic and political events and to make Grossmann's major work accessible to an English-speaking readership for the first time. Jairus Banaji produced this translation in 1979 for the Platform Tendency – a group of former Trotskyists then based in Bombay, Bangalore and Delhi, who argued that a renovation of Marxist theory was *essential* to any renewal of the socialist movement and that this process of renovation would have to start with a critical re-examination of what was most valuable or most fundamental in that theoretical tradition. The general perspectives and intense theoretical life of the Platform group was the context in which a study of Grossmann seemed obligatory, like the parallel discussions of the work of Rubin and Rosdolsky which was or would soon become available in English then.

Where possible English editions are cited in references, and corrections to some minor mathematical errors have been made in the tables.

Acknowledgements are due to Mike Freeman, John Gibson, Phil Murphy and Katia Mecklenberger.

Tony Kennedy  
London, January 1992

### Notes

1. Henryk Grossmann, *Das Akkumulations – Zusammenbruchsgesetz des kapitalistischen Systems (Zugleich eine Krisentheorie)*, Leipzig: C L Hirschfeld, 1929, reprinted Frankfurt Am Main: Verlag Neue Kritik, 1970.
2. Martin Jay, *The Dialectical Imagination: A History of the Frankfurt School and the Institute for Social Research 1923–50*, London: Heinemann, 1973, p. 17.

3. Jay, *The Dialectical Imagination*, p. 151.
4. Paul Mattick, quoted in Russell Jacoby, 'The Politics of the Crisis Theory: Towards the Critique of Automatic Marxism II', *Telos*, 23, 1975, p. 29.
5. Mattick, *Marx and Keynes*, London: Merlin, 1971. Mattick and Grossmann's influence can be seen in: David Yaffe, 'The Marxian Theory of Crisis, Capital and the State', *Economy and Society*, 1973, 2, pp. 186–232, 'Class Struggle and the Rate of Profit', *New Left Review*, 80, July/August, 1973 and 'Inflation, the Crisis and the Post-war Boom' (with Paul Bullock), *Revolutionary Communist*, 3/4, November 1975; Tony Allen et al., 'The Recession, the Capitalist Offensive and the Working Class', *Revolutionary Communist Papers*, 3, July 1978 and 'The World in Recession', *Revolutionary Communist Papers*, 7, July 1981.
6. Grossmann, *Law of Accumulation*, p. 31.

# Henryk Grossmann and the Theory of Capitalist Collapse

TONY KENNEDY

The survival of capitalism over the past century is widely held to be the most damning refutation of Marxism. The popular view is that Marx's prediction that the capitalist system was destined to collapse under the weight of its internal contradictions has been falsified by events. What better vindication could there be for the existing order, and what better repudiation of its critics? Indeed, in recent years many authoritative commentators have argued that, not only has capitalism survived since Marx's death, but that today it is stronger than ever before. They point to 40 years of unprecedented prosperity and stability in the West; to the dramatic expansion of 'newly industrialising countries', particularly in Asia and Latin America; and they celebrate the ascendancy of market forces over the stagnant Stalinist economies of the Soviet Union and Eastern Europe. The apparent success of capitalism has given a new confidence to right-wing critics of Marxism. In his 1986 book, *The Capitalist Revolution: Fifty Propositions about Prosperity, Equality and Liberty*, Boston economics professor Peter L Berger dismisses what he takes to be the central theses of Marxism:

The list of ... falsified Marxist propositions is long and embarrassing – to mention but a few of the most important ones, the deepening 'immiseration' of the working class and the consequent ever-sharper polarisation of society, the inability of 'bourgeois' democracy to cope with modern class conflicts and the consequent ascendancy of dictatorial regimes in the heartlands of capitalism, or the progressive exclusion of the working class from the culture of the capitalist classes.<sup>1</sup>

By the close of the 1980s the scale of the capitalist triumph appeared to be so great that even former Marxists were inclined to agree with critics



like Peter Berger that Marx had got it all wrong. Prominent New Left historian Gareth Stedman Jones conceded despondently that 'Marx was far more successful in evoking the power of capitalism than in demonstrating in any conclusive fashion why it had to come to an end.'<sup>2</sup> The influential 'regulation school' Marxist Michel Aglietta emphasised the regenerative capacities of the capitalist system, arguing that 'it is possible to speak of an organic crisis of capitalism without implying its inevitable disappearance'.<sup>3</sup> The 'analytic' Marxist John Roemer summed up the prevailing consensus that 'the key economic models and theories that Marxism champions, such as the labour theory of value and the falling rate of profit, are simply wrong'.<sup>4</sup>

Yet developments in the capitalist world in the 1980s and 1990s have undermined the complacency of the right and suggested that the left's abandonment of Marx might be premature. The world capitalist recession has turned into a slump and confounded all the confident promises of an early return to stable and sustained growth. Meanwhile the transition from Stalinism to capitalism in the Soviet Union, Eastern Europe and China is proving to be highly volatile, with unpredictable consequences for the stability of the world capitalist order. A growing awareness that developments in the former Eastern bloc raise the likelihood of major tensions and realignments in the post-war international balance of power has done much to mute the celebrations over the collapse of Stalinism. Despite Berger's bold title, 'prosperity, equality and liberty' are still denied to millions, not only in the third world, but among the growing numbers of unemployed and homeless in the heartlands of his much vaunted 'capitalist revolution'. Indeed, while Marx's theory of immiseration meets with derision in some quarters, the fact remains that the numbers facing starvation and disease on a world scale today exceed the entire global population in Marx's time.

Yet despite the widespread recognition that capitalism faces serious problems, most radical critics of the system regard Marx's critique as obsolete and as of little use in interpreting contemporary patterns of development. In fact, the last few years have seen many erstwhile critics of capitalism naively swallow the right's line on rejuvenated capitalism and abandon opposition altogether. Marx's own prognosis for the capitalist system was proclaimed in categorical terms in a famous passage in the chapter 'The historical tendency of capital accumulation' at the close of the first volume of *Capital*:

Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of

transformation; grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of private property sounds. The expropriators are expropriated.<sup>5</sup>

Today's commentators on Marx reject his theory of capitalist collapse. They insist that his analysis bears little correspondence to the reality of capitalist production. In their repudiation of Marx's theory by reference to contemporary economic trends modern commentators follow a similar approach to that taken by a number of influential Marxists in the two decades after Marx's death. In a series of articles first published in the late 1880s, Eduard Bernstein, a leading theoretician of German social democracy, sought to repudiate Marx's theory by reference to the current stabilisation of the capitalist system:

Signs of an economic worldwide crash of unheard-of violence have not been established, nor can one describe the improvement of trade in the intervals between the crises as particularly short-lived. Much more does a ... question arise ... (1) whether the enormous extension of the world market, in conjunction with the extraordinary shortening of the time necessary for the transmission of news and for the transport of trade, has so increased the possibilities for adjustment of disturbances; and (2) whether the enormously increased wealth of the European states, in conjunction with the elasticity of the modern credit system and the rise of industrial cartels, has so limited the reacting force of local or individual disturbances that, at least for some time, general commercial crises similar to the earlier ones are to be regarded as improbable.<sup>6</sup>

Bernstein concluded that the socialist movement could no longer base its activity on the anticipation of capitalist collapse and intensifying class conflict. Instead it should seek to achieve gradual improvements within the existing order through collaborating with other classes and through parliamentary reforms. The bulk of the socialist movement rejected Bernstein's reformist perspectives. However, the leading theoreticians of

the left, notably Karl Kautsky, were unable to advance a coherent defence of Marx's theory of breakdown. Indeed Kautsky went so far as to dismiss the whole issue, arguing that 'a special theory of breakdown was never proposed by Marx or Engels'.<sup>7</sup>

Bernstein's 'revision' of Marxism provided the theoretical foundations for reformism and set the terms for the debate about crisis theory and political strategy that continues to this day. Henryk Grossmann's *The Law of Accumulation and Breakdown of the Capitalist System* was a decisive intervention in what he described as the 'fierce controversies' raging around the status of the theory of breakdown in Marx's system that continued from the turn of the century into the 1920s. Grossmann emphasised the point that, though Bernstein's opponents rejected his reformist perspectives, they were unable to challenge the logic of his position:

Bernstein was perfectly right in saying, against social democracy's views about the end of capitalism; 'If the triumph of socialism were truly an immanent economic necessity, then it would have to be grounded in a proof of the inevitable breakdown of the present order of society'.<sup>8</sup>

Grossmann contended that the socialist movement's commitment to the overthrow of capitalism required a theoretical proof of the system's tendency towards collapse. He insisted that if, by contrast, capitalism showed a consistent ability to develop the productive powers of society, and improve the conditions of the working class, then there was no material justification for socialism. Grossmann argued that in the long-running Bernstein-Kautsky debate 'there was no real dispute about the theory of economic breakdown of capitalism'.<sup>9</sup> In fact apart from a laudable, but ultimately ill-conceived, attempt by Rosa Luxemburg – the leading theoretician of the left – to provide an explanation of capitalist breakdown, Grossmann observed that the 'debate itself revolved around less important issues.' The result was 'an absolute chaos of conflicting views' on Marx's critique, 'quite irrespective of whether the individuals concerned are bourgeois writers or belong to the radical or moderate wing of the workers' movement'.<sup>10</sup>

Grossmann believed that the absence of any serious assessment of the theory of breakdown reflected a broader lack of interest in the structure and content of Marx's critique. At the same time he stressed that this had important political consequences inside the socialist movement. Thus by the late 1920s Kautsky could conclude that the First World War and the economic chaos and revolutionary upheaval that followed, far from

indicating the capitalist system's tendency towards breakdown, confirmed that 'its capacity to adjust to new conditions was much stronger than its vulnerability'. Two years before the worldwide collapse of the financial system in 1929 Kautsky insisted that capitalism 'stands today, from a purely economic point of view, stronger than ever'.<sup>11</sup>

In introducing Grossmann's work we begin with his challenge to the superficial approach of contemporary theorists to Marx's theory and their general neglect of the method underlying Marx's *Capital*; the same deficiencies continue to dominate commentaries on Marxism today. We can then proceed to outline the place of the law of the tendency of the rate of profit to fall in his theory of breakdown and the importance of various counteracting tendencies in modifying the expression of this law in reality. Finally, we discuss the role of the class struggle in the breakdown of capitalism before finally reviewing the views of some contemporary Marxist scholars on the prospects of modern capitalism.

### Marx's method

Grossmann maintained that the content and significance of the theory of breakdown could only be clarified through a 'reconstruction or definition of its place in the system as a whole'.<sup>12</sup> By this he meant that the key to the analysis lay in the totality of Marx's presentation founded on the law of value as the basic law of capitalist production:

Under capitalism the entire mechanism of the productive process is ruled by the law of value, and just as its dynamic and tendencies are only comprehensible in terms of this law, its final end, the breakdown, is likewise only explicable in terms of it.<sup>13</sup>

Grossmann's emphasis on the importance of Marx's analysis of the inner laws governing capitalist production arose from his belief that both followers and opponents of Marxism had lost sight of the historically constructed character of capitalist production and the specific character of the social laws by which the system is governed. He insisted that the disputes surrounding the interpretation of Marx's work were largely rooted in the almost universal failure to appreciate the importance of its structure as the theoretical reflection of the internal dynamics of capitalist production. The source of many controversies, according to Grossmann, was a 'general tendency to cling to the results' of Marx's theory and an ignorance of 'the method underlying *Capital*'.<sup>14</sup>

Marx's method involved a presentation of the structure of capitalist society in terms of a theoretical movement from its simplest, and most fundamental, social relations towards progressively more complex and developed relations. To reveal the basic relations of capitalist society Marx used a method of abstraction which began by leaving aside the more complex and developed features of reality. Through a succession of stages Marx introduced these more complex relations so that the theoretical representation of capitalist production becomes a progressively fuller depiction of the system's developmental tendencies. Marx's method was thus to ascend from a simple, abstract presentation of capitalist production towards a successively fuller, concrete presentation. Grossmann characterised the movement as a process in which 'the investigation as a whole draws nearer to the complicated appearances of the concrete world'.<sup>15</sup>

The significance of Marx's theory lay in its totality. Marx's method of presentation, his practice of isolating specific social relations and analysing their characteristic movement, was not meant to suggest that capitalist reality itself was simply an aggregate of essentially compartmentalised phenomena whose interactions were arbitrary. His aim was to provide a comprehensive theoretical reproduction of the social laws governing the system. Hence every stage of Marx's analysis, and every formulation, has a provisional character in relation to capitalist reality. Marx's formulations cannot, therefore, be applied directly to any particular set of economic circumstances – not least because Marx's method itself assumes that the laws of capitalist production operate in a dynamic way, continually generating new trends and patterns of development. The utility of Marx's approach lies in a method that stresses the need to grasp the specific social character of the capitalist mode of production. Any discussion of prevailing patterns of capitalist development must appreciate the abstract nature of Marx's presentation. The problem of comprehending new developments involves establishing a series of mediating links which reveal their origins in the inner movement of capitalist production rather than trying to fit reality into the analysis presented in *Capital*.

Grossmann's awareness of these methodological principles formed the basis of his challenge to the opponents of the theory of breakdown. His main objection was that the failure to comprehend the method underlying Marx's work meant that the critics of breakdown at that time based their assessments of his theory on whether or not it directly corresponded to the prevailing economic circumstances. Grossmann argued that this approach involved two fundamental errors.

First it meant introducing into Marxist analysis the uncritical attitude of bourgeois economics towards the surface appearances of capitalist society.

Both Bernstein and his opponents regarded new developments within the system as self-evident facts requiring little further investigation. This led to a second mistake, that of searching Marx's work for formulations which seemed to correspond to the latest patterns of economic development. Instead of approaching new theoretical problems from a critical angle with the aim of developing an interpretation founded on the dynamic and contradictory movement of capitalist production, the new generation of Marxists tended to extract themes from Marx's analysis that seemed to provide a useful model for characterising the latest economic developments. This selective approach also encouraged a tendency to dispense with aspects of the analysis which seemed to be in conflict with immediate circumstances.

Grossmann pointed out that the desire to find some facet of Marx's theory which seemed to correspond to the most recent trends revealed little about the trends themselves. The main result was to generate doubts about the credibility of Marxism as a mode of analysis. Grossmann argued that this selective approach to Marx's theory, the tendency to divorce a given thesis 'from the path that led to its formulation', was ill-founded.<sup>16</sup> It meant converting abstract formulations, which had a provisional explanatory role in a broader theoretical system, into comprehensive portrayals of capitalist reality. For Grossmann this was bound to create the impression that Marx needed revising because an isolated thesis would always prove inadequate for comprehending the complex and changing patterns of capitalist development. The procedure necessarily led to the production of inflexible models of capitalist development. Nothing could be easier than to refute a formulation that was only meant to figure as a provisional conclusion within a broader theoretical system. The inflexible character of such models therefore tended to encourage yet further revisions of the theory. As Grossmann observed, this approach reinforced the view that Marxism had little definite content and that it had become little more than 'a matter of interpretation'.<sup>17</sup>

The logical form which Marx used in *Capital* – the dialectical method of presentation – was designed to lay bare the inner nature of capitalist production. Marx aimed to depict in theoretical form the development of a social system which is simultaneously a process of producing the material needs of society and a process for ensuring the profitable expansion of private capital. He maintained that there was a real, living contradiction in this twofold character of capitalist production. Capitalism cannot fulfil both the social and the private objectives of production in a stable and harmonious way. The criterion of profitability tends to create barriers to fulfilling social need and the consequent clash between the needs of society and the constraints on capitalist production threatens its very survival.

The dialectical method forms the foundation of Marx's theory of a system characterised by a fundamental conflict between the interests of private capital and those of society as a whole. A revised Marxism which ignores the methodological basis of the theory necessarily loses sight of this contradiction. Grossmann criticised the neglect of Marx's method because this meant separating the examination of economic developments from Marx's conception of the contradictory nature of capitalist production. The inevitable outcome was a version of Marxism which could not sustain a coherent anti-capitalist outlook.

### The theory of breakdown

Grossmann observed that Marxists had often criticised Marx because he 'nowhere ever produced a comprehensive description of his theory of crisis'. But, Grossmann continued, 'this objection rests on a crude misunderstanding: the object of Marx's analysis is not crisis, but the capitalist process of reproduction in its totality'.<sup>18</sup> The theory of breakdown was, for Grossmann, something more than the conception of capitalist crisis. In fact he indicated that the idea of economic crisis found a parallel formulation in bourgeois economics (business cycle theory) whereas the theory of breakdown definitely did not. The theory of breakdown, as formulated by Grossmann, is a theory of the limitations of capitalism as a mode of production capable of ensuring social progress. At its heart lies Marx's analysis of the contradictory nature of capitalist production.

Marx's *Capital* opens with a presentation of the contradiction of capitalist production in its simplest form – the commodity. A product of human labour takes the form of a commodity not because it fulfils some human need, but because it is sold on the market. As a commodity the product therefore possesses a twofold character: it is both useful (a use value) and exchangeable (a value). The distinction within the commodity between its material, bodily, form and its socially-constructed existence as a product for exchange is the most elementary form of the contradiction of capitalist production.

Marx examines the simple exchange between two commodities to show how the contradiction develops. The commodity, in being exchanged for another of equivalent value, expresses its value in the material form of another commodity. The social aspect of the commodity is therefore expressed in the use value form of another commodity. Thus the use value/value relation internal to the commodity form develops, in the act of exchange, into a contradictory relation between two commodities. At this

level of simple exchange the significance of the contradiction is not apparent. After all, the question of which of the two commodities is expressing its value in the useful form of the other is accidental: either can change places without affecting the character of the relationship.

Marx moves on to consider the situation in which one commodity (the money commodity) comes to function as the bodily expression of the value not of one other but of all commodities. Here the contradiction between value and use value acquires a clearer expression. The money form tends to become attached to one or two commodities (gold or silver) which are universally accepted as the material representatives of value. In effect, the contradiction between use value and value assumes a fixed form in the exchange of commodity for money. However, the contradiction between the technical and social aspects of capitalist production is still not fully apparent and appears to have a purely formal character.

At this early stage of his presentation Marx points out that the very separation of the economic process into two phases – production and exchange – creates 'the possibility and no more than the possibility' of crises, since there can be no guarantee that production will be followed by sale. At the same time he warns that 'the conversion of this mere possibility into a reality is the result of a long series of relations, that, from our present standpoint of simple circulation, have as yet no existence'.<sup>19</sup> To discover this series of relations we have to investigate the contradiction further.

The formal possibility of crisis begins to emerge as a reality when the production of value begins to take precedence over the production of use value. This is the result of the further extension of commodity exchange, involving the transformation of human labour power itself into a commodity. This apparently formal process involves a profound social and historical change through which producers are converted into a class of propertyless wage labourers, while ownership of the means of production becomes the preserve of a non-producing capitalist class. As the capital-wage labour relation becomes dominant in society, the motive of production changes. The objective is now the reproduction of this social relation on an expanded scale through the appropriation of surplus value from the wage labouring class. The creation of value and surplus value, rather than the production of use values, now becomes the system's defining motive. From this moment the contradiction between the narrow motive of capital accumulation and the broader material interests of society emerges as a living contradiction.

In his exploration of the way the production process is subordinated to the interests of capital, Marx introduces a number of new categories. Thus the concept of *constant capital*, that portion of capital invested in means of

production, reveals the fact that under the rule of capitalist social relations, the productive forces of society are employed for the purpose of enriching capital rather than society. In a similar way, the concept of *variable capital*, the portion of total capital spent on living labour power, reveals how human labour is organised for capital rather than in the interests of workers. Conservative, as well as radical, critics have dismissed such concepts as ingenious creations of Marx's mind. For Marx however, the subordination of society's productive powers to the interests of capital is a real feature of capitalist production. Theory is obliged to grasp this peculiar aspect of capitalist social reality.

In his presentation of the theory of breakdown Grossmann continually emphasises the importance of Marx's focus on the twofold nature of capitalist production. He points out that the ability of the individual labourer to set in motion a greater mass of means of production is the fundamental indicator of progress because it reflects the possibility of producing more in a given expenditure of labour time:

Ever since the beginnings of history it has always been the capacity of the individual worker with his labour power  $L$  to set in motion a greater mass of means of production  $M$  that has signalled technological and economic progress.<sup>20</sup>

The rationale for society devoting more and more of its labour time to the production of means of production is that it enables more than proportional increases in the generation of consumable wealth. For example, if under a given set of conditions 10 cars could be produced in 10 working days of 8 hours it would be in the interest of society to devote 5 working days to producing a better machine if this allowed the production of more than 10 cars during the other 5 days. The tendency to devote more of society's labour time to the production of means of production is confirmed by the growing mechanisation of the process of producing means of production.

The expansion of the means of production relative to living labour is a self-evident feature of economic progress. It is also evident that capitalism develops society's impetus to extend its productive powers more rigorously than all previous modes of social organisation. In doing so, however, capitalism endows the productive powers of society with a specific social character: 'The elements of production  $M$  and  $L$  figure not only in their natural form, but at the same time as values  $c$  [constant capital] and  $v$  [variable capital]'.<sup>21</sup> Grossmann went on to argue that 'Marx emphasises ... not the changes in the technical composition of capital ( $M:L$ ) but

changes in the organic composition of capital ( $c:v$ ). This is because 'the valorisation process, and not the technical process of production, is the characteristic driving force of capitalism'.<sup>22</sup>

Grossmann pointed out that organic composition of capital 'is a value composition determined by the technical composition and reflecting its changes'.<sup>23</sup> For him the problem was to identify the specific capitalist form of the general tendency towards the development of society's productive forces, the drive to increase the mass of means of production set in motion by each labourer. In other words, how is the tendency for  $M$  to increase relative to  $L$  reflected in the social relationship  $c:v$ ? For Grossmann it was evident that under capitalism the general tendency to economise on living labour by using more means of production must lead to a tendency towards a rising organic composition of capital, or an increase in the ratio of constant to variable capital.

Grossmann noted a widespread lack of interest among commentators on Marx with his discussion, in *Capital Volume Three*, of the rising organic composition of capital. He regarded it as symbolic of a general failure to appreciate Marx's emphasis on the twofold social character of capitalist production. For Grossmann the rising organic composition of capital was crucial to Marx's whole presentation of the laws of capitalist development. In technical terms living labour and means of production may be regarded as mere factors of the production process; their material functions within production are obviously distinct but such technical differences are of no particular scientific interest. But this is far from the case when we consider the matter from the point of view of capitalist production and the distinct social functions which constant and variable capital perform for the capitalist production process.

The employment of labour power – purchased out of the variable component of capital – is the source of the surplus value required to sustain the process of capital accumulation. Yet the variable portion tends to decline in relation to constant capital, and therefore total capital. This means that as capital accumulation proceeds there is a tendency for the mass of surplus value to increase at a slower rate than the total capital required to generate that surplus value.

The employment of better production methods in the production of goods consumed by the working class does have an indirect effect on increasing the mass of surplus value. Higher productivity cheapens the value of such goods and thereby reduces the cost of acquiring labour power for the capitalist class. More of the product of a given working day can therefore be appropriated as unpaid surplus value. Yet the working day is finite. Such increases in the rate of surplus value extracted from

each worker cannot equal the rate of increase in the constant capital employed by each worker.

The tendency for the mass of surplus value to increase at a slower rate than the total capital employed is expressed in the *tendency of the rate of profit to fall*. The rate of profit is the total mass of surplus value, or profit, as a portion of the total capital employed. According to Marx: 'The progressive tendency of the general rate of profit to fall is ... *an expression peculiar to the capitalist mode of production*, of the progressive development of the social productivity of labour'.<sup>24</sup> For Marx the tendency of the rate of profit to fall is the form in which the general development of human productive powers appears when organised under the sway of capitalist social relations. Grossmann viewed Marx's discussion, in *Capital Volume Three*, of the tendency of the rate of profit to fall as the proof that Marx's critique is a theory of the breakdown of the capitalist system. The central theme of Grossmann's presentation of the theory of breakdown is that barriers to the generation of wealth emerge out of the capital accumulation process itself.

Capital accumulation generates enormous increases in the production of social wealth. Indeed it appears to capitalist entrepreneurs and their economic commentators that capital accumulation and increasing wealth are by nature the same process. But in reality capitalism provides merely a glimpse of society's productive potential. The development of society's productive mechanism comes into conflict with the specific aim of capitalist production – the production of surplus value for the purpose of further capital accumulation. In the course of accumulation a growing scarcity of profits emerges in relation to the size of the capital seeking a profit.

This produces a paradoxical 'overproduction'. Overproduction does not take place with respect to any measure of social need; indeed the overproduction of capital is always accompanied by generalised want. Capital is overproduced in the sense that the available surplus value is insufficient to reproduce the entire capital on a profitable basis. In such a situation productive resources are allowed to lie idle and further expansion is delayed until the conditions of profitability improve. According to Grossmann the very existence of overproduced, idle capital in a situation where wants go unsatisfied confirms the validity of the theory of breakdown. It shows that the systematic development of society's productive powers is, indeed, a profound threat to capitalism. Grossmann emphasised that economic crises both expressed the tendency towards breakdown and acted to offset it: 'crises are simply a healing process of the system, a form in which equilibrium, that is, valorisation, is again re-established, even if forcibly and with huge losses. From the standpoint of capital every crisis is a "crisis of

purification" ... [a] form in which the breakdown tendency is temporarily interrupted and restrained from realising itself completely'.<sup>25</sup>

No other aspect of Marx's theory has provoked more confusion and hostility than his elaboration of the law of the tendency of the rate of profit to fall. This is not surprising since, as Marx states, beneath the

horror of the falling rate of profit is the feeling that capitalist production meets in the development of the productive forces a barrier which has nothing to do with the production of wealth as such; and this peculiar barrier testifies to the limitations and the merely historical, transitory character of the capitalist mode of production.<sup>26</sup>

However, exponents of Marxism too have renounced the thesis, declaring that no capitalist would rationally invest if it led to a fall in the rate of profit. But the rational calculation of the individual capitalist does not enter into the question of the tendency of the rate of profit to fall. Marx's analysis is concerned with the dynamics of the system as a whole. The tendency of the rate of profit to fall indicates that the very conditions for the continuation of capital accumulation, the generation of an increasing mass of surplus, also throws up obstacles to the preservation of the accumulation process. The tendency of the rate of profit to fall shows that production for profit is an inadequate basis for the consistent development of society's material conditions of life.

Much of the confusion around the tendency of the rate of profit to fall stems from a misunderstanding of the structure of Marx's work. Grossmann argued that the falling rate of profit is a tendency that arises out of the capital accumulation process conceived in its pure operation. In other words it illustrates the tendency towards the breakdown of the capitalist system presented theoretically in terms of its pure operation. Grossmann stressed that an 'abstract, deductively elaborated theory never coincides with actual appearances' and that the further analysis must examine 'how far the tendency of the pure law is modified in its realisation'. Indeed the question that concerned Grossmann was not so much whether or not the capitalist system exhibited a tendency to breakdown but 'why has capitalism not already broken down?'.<sup>27</sup> We will return to this issue in the discussion on the countertendencies to capitalist collapse.

### The reproduction schemes

The debate around the reproduction schemes in *Capital Volume Two* is a classic illustration of the danger of extracting a formulation from the body



of Marx's work and trying to use it directly as some sort of model of economic realities. In *Capital Volume One*, Marx presents an analysis of the process of capitalist production, touching on questions of exchange only to highlight the outward forms taken by the relations of production. In *Capital Volume Two* he focuses on the circulation process, analyses its specific characteristics and assesses the extent to which propositions in *Volume One* have to be modified.

The purpose of the reproduction schemes, which appear in *Volume Two*, is to emphasise that although capitalist production is above all concerned with the production and expansion of value, the reproduction of this process necessitates the production of particular use values in determinate proportions. There are two main aspects to the schemes. First Marx assumes that the process of social reproduction in value terms, whether in a simple form or an expanded form, proceeds in harmony. The purpose of this assumption is to isolate the impact of value reproduction on the use value side of production. Second, Marx presents the use value aspect of reproduction in terms of two broad social categories – the production of means of production and the production of means of consumption. The total production process is depicted as an interaction between two departments of production, *department I* producing means of production and *department II* producing means of consumption.

The basic error of commentators on the reproduction schemes from Bernstein to the present is to take them as a faithful description of the actual process of capitalist reproduction. They interpret a highly abstract conceptual device as a model that is directly applicable to the real world. The result is that they use Marx's provisional and artificial assumption of a stable process of social reproduction as a proof that capital accumulation really does proceed harmoniously.

The assumption of the possibility of a harmonious reproduction process was common to leading authorities within the European Marxist movement such as Rudolf Hilferding and Otto Bauer in the early decades of the twentieth century. Even Rosa Luxemburg, who firmly rejected any notion of stable capitalist development, shared the harmonist interpretation of the schemes. She argued that Marx, when constructing the schemes, had forgotten one crucial factor – the problem of realising surplus value. She insisted that the schemes were faulty because, in considering only the relations between capitalists and workers, the issue of realisation was irresolvable. Workers obviously could not constitute a market for the surplus product since it had been appropriated from them without payment. Nor could capitalists constitute a market for one another's surplus product. The implication, she insisted, was that surplus value

could only be realised outside the capitalist system, in markets provided by 'non-capitalist' regions of the world. Luxemburg's view was that the scheme for extended reproduction was therefore unable to explain 'the actual and historical process of accumulation'.<sup>28</sup> In her view, 'it falls down so soon as we consider the realisation of surplus value'.<sup>29</sup>

That the reproduction schemes do not resolve the problem of realisation or explain the real process of accumulation is undeniable. The problem however lies not in the reproduction schemes but in Luxemburg's critique. As we have seen, the schemes are an examination of the circulation process in its pure form, holding consideration of the interaction of production and circulation until *Capital Volume Three*. Why Marx should have discussed the contradiction between the production and realisation processes of capital in the context of an examination of the circulation alone is a mystery to which Luxemburg never gave an answer. In fact, by using Marx's discussion of the problem of realisation contained in *Capital Volume Three* to dismiss the reproduction schemes, Luxemburg merely followed her harmonist opponents in imagining that Marx's schemes attempt to portray the capitalist production process in its totality.

The outcome was not merely confusion about the schemes and Marx's method. Luxemburg also converted Marx's analysis of the inner contradictions of capitalist production into one of an external contradiction between two separate processes – capitalist production and non-capitalist realisation. While Grossmann acknowledged Luxemburg's subjective commitment to the theory of breakdown, he considered that her attempt to establish a rigorous materialist basis for this position had failed:

Her deduction of the necessary downfall of capitalism is not rooted in the immanent laws of the accumulation process, but in the transcendental fact of an absence of non-capitalist markets. Luxemburg shifts the crucial problem of capitalism from the sphere of production to that of circulation.<sup>30</sup>

The Austrian Marxist Otto Bauer set about defending Marx's reproduction schemes from Luxemburg's attack. Taking account of Luxemburg's technical criticisms of Marx's schemes he produced the most elaborate harmonist reproduction scheme. Grossmann argued that Bauer's scheme matched 'all the formal requirements that one could impose on a schematic model of this sort'.<sup>31</sup> Bauer concluded that a harmonious process of accumulation was possible. To explain the occurrence of crises, he resorted to the idea of potential imbalances or disproportions between the rate of accumulation and the growth of the wage labour force. Grossmann upbraided Bauer for his 'underlying lack of methodological clarity':

He confuses the purely fictitious trajectory of accumulation represented by the scheme with the actual trajectory of accumulation ... His mistake lies in his supposing that the scheme is somehow an illustration of the actual processes in capitalism and in forgetting the simplifications that go together with it.<sup>32</sup>

Despite Grossmann's insistence that the schemes cannot be used to depict the actual development tendencies of capitalism, Paul Mattick – who otherwise regarded Grossmann's work as a major contribution to the defence of the theory of breakdown – argued that he made an 'unnecessary concession' to the view that the reproduction schemes could 'demonstrate the possibility of frictionless exchange between the departments of production'.<sup>33</sup> In seeking to demonstrate the possibility of equilibrium Bauer had followed the operation of his scheme for only four years. Grossmann continued the calculations over a period of 35 years. Without changing any of the specifications outlined by Bauer, Grossmann showed that the scheme, far from proving the possibility of harmonious expansion, eventually broke down.

It is important to clarify that Grossmann's demonstration of the impossibility of equilibrium is *not* an arithmetical proof of the tendency towards capitalist breakdown. To claim this would be to make the same methodological mistake as Bauer and others in drawing conclusions about reality directly from the abstract reproduction schemes. Grossmann's treatment of Bauer simply proves the impossibility of equilibrium even in his abstract model, with all its simplifying assumptions. Given the prevailing confusions about Marx's method it is not surprising that many readers of Grossmann interpreted his academic exercise of arithmetically disproving Bauer's already methodologically flawed analysis as a proof of the theory of breakdown. This perhaps explains Mattick's impatience with Grossmann's indulgence in the exercise.

### Counteracting tendencies

Grossmann repeatedly emphasised that Marx's theory of breakdown does not 'directly correspond with the appearances of bourgeois society in its day to day life'.<sup>34</sup> He observed, in presenting the theory of breakdown, that 'many real factors pertaining to the world of appearances are consciously excluded from the analysis'.<sup>35</sup> While this method allowed Marx 'to determine the direction in which the accumulation of capital works' it nevertheless meant that 'the results of this analysis have only a provisional

character'.<sup>36</sup> The objective of representing the workings of the capitalist system in a comprehensive form therefore requires that the analysis be pursued further.

Marx moved further in this direction in *Capital Volume Three*, subtitled 'capitalist production as a whole'. As Grossmann observed, this meant that in addition to discussing the tendency of the rate of profit to fall it was also necessary to consider 'several countertendencies that hinder the complete working out of the breakdown'.<sup>37</sup> Grossmann's work is divided equally between a discussion of the fundamental tendency to breakdown and an elaboration of various countertendencies. The formal division in the mode of presentation, however, is not meant to suggest that the two conflicting movements relate to one another in an external and arbitrary fashion. The countertendencies are generated in the course of the accumulation process itself. Grossmann discusses a series of countertendencies in terms of two broad categories; those which are internal to the mechanism of capital accumulation and those which arise through the world market and the global extension of capitalist social relations. The implications of Marx's method emerge most forcefully in Grossmann's analysis of the world market, a subject that has caused confusion among Marxists since the turn of the century.

Grossmann pointed out that, in the course of his analysis of capitalist production, Marx abstracted from the issue of foreign trade. He goes on to note that subsequent commentators regarded this as a major omission that implied that Marx had 'built his system on the unproven and improbable assumption that there are no non-capitalist countries'. Grossmann insisted that this objection arose out of an ignorance of Marx's method:

The grotesque character of the entire exposition is quite obvious. It is the product of a whole generation of theoreticians who go straight for results without any philosophical background, without bothering to ask by what methodological means were those results established and what significance do they contain within the total structure of the system.<sup>38</sup>

Marx did not forget the question of the world market; he consciously left the issue aside because it is irrelevant to the task of conceptualising the fundamental contradictions of capitalist production. However he fully recognised the importance of the world market as an integral feature of capitalist development:

Capitalist production rests on the *value* or the transformation of the labour embodied in the product into social labour. But this is only

[possible] on the basis of foreign trade and of the world market. This is at once the pre-condition and the result of capitalist production.<sup>39</sup>

As we have seen, under capitalism the products of labour share a common social character as values despite their different useful properties. The world market is contained in the very concept of value because it is the fullest development of this social form of the product. The conversion of the product of the whole world of producers into commodities for exchange is the highest expression of the social character of value production. Furthermore, the fundamental objective of capitalist production – the continual expansion of capital through the appropriation of the social product as surplus value – gives an impetus to the extension of commodity relations on a global scale. There is in effect an inherent universalising tendency within capitalist production.

Nevertheless, in terms of the structure of Marx's analysis of capitalist society, a detailed investigation of the world market must follow the exploration of the inner nature of capitalist production. This is because the global extension of exchange relations, though posed abstractly in the concept of value, is concretely realised in the form of counteracting tendencies to capitalist breakdown. It is not the inner nature of the value form itself that provides the practical impetus to the formation of the world market and the globalisation of capitalist production relations. It is the concrete development of that form, in the tendency of the rate of profit to fall and capitalist breakdown, that prompts the extension of capitalist social relations.

Grossmann's discussion of the globalisation of capitalist production in terms of counteracting the tendency to breakdown yielded useful insights into the dynamics of modern imperialism. He noted that there was 'a big difference between the capital exports of today's monopoly capitalism and those of early capitalism', that unlike the modern era the export 'of capital was not "typical" of the capitalism of that epoch, it was a transient, periodic phenomenon'.<sup>40</sup> By contrast, in contemporary conditions the overproduction of capital had ceased to be a 'merely passing phenomenon', and had started 'to dominate the whole of economic life'.<sup>41</sup> He concluded: 'Under these circumstances the overabundance of capital can be surmounted only through capital exports. These have therefore become a typical and indispensable move in all the advanced capitalist countries.'<sup>42</sup>

Grossmann provided a theory of imperialism organically linked to Marx's theory of the fundamental tendencies of capitalist production. While recognising the dynamic character of new patterns of capitalist

development, he showed that these could be explained in terms of the underlying social laws governing capitalist production that were presented in Marx's *Capital*. Grossmann's demonstration of the capacity of Marx's theory to take account of new developments in capitalist society was one of his most important contributions. By showing how new trends modified the tendency to breakdown he demonstrated the open-ended and dynamic character of Marxist theory. He confirmed the vitality of Marxist theory by showing how it could grasp changing patterns of development on the basis of its understanding of the totality of capitalist social relations.

### Breakdown and class struggle

Grossmann's presentation of the theory of breakdown provided the basis for restoring the connection between the critique of political economy and the theory of revolution that was at the heart of Marx's work. For Grossmann class struggle was the 'subjective bearer of change' within the objective conditions provided by the emergence, stagnation and breakdown of the capitalist system. Marx had a twofold interest in the class struggle. He was concerned with studying the class struggle as an expression of the existing conflict in society. But, more importantly, he was concerned with informing the active participation of the working class in the historical process. Marx's theory of class struggle was not merely a description of the existing state of society, but that 'part of his historical theory which endows it with concrete and profound meaning'.<sup>43</sup> In a society in a constant state of transition, the working class was the dynamic force for progress.

Grossmann emphasised that in discussing the trends towards breakdown it was not a question of the effect of economic factors on class relations, but of the totality of capitalist relations of production:

In the materialist conception of history the social process as a whole is determined by the economic process. It is not the consciousness of mankind that produces social revolutions, but the contradictions of material life, the collisions between the productive forces of society and its social relations.<sup>44</sup>

For Grossmann the historical limit of capitalist society lay in proletarian revolution; the tendency towards breakdown, while an objective tendency of the system, is fully realised only in the overthrow of capitalism. It is thus impossible to abstract the class struggle (politics) from the tendency