

Rick Kuhn

Henryk Grossman and the Recovery of Marxism

Marxists are ambitious.¹ We set out not only to understand the world but, more importantly, to change it. We regard ideas as part of the world and seek to understand and change them too. Marxism, as a set of ideas, has no privileged status in this regard. It, too, can be explained within the framework of historical materialism. For Marxism is not only a theory of the working class' struggle for its own emancipation. This theory is also the product of that struggle and the efforts of real human beings committed to and involved in it. The history of Marxism can only be grasped in the context of the working class' victories and defeats.

This article uses an historical-materialist framework to explore Henryk Grossman's² recovery of Marxist economic theory, its preconditions in Grossman's own experience and its relationships with the recoveries

¹ I am grateful to Sam Pietsch, for his insights and perceptive advice; to Gerda and Kurt Kuhn, Mary Gorman and Alyx Kuhn Gorman who have supported and tolerated my work on Grossman for over a decade; and to *Historical Materialism's* two referees, for their valuable comments. My biography of Grossman will be published in 2006 by University of Illinois Press.

² He generally signed himself 'Henryk Grossman'. This was how his name appeared in Polish publications and those of his works whose appearance in English he oversaw himself. 'Henryk Grossmann' was the most common German rendition of his name and the one used in most of his own publications in German. In the references below, the name under which each publication originally appeared is used.

of Marxist politics and philosophy undertaken by Lenin and György Lukács. The paragraphs below provide some background on the history of Marxism and especially of the Marxist theory of economic crisis. The next section sketches Grossman's political life up to 1933. It is followed by an outline of his recovery and renewal of Marxist political economy. Instead of relying on a few passages selected from his best known work, *The Law of Accumulation and Breakdown of the Capitalist System: Being also a Theory of Crises*,³ as most of his critics have, this discussion seeks to understand Grossman's approach in the context of his work as a whole, including his published and unpublished replies to critics. The final section discusses the effects of the rise of Stalinism and fascism on Grossman and their implications for his legacy.

Marxism only became a possibility when the working class emerged as a force capable, for the first time, of replacing class society with a higher, classless mode of production. Karl Marx's work was not only the result of his own studies of contemporary social relations. His efforts were fundamentally conditioned by conclusions about capitalism's basic features (notably in the work of the classical political economists, Hegel and the utopian socialists) not possible at an earlier stage of capitalist development, and the growing experience of the working class, in whose struggles he participated.⁴

Marx drew on the experience of the Silesian weavers' uprising of 1844. From 1843, Friedrich Engels and later both he and Marx had close ties with the radical wing of Chartism, the first mass, working-class political movement. From 1847, Marx and Engels led the Communist League, established on their initiative by German workers as a political organisation with the novel strategy of achieving socialism from below. Mass, revolutionary, working-class action was the guiding principle of the *Communist Manifesto*, rather than the implementation of the egalitarian dreams of an inspired individual or élite.

In 1872, Marx and Engels noted that the *Manifesto* 'has in some details become antiquated'. Most importantly, drawing on the experience of 'the Paris Commune, where the proletariat for the first time held political power for two whole months', they re-affirmed that 'the working class cannot simply lay hold of the ready-made state machinery, and wield it for its own purposes'.

³ I refer to the English translation (Grossmann 1992), except where material in the original (Grossmann 1970) is missing from its abbreviated text.

⁴ For the relationship between Marx and Engels's political analyses, in particular, and their involvement in the class struggle see especially Draper 1977; Draper 1978; Nimitz 2000.

The Commune, Marx had argued the previous year, demonstrated that it was essential to 'smash' the capitalist state.⁵

The circumstances of the revival of the international workers' movement, after the suppression of the Commune, led its leaders to play down some key aspects of Marx and Engels's politics and theory. After Engels's death in 1895, the movement's most prominent theoretician, Karl Kautsky, set the tone for the Second International. For him, revolution and socialism were less the result of creative acts of self-liberation by the working class and more the product of inexorable historical processes, in practice personified in the deeds of Social-Democratic parliamentarians, trade-union officials and party leaders. The Marxist parties affiliated to the International nevertheless still formally stood for the principle of independent working-class politics. But, at the outbreak of the First World War, most sided with their own ruling classes. By this time, Kautsky had convinced himself that capitalism did not inevitably give rise to war. The blood of millions of working people did not dampen his ardent commitment to scientific objectivity and the view that the War was not in the interests of the modern, imperialist bourgeoisie.⁶

Marx and Engels's conclusions about the working class' capacity to emancipate itself through revolution and the necessity for it to smash existing capitalist states, if it was to be successful, were obscured and even denied by a growing and influential section of the labour movement. A similar process affected Marx's economic analysis. The *Manifesto* provided a lyrical outline of a theory of capitalist crises and breakdown.

[T]he history of industry and commerce is but the history of the revolt of modern productive forces against modern conditions of production, against the property relations that are the conditions for the existence of the bourgeoisie and its rule. It is enough to mention the commercial crises that by their periodical return put on its trial, each time more threateningly, the existence of the entire bourgeois society. . . . And how does the bourgeoisie get over these crises? On the one hand by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets, and by the more thorough exploitation of the old ones. That is to say, by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented.

⁵ Marx and Engels 1970, p. 10; Marx 1974a, p. 206.

⁶ Kautsky 1909; Kautsky 1970, pp. 41–6; Salvadori 1979; Schorske 1983; Haupt 1972.

... The growing competition among the bourgeois, and the resulting commercial crises, make the wages of the workers ever more fluctuating. The unceasing improvement of machinery, ever more rapidly developing, makes their livelihood more and more precarious; the collisions between individual workmen and individual bourgeois take more and more the character of collisions between two classes.

... The modern labourer ... instead of rising with the progress of industry, sinks deeper and deeper below the conditions of existence of his own class. He becomes a pauper, and pauperism develops more rapidly than population and wealth. And here it becomes evident, that the bourgeoisie is unfit any longer to be the ruling class in society, and to impose its conditions of existence upon society as an over-riding law. It is unfit to rule because it is incompetent to assure an existence to its slave within his slavery. ... Society can no longer live under this bourgeoisie, in other words, its existence is no longer compatible with society.⁷

This was a compelling report of work in progress on the contradictory logic of capital accumulation.⁸ But it was not a thoroughly worked-out analysis. Marx elaborated that in *Capital*. The first volume, published in 1867, explained the fundamental features of the capitalist mode of production and, again, insisted on the contradictions of capital accumulation.⁹ The systematic analysis of the mechanisms of capitalism's tendency to break down Marx reserved for the third volume. He died in 1883. Volume II appeared in 1885 and Volume III only in 1894, when Engels finished editing Marx's manuscript. By then, circumstances were less than favourable for the appreciation of Marx's extension of his analysis or its integration into the already ossifying orthodoxies of official Second-International Marxism.

In his widely read and, in the labour movement, widely accepted justification for the Erfurt Programme of German Social Democracy, Kautsky had already explained capitalism's recurrent economic crises in underconsumptionist terms. The purchasing power of the bourgeoisie, the proletariat and intermediate classes was restricted by the development of capitalism and could not be indefinitely supplemented by foreign markets. As a result,

⁷ Marx and Engels 1970, pp. 38, 41, 44.

⁸ The same can be said for the presentation of the issues in Engels 1976, pp. 354–6 and *Socialism: Utopian and Scientific*, the pamphlet extracted from it, which was immensely popular within the Social-Democratic movement as a basic introduction to Marxist politics.

⁹ Marx 1976, pp. 798, 929–30.

commodities are periodically and increasingly 'over-produced'.¹⁰ Presumably through his close association with Engels, Kautsky was aware that the analysis of the falling average rate of profit was an important feature of Marx's account, even before the publication of the third volume of *Capital*. But he inoculated the Social-Democratic movement against seeing this mechanism as a central element in capitalist crises and capitalism's tendency to break down. For Kautsky, the significance of the decline in the rate of profit was that it reduced the size of the capitalist class.¹¹

Eduard Bernstein's 'revisionist' argument in 1899 that capitalism need not suffer from general and severe economic crises was rejected by orthodox Marxists at the time. Kautsky reaffirmed that crises were an inevitable consequence of underconsumption. His response to Bernstein was, however, ambiguous. Unlike Rosa Luxemburg's critique, *Reform or Revolution*, Kautsky's denied that Marx and Engels had ever propounded a theory of breakdown. He maintained that the class struggle could bring an end to capitalism before it reached a stage of 'chronic over-production', which constituted the extreme boundary of the system's viability.¹² Later, Rudolf Hilferding and Otto Bauer elaborated sophisticated arguments, based on the work of Mikhail Tugan-Baranovsky, to demonstrate that the logic of capital accumulation did not include a tendency to break down.¹³ After the War, the mainstream Social-Democratic movement, from which most radicals had split to establish Communist Parties, embraced Bernstein's view that capitalism could experience crisis-free growth.

Major advances in Marxism have often been a consequence of powerful class struggles, although *Reform or Revolution* demonstrated that this has not always been the case. In his own perceptive account of the history of Marxism, however, Grossman pointed out that, from the end of the nineteenth century, there was a sharpening of both interimperialist rivalry and an intensification of class conflict which sustained the Marxist critique of revisionism.¹⁴ Within

¹⁰ Kautsky 1910, pp. 83–5.

¹¹ Kautsky 1910, pp. 60–2. Note that Engels only read the Introduction to the manuscript of this book, *The Class Struggle*, and suggested that most of it could be deleted, letter from Friedrich Engels to Karl Kautsky, 5 March 1892, Marx and Engels 1968, p. 287.

¹² Bernstein 1993, pp. 79–97; Kautsky 1976, pp. 42–3, 139–142, 145; Kautsky 1902, pp. 76–81; Luxemburg 1989. Cunow 1898, pp. 424–30, also refuted Bernstein in underconsumptionist terms.

¹³ Grossmann 1992, pp. 40–1, 51.

¹⁴ Grossmann 1971c, pp. 305–6.

a few years, their involvement in the 1905 revolution in the Russian Empire provided the impetus for Trotsky's theory of permanent revolution as well as Luxemburg's account of the bureaucratisation of the labour movement, the logic of mass action and the interpenetration of political and economic struggles.¹⁵

The next period of even more widespread revolutionary action, starting in 1916 with the Easter Rising in Dublin and ending with the stabilisation of German capitalism after the Communist movement mishandled the economic and social crisis of 1923, powered a particularly impressive revival of Marxist theory. The experience of contemporary struggles made possible both the recovery of earlier Marxist insights and their extension. Lenin, especially in *State and Revolution*, re-affirmed the active role of the working class in Marxist politics and that the replacement of the capitalist state by a more democratic, proletarian structure was a fundamental task of the socialist revolution. The Russian Revolution in November 1917 gave weight to his arguments and attracted millions of working-class militants to the new international Communist movement that soon took shape. Some traditional intellectuals were also drawn towards and into this movement. Amongst them was Lukács. Even as he played a leading role in the Hungarian Communist Party, during the revolution of 1918–19 and after its defeat, he was re-instating the proletariat to the core of Marxist philosophy, through an analysis of 'reification' and of the working class as both the object and (potentially) the subject of history.¹⁶

In 1903, Rosa Luxemburg had attributed the relative stagnation of Marxism in the late nineteenth century, and then, the neglect of the third volume of *Capital* to the theoretical inertia of the Social-Democratic movement. More tellingly, she argued:

[O]nly in proportion as our movement progresses, and demands the solution of new practical problems do we dip once more into the treasury of Marx's thought, in order to extract therefrom and to utilise new fragments of his doctrine.¹⁷

In 1924, when he was researching Marx's theory of capitalist breakdown, Henryk Grossman developed Luxemburg's argument and explained the

¹⁵ Luxemburg 1989; Trotsky 1974.

¹⁶ More recently, struggles for women's liberation and over the environment were the contexts for recoveries of previously neglected, distorted or obscured analyses of women's oppression and capitalism's implications for the natural world: Draper 1972, Leacock 1975, Sacks 1975, Burkett 1999, Foster 2000.

¹⁷ Luxemburg 1927, pp. 108–13.

stagnation of Marxist economics in the late nineteenth century as a consequence of the limited development of the class struggle and the fact that the transition to socialism had not, therefore, been immanent. The subsequent poverty of 'Marxist' theory, despite the revolutionary nature of more recent class conflicts, had to be explained in terms of the emergence of 'an élite labour bureaucracy and labour aristocracy which accepted the capitalist system and did not see any reason to abolish it'.¹⁸

Grossman's return to Marx, in order to overcome the stagnation of Marxist economics, paralleled the recovery by Lenin and Lukács of Marxist politics and philosophy. He shared with them more than a political starting point: their commitment to the project of constituting the working class as a conscious historical actor. All three also grasped the importance of Marx's theory of the fetishism of commodities, his method in *Capital* and the intractability of capitalist crises. Grossman concentrated his efforts, in particular, on the question of the relationship between capital accumulation and economic crises, which he theorised in two distinct but complementary ways.

Today it is necessary and possible to undertake a full recovery of Grossman's achievements and, through them, to insist on the continuing relevance of Marx's approach. Both can help us in the fight to understand and change a capitalist world order whose fantasies during the 1990s about a 'new economy' of sustained economic growth came unstuck,¹⁹ and in which the connections between economic crisis, imperialism and war have become violently obvious.

Who was Henryk Grossman?

Henryk Grossman's background was bourgeois, and he was trained to be a traditional intellectual, serving the established order.²⁰ He was born on 14 April 1881 in Kraków, to an upwardly mobile Jewish family, rapidly assimilating to the Polish high culture of Galicia, the Austrian-occupied sector of partitioned Poland. Although he gained an academic education and pursued a successful and conventional career, Grossman did not become a traditional intellectual. His outlook was not only sympathetic to the working class, it was formed through his involvement in the organised labour movement and engagement in working-class struggles.

¹⁸ Grossman 1923, pp. 295–9.

¹⁹ Shepard 1997; Greenspan 1997.

²⁰ For more details of Grossman's activities before 1925, see Kuhn 2000a, pp. 111–70; and Kuhn 2001, pp. 133–54.

At school, he joined the Polish Social-Democratic Party of Galicia (PPSD) and began to organise fellow students. At Kraków's Jagiellonian University, he continued to assist the political activities of high-school students and was soon prominent amongst socialist university students. He became a leader of the radical student group Movement [Ruch] and was involved in smuggling socialist literature into the Russian Empire for the Social-Democratic Party of the Kingdom of Poland and Lithuania, led by Rosa Luxemburg and Leo Jogiches, and the General Jewish Workers' Union of Lithuania, Poland and Russia – the Bund. In late 1904 and early 1905, Grossman was the founding editor of *Unification* [*Zjednoczenie*], established by young socialists, most of them aligned with organisations in Russian Poland to express more radical positions than those of the nationalist leadership of the PPSD and its close ally on the Tsar's Polish territory, the Polish Socialist Party (PPS).

From about 1901, Grossman led efforts to rebuild Social-Democratic organisations amongst Kraków's Jewish workers. When the nationalist and assimilationist PPSD moved to liquidate the general associations of Jewish workers affiliated to it across Galicia, Grossman and their other leaders set up a new Jewish workers' party. He developed a theoretical rationale for such a party and led the practical preparations for its establishment. The Jewish Social-Democratic Party of Galicia (JSDP) was proclaimed on May Day 1905 and soon had 2,000 members. On behalf of the new Party, its secretary, Grossman, and seven other members of its organising committee immediately applied for affiliation to the federal General Austrian Social-Democratic Party. The General Party, dominated by an alliance between its largest component, the German-Austrian Party, and the PPSD, rejected the application, although the JSDP had announced its adherence to the General Party's programme. Like the Bund, Grossman and the majority of the JSDP favoured a federal approach to the national question within social democracy and national cultural autonomy as the means to resolve national conflicts at the level of the Austrian state.

The JSDP was formed in the course of massive class struggles in Austria-Hungary, triggered by the Russian Revolution of 1905. Working-class militancy in successful campaigns for improved wages and hours resulted in the rapid growth of the union branches and associations which were the basic units of the Social-Democratic movement. From September, the General Party conducted a campaign for universal suffrage that mobilised hundreds of thousands in militant demonstrations and marches across the Austrian half of the Empire.

The involvement of Jewish workers in Galicia was largely a consequence of the activities of the JSDP.

At the end of 1908, during a downturn in the class struggle, Grossman left Kraków to pursue legal and academic careers in Vienna. Although he remained a member of the JSDP's Executive Committee until 1911, he was not involved in the day-to-day politics and management of the Party back in Galicia. Between 1912 and 1919, there is no evidence that Grossman was actively involved in politics. But his publications during this period expounded views compatible with a Marxist analysis, carefully phrased to avoid destroying the prospect of an academic post.

As befitted a member of his class, Grossman became an officer during the First World War. From 1917, he served in an élite research organisation, alongside many of the most prominent Austrian economists of his own and the previous generation. This experience was important when, in 1919, he moved to Warsaw and a senior position with the Central Statistical Office. He was in charge of the conduct of Poland's first national population census. Differences over the treatment of ethnic minorities in the reports of the census led him to leave the Office in 1921, for a post at the Free University of Poland [Wolna Wrzeczchnica Polska], teaching economic policy.

It is clear that Grossman's politics were profoundly influenced by the Bolshevik revolution. He joined the Communist Workers' Party of Poland in 1919. His main contribution to the Party's work was as the secretary and soon the chairperson of the People's University (PU) from early 1922 until 1925. The PU was a large adult education institution under Communist leadership. Given the Party's illegal status, the PU provided not only a vehicle for legal cultural and educational work but also a means for bringing together a range of militants from different sectors – workers, students, intellectuals, peasants – in a way that trade unions, for example, could not.

The Polish secret police harassed Grossman, like thousands of other Polish Communists. So he left the country, in late 1925, to take up a job offer from his academic patron in Vienna, Carl Grünberg, by then the Director of the Institute for Social Research in Frankfurt am Main. In order to retain access to his family and friends in Poland, Grossman seems to have made an unofficial deal with the Polish authorities for a kind of qualified exile. He would leave Poland but could return for two weeks a year, so long as he only saw his family and did not engage in political activity. As the pair had planned, Grossman was awarded a higher doctorate [*Habilitation*], a prerequisite for a

university post, primarily for the research project Grünberg had supervised in Vienna, before the War. In 1929, the University of Frankfurt appointed him to a professorship [*ausserordentlicher Professor*].

In Frankfurt, he played it safe politically. As a Polish national whose situation in Poland was precarious, he decided not to join the German Communist Party (KPD), although he was a close sympathiser. As a consequence, he was not subject to the full blast of Stalinisation, as the counterrevolution in Russia imposed centralised bureaucratic structures and doctrines concocted in Moscow on the international Communist movement. From 1927, Grossman combined his well-paid and permanent post at the Institute with university teaching. Financially secure, and outside the discipline of a political party, he had far greater freedom than the vast majority of Marxists at that time to elaborate, advocate and defend, publicly and without major apparent risks, economic theories that did not accord with Social-Democratic, Communist or conservative academic orthodoxies.

Grossman's recovery of Marxist political economy

There was a fundamental consistency in Grossman's work on the political economy of capitalism between his earliest surviving public statement on the topic, a lecture to the Polish Academy of Sciences in 1919, and his death. This was despite shifts in his political loyalties. His views certainly developed: it seems that he first identified the tendency for the rate of profit to fall as the core of Marx's theory of breakdown in the early 1920s. But key elements were already present in his lecture: the relationship of economics to the class struggle, the importance of the distinction between use- and exchange-value, Marx's method in *Capital* and the inevitability of economic crises under capitalism. The account below therefore presents Grossman's positions as a systematic analysis, rather than focussing on the chronology of his work.

Working-class struggle

A commitment to socialist revolution as the product of mass working-class struggle and as a precondition for the abolition of class society was at the centre of the politics of the Communist movement which Grossman joined in 1919. But it had long been a feature of Grossman's outlook. Twelve years earlier, in contrast to the PPSD's position that there was no need for Jewish workers to take up the Jewish question, because their distinctive problems

would be solved by the victory of socialism, he had invoked Marx's fundamental and distinctive conception of socialism:

The words of the *Communist Manifesto* that '... the emancipation of the workers must be the act of the working class itself ...' mean, as far as the Jews are concerned, that their emancipation can only be the product of their own political struggle.

And really, equal national rights for the Jewish proletariat are not at all an exotic blossom, ripening somewhere outside the sphere of the day-to-day struggle, that will somehow bring the Jews good fortune on the victory of socialism. Equal rights can only be *the result* of an inner development which includes both a *subjective* factor, i.e. the Jewish working class, and an *objective* factor, i.e. the rest of the capitalist society.²¹

A Jewish working-class party, Grossman insisted, was a crucial element in this process. His understanding of the relationship between class interest and political organisation already paralleled Lenin's polemics on the issue and anticipated Lukács's and Gramsci's postwar discussions of the role of the party in the promotion of class consciousness.²²

Recognition, based on scientific socialism, that all forms of social consciousness are to be explained in terms of *class* and group interests is of great practical significance in the assessment of a proletarian party, i.e. social democracy. This is also significant to the extent that it is true *in reverse*, that is, the class interests of the proletariat find their expression in party consciousness (in the form of a programme); party consciousness is the multi-faceted expression of the proletariat's class interests and the most far-reaching interpretation of conclusions drawn from the objective trends of real social development. Workers' parties do not always fulfil this requirement (as evidenced by the PPSD). Both the character and the content of collective party thought remain *directly dependent on the particular party's adjustment to the very working class* whose expression it should be.

The task, therefore, of establishing the Jewish workers' movement on the basis of Marxism (that is, of fulfilling the above-mentioned tasks, of making abstract socialist theory into the flesh and blood of the workers' movement;

²¹ Grossman 1907b, p. 46. Here and elsewhere in this article, the emphasis is in the original.

²² See, for example, Lenin 1977d, pp. 126, 145; Lenin 1977e, pp. 425, 524–5; Cliff 1975, pp. 171–83; Lukács 1971, pp. 46–82, 149–222; Lukács 1970, pp. 24–38, 49–50; Gramsci 1971, pp. 10, 330, 340.

in other words of adjusting it to the development of Jewish society and its particular problems), could, we repeat, only be achieved through the closest possible adaptation of the party organisation to the historical forms of the Jewish proletariat's condition. It could only be achieved through the mutual organic growth of the party organisation and the workers' movement itself, just as the latter has grown out of capitalist society.²³

Given the constraints faced by Jewish Social Democrats in Galicia – the nationalist hostility of the PPSD and its opportunist alliance with the similarly nationalist German-Austrian Party inside the General Party – such a relationship could only emerge between the Jewish working class and a *separate* Jewish Social-Democratic party. The features of their national party, imposed on him and his comrades in the JSDP by specific circumstances, and also the pursuit of national cultural autonomy, Grossman mistakenly regarded as principles.²⁴ Elsewhere, large socialist organisations had better relations with Jewish workers, engaging in more serious struggles against anti-semitism and for the rights of Jews than the PPSD in Galicia or the German-Austrian Party did before the First World War. For example, German Social Democracy from the 1870s and Jaurès and his supporters on the French Left, particularly in the course of the Dreyfus affair, had devoted substantial resources to campaigns against the oppression of Jews.

Grossman placed the class struggle at the centre of the simultaneous processes of transforming working-class consciousness and the material world. The Jewish working class, organised through its own party, faced a paradox. It needed national cultural institutions in order to become politically conscious. But such institutions could only be the result of the mobilisation of a class-conscious working class.

The resolution of this apparent contradiction will be achieved through *the very class struggle* of the Jewish proletariat itself. Through its political struggle the Jewish proletariat achieves its national and cultural requirements in the state and also becomes both class and nationally conscious. To the extent that it becomes nationally conscious and develops itself, by achieving class consciousness through political struggle, the Jewish proletariat forces its opponents to make concessions and thus both transforms its environment, capitalist society, and makes that environment ready to take its national-cultural needs into account.

²³ Grossman 1907b, pp. 42–3.

²⁴ Grossman 1907b, p. 43.

The above-mentioned, subjective and objective conditions for achieving equal national rights for Jews are bound together and influence each other. The means for realising this struggle and the whole evolutionary process is precisely the independent organisation of the Jewish working class.²⁵

Grossman eventually abandoned the illusion that national cultural autonomy could resolve the national question under capitalism.²⁶ But he retained a dialectical understanding of the role of a revolutionary party in transforming the working class into an historical subject.

In his work after 1919, Grossman exposed two perspectives that undermined the revolutionary capacities of the working class. Contrary to what he called the Social-Democratic 'neo-harmonists' and most currents of bourgeois economics, he insisted that capitalism is incapable of experiencing sustained, stable and crisis-free growth. Not only Kautsky but 'Marxist' economists of Grossman's own generation, Hilferding and Bauer, who explained crises in terms of disproportions in the outputs of different industries, argued that the policies of parliamentary states could prevent major economic fluctuations and, at the same time, gradually institute socialism.

During the 1920s, Hilferding and Bauer were leaders of the largest parties of the German-speaking working class. Hilferding represented the Social-Democratic Party in the German parliament from 1924 until 1933 and was German Finance Minister in 1923 and 1928–9.²⁷ Bauer was the most important figure in Austrian Social Democracy after the War. Despite their *formal* adherence to Marxist orthodoxies, therefore, they drew the same *practical* conclusions as Bernstein and the top officials and ideologists of labour and social-democratic parties into the twenty-first century.

Although capitalism is inherently crisis-prone, Grossman maintained that revolution is not possible at all times. Only when objective circumstances have weakened the power of the ruling class is it possible to overthrow the bourgeoisie. Economic crises are an important factor which can undermine the ability of the capitalist class to rule. Grossman was therefore very critical

²⁵ Grossman 1907b, p. 47.

²⁶ In a multi-national state, national cultural autonomy, the allocation of the cultural and educational affairs of nations to separate institutions that they elect, does not ensure that the national question is politically disarmed, as Grossman, following the Bund and Karl Renner, argued. The national question cannot be reduced to educational, cultural and linguistic matters. When people think in nationalist categories, all political and economic questions are potentially issues in national conflicts. For a detailed discussion see Kuhn 1998.

²⁷ [Editorial note: on Hilferding's political career, see Harman 2004.]

not only of reformist socialists but also of voluntarism, embodied, for him, in the work of Fritz Sternberg.²⁸ But the belief that the main obstacle to socialism was a lack of revolutionary will was also a feature of the politics of some Communist Parties in the early 1920s and especially of the Communist International after 1928, when it maintained that the political stabilisation of capitalism from the mid-1920s had ended, ushering in a 'Third Period' in the postwar era.

Rosa Luxemburg's work provided a starting point for Grossman's critiques of reformism and voluntarism. She had identified the centrality of the theory of economic breakdown to Marxism and the implications of Bernstein's position in both *Reform and Revolution* and her major economic work, *The Accumulation of Capital*.²⁹ Lukács regarded Luxemburg's insistence that capitalism had a tendency to break down as a fundamental proposition of Marxism, and simply accepted her economic arguments for it. He defended her position against Bauer's economic critique in philosophical and political terms.³⁰ The longest essay in his *History and Class Consciousness* and, indeed, the book as a whole, focussed on 'the ideological problems of capitalism and its downfall' and did not 'discuss the central importance of [the commodity-form] for economics itself'.³¹ Grossman also regarded Luxemburg's grasp of the significance of capitalist collapse as correct.

It was a great historical contribution of Rosa Luxemburg that she, in a conscious opposition to the distortions of the 'neo-harmonists' adhered to the basic lesson of *Capital* and sought to reinforce it with the proof that the continued development of capitalism encounters absolute limits.

Frankly Luxemburg's efforts failed. . . .

Her own 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. Hence the form in which she conducts her proof of the absolute economic

²⁸ Sternberg 1971.

²⁹ Luxemburg 1989, pp. 26–7; Luxemburg 1963, p. 325.

³⁰ Lukács 1971, pp. 30–40; Lukács 1970, p. 47. Lenin's comments on the real causes of capitalist crises were cursory and general. He attributed them to the anarchy of capitalist production and disproportional growth in the output of different industries (Lenin 1977a, pp. 166–8; Lenin 1977b, p. 66; Lenin 1986) and later identified monopoly as a cause of capitalist 'stagnation and decay' (Lenin 1985, p. 276).

³¹ Lukács 1971, pp. 83–4.

limits to capitalism comes close to the idea that the end of capitalism is a distant prospect because the capitalisation of the non-capitalist countries is the task of centuries.³²

In contrast to Lukács, then, Grossman, sought to expose the flaws in Luxemburg's economic analysis, the most influential and systematic account of capitalist breakdown to date. By developing an alternative and superior *economic* explanation of why capitalism tended to break down, Grossman provided a more solid foundation for her conclusions and complemented the case Lukács grounded in philosophy and politics.

The meaning of a Marxist theory of breakdown is that the revolutionary action of the proletariat receives its strongest impulse only when the existing system is objectively shaken. This, at the same time, creates the conditions for successfully overcoming the resistance of the ruling classes.³³

If capitalism can go on forever, consistently increasing the production of wealth, then economic problems, at least, could either be overcome through working-class action to re-allocate wealth or ameliorated into unpleasant but bearable irritants. In these circumstances, Grossman pointed out, the working class could just as easily reconcile itself with capitalism as voluntaristically attempt to realise socialism.³⁴

As Giacomo Marramao insightfully observed:

It is no accident that it is precisely in Lukács' *History and Class Consciousness* that one finds the philosophical equivalent of Grossmann's great attempt at a critical-revolutionary re-appropriation of Marxian categories.³⁵

This complementarity was apparent in their restoration of contradictory class interests and perspectives to the centre of Marxist philosophy and Marxist economic theory. Both, however, drew on Lenin; something that neither Marramao nor Grossman's council-communist supporter, Paul Mattick, acknowledged. What is more, in rejecting Second-International Marxism,

³² Grossmann 1992, pp. 41–2, 125–6. Also see Grossman 2000, pp. 171–80; Kuhn 2000b; Grossmann 1971c, pp. 318–22.

³³ Grossmann 1971c, pp. 335–6.

³⁴ Grossmann 1992, pp. 56–7.

³⁵ Marramao 1975, p. 64. Marramao also highlighted the similarities between the arguments about the consequences of economic crises for working-class consciousness in Lukács's *History and Class Consciousness* and Grossman's *The Law of Accumulation* (Marramao 1975–76, pp. 162–3). See, in particular, Lukács 1971, pp. 30, 40, 70.

Lenin, Lukács and Grossman all developed an appreciation for Hegelian aspects of Marx's thought.³⁶

There were already some parallels, before the War, between the positions on the role of a revolutionary party that Grossman and Lenin held. From the early 1920s, Grossman's political activities and his publications demonstrated that, for him, Lenin was the pre-eminent figure amongst Marxists who 'have written extensively on the political revolution' and had established the framework for his own economic analysis.³⁷ In Elster's *Dictionary of Economics*, Grossman expounded and approved of Lenin's view that

The spontaneous struggle of the proletariat will never become a real class struggle, so long as this struggle is not led by an organisation of revolutionaries. The revolution cannot, indeed, be 'made'; its growth is an organic ripening process; there must, however, also be a revolutionary reaper, who brings in the ripe crop. To the Mensheviks' 'tactics as process', i.e. as spontaneous process of becoming, Lenin counterposed 'tactics as plan', as conscious leadership. The task of the party as the avant-garde of the proletariat should not consist of lagging behind the spontaneous course of events. The party has, much more, to actively support all expressions of protest against the established régime, take on their organisation, finally proceed to prepare and carry through the armed uprising. During the whole period, therefore, the party fulfills the function of collective organiser and leader, which is not dissimilar to the position of a commander in chief during a war.³⁸

Like Lukács, in his 1924 essay on the leader of the Russian Revolution, Grossman also endorsed Lenin's account of the circumstances under which a socialist revolution can take place.³⁹ Against Sternberg's voluntarist argument – that revolution was an act of the will – and his mistaken view that Marx believed revolution would be the 'automatic' consequence of entirely economic forces, Grossman cited 'a specialist in revolutionary matters and at the same time a Marxist'.

³⁶ See, for example, Lenin 1981, pp. 114, 130, 180, 182, 208; Lenin 1980b, pp. 233–4; and Rees 1998, pp. 184–94. Martin Jay (1996, p. 17) was thoroughly mistaken in asserting that Grossman was 'largely unsympathetic to the dialectical, neo-Hegelian materialism of younger' members of the Institute for Social Research.

³⁷ Grossmann 1992, p. 33.

³⁸ Grossmann 1971b, p. 45.

³⁹ Lukács 1970, pp. 31–4.

Marxists, said Lenin in 1915, know perfectly well that a revolution cannot be 'made', that revolutions develop from crises and turns in history, which have matured objectively (independently of the will of parties and classes). . . . Only then is a further subjective condition of significance . . . 'the capacity of the revolutionary class for mass revolutionary action', which presupposes an organisation of the unified will of the masses and long experience in everyday class struggles.⁴⁰

Lukács expressed Marx's dialectical conception of revolution in Hegelian terms. The working class was an object of history, created by the process of capital accumulation. The experience of the class struggle, which was also a consequence of capitalist relations of production, meant that the working class could also become the subject of history, conscious that its interests could only be realised through socialist revolution.⁴¹ This was, no doubt, one of Grossman's reasons for describing *History and Class Consciousness* as a 'beautiful and valuable book' in his survey of Marxism after Marx. He also summarised Marx's political position in distinctly 'Lukácsian' terms:

The main result of Marx's doctrine is the clarification of the historical role of the proletariat as the carrier of the transformative principle and the creator of the socialist society. . . . In changing the historical *object*, the *subject* changes himself. Thus the education of the working class to its historical mission must be achieved not by theories brought from outside but by the everyday practice of the class struggle. This is not a doctrine but a practical process of existing conflicts of interests, in which doctrines are tested and accepted or discarded. Only through these struggles does the working class change and re-educate itself and become conscious of itself. Marx's attack on the 'fatalistic economists' is only an illustration of the fact that his dialectical concept of history has a twofold significance. In this he follows Hegel, for whom history has both an objective and a subjective meaning, the history of human activity [*historia rerum gestarum*] and human activity itself [*res gestas*]. The dialectical concept of history is not merely an instrument with which to explain history but also an instrument with which to make history.⁴²

⁴⁰ Grossmann 1928, pp. 156, 161–2. Grossman referred to Lenin 1980a, pp. 213–14, 228, 240. Also see Grossman 1992, pp. 95–6.

⁴¹ Lukács 1971, especially p. 149 et seq.

⁴² Grossman 1943b, pp. 520–1.

Use-value and exchange-value

The everyday functioning of capitalist exchange serves as a form of automatic self-camouflage for capitalist relations of exploitation. In *Capital*, Marx identified this as the ‘fetishism of commodities’. Lenin’s study of Hegel, during the First World War, led him to recognise the need for historical-materialist explanations of both the fundamental logic of capital accumulation and the way it obscures itself in capitalism’s surface appearance.⁴³ Lukács used the concepts of totality and reification to explore the same issues of appearance and reality in greater depth. As early as 1919, Grossman, similarly, drew attention to the importance of grasping the contradictory unity of capitalist commodities as ‘use-values’, with particular material characteristics, and as ‘values’, the products of human labour. Capitalist production is, consequently, the unity of the labour process, that gives rise to use-values, and the valorisation process (revolving around the extraction of surplus-value from the working class). The socially necessary labour expended in the creation of commodities determines their value, which takes the form of ‘exchange-value’ in market relations. The economic implications of the use-value aspect of capitalist production are concealed by the obviousness of exchange-value. Hence the inadequacy of the work of mainstream economists and even many of those who identified themselves as ‘Marxists’, which does not look behind capitalism’s camouflage.⁴⁴

To Max Horkheimer, Grünberg’s successor as Director of the Institute for Social Research, Grossman explained, in 1936, that Marx had not wanted to complete but rather ‘to revolutionise’ the categories of classical political economy. His discovery extended beyond identifying the use-value and exchange-value sides of the commodity and human labour to analysis of the dual character of the production process, the reproduction of social capital, capital itself and the organic composition of capital.⁴⁵ Understanding the two-fold nature of economic phenomena entails criticism of ‘previous theory for only looking at individual, isolated sectors, instead of grasping the concrete totality of economic relations’. ‘Marx’s critique of Ricardo’s categories of value,

⁴³ Lenin 1981, p. 208.

⁴⁴ Grossman 2000, this publication was an abstract of a lecture Grossman had delivered to the Polish Academy of Science in 1919; Grossman 1924, pp. 50, 59; Grossmann 1977, p. 43. Grossman’s critique of the neglect of the use-value side of the organic composition of capital by the ‘epigones of Marx’, in a page long footnote, is missing from the English translation of *The Law of Accumulation* (Grossmann 1992), see Grossmann 1970, pp. 326–7, also p. 330.

⁴⁵ Horkheimer 1995, pp. 641–2; Grossmann 1977, pp. 39–41.

and the changes he made', Grossman pointed out 'closely resembles Marx's critique and transformation of Hegel's dialectic'.⁴⁶

In a draft of his 1941 essay 'Marx, Classical Political Economy and the Problem of Dynamics', the affinities between Grossman's approach to Marxist economics, Lukács's contribution to Marxist philosophy and also Lenin's recovery of Marxist politics were particularly apparent. By means of the distinction between use-value and exchange-value and an analysis of commodity fetishism, Grossman focussed the insight that the working class was not only an object of the historical process but also a creative subject to illuminate the heart of capitalist production.

Here, in the labour process, labour takes the form not of a tool, but 'labour itself appears as *the dominant activity*'; here the world of objects does not control labour; rather all of the means of production [i.e. the machinery, equipment, buildings and raw materials used in the production process] are subordinate to labour.⁴⁷

The contradiction between capitalist production as a labour process and as a process driven by the creation of value through the exploitation of wage-labour was, for Grossman, the ultimate cause of capitalism's breakdown tendency:

[A]s a consequence of this *fundamentally dual structure*, capitalist production is characterised by insoluble conflicts. Irremediable systemic convulsions *necessarily arise from this dual character*, from the immanent contradiction between value and use-value, between profitability and productivity, between limited possibilities for valorisation and the unlimited development of the productive forces. This necessarily leads to overaccumulation and insufficient valorisation, therefore to breakdown, to a final catastrophe for the entire system.⁴⁸

The capitalist valorisation process also conceals the labour process. Both the fetishism of commodities and capitalism's tendency to break down therefore

⁴⁶ Grossmann 1977, pp. 44–5. Grossman made the same point and included a critique of Otto Bauer's mistaken view, expressed in 1907, that Marx's dialectical method was identical to Hegel's, in Grossman 1937, pp. 133–41.

⁴⁷ Grossman 1937, p. 111.

⁴⁸ Grossmann 1970, pp. 619–20. Grossman foreshadowed this synthesis in the previous chapter of his book, 'The fundamental idea underlying Marx's scheme is the immanent contradiction between the drive towards an unlimited expansion of the forces of production and the limited valorisation possibilities of accumulated capital.' Grossmann 1992, p. 190.

have their roots in the double nature of production under capitalism. Freed from the valorisation process, Grossman argued, production could be organised on a social basis and become a technical labour process, without crises and without the mystification that arises from the commodity-form:

Where the social interrelations of individual production processes are directly determined and planned, there is no room for the law of value, whose most important task consists in the production of these social interrelations. Social equilibrium, *calculated in advance*, no longer has to be restored *subsequently* by means of the mystical veil of value.⁴⁹

Grossman developed two, complementary theories of capitalist crises. The distinction between use- and exchange-value was vital to his first explanation of the inevitability of crises, in terms of the impossibility of consistently maintaining proportional outputs amongst industries. This is hard enough in terms of exchange-value: each industry has to produce just the right amount of products of the correct exchange-value to match other sectors' demands and capacities to purchase them. But crisis-free production also requires that the physical amounts produced have to match the material (use-value) requirements of purchasers of specific means of production and consumption.

Agreement between the two movements can only be an accident, and their disproportion is a constant and unavoidable phenomenon of the economic mechanism under investigation, a disproportion resulting from the double character of its essence, which is on the one hand a process of making pay [valorisation process], on the other, one of work [labour process].⁵⁰

Crises would arise even under conditions of simple reproduction, that is, even when the scale of production remained the same over time.⁵¹ This account of crises due to disproportionality, grounded in the dual nature of the capitalist commodity, was more radical than the disproportion arising from capitalist competition to which Hilferding and Bauer had drawn attention. Their concentration on exchange relations suggested that economic planning by capitalist states could eliminate crises and, with Social-Democratic ministers at the helm, open the way to a gradual and crisis-free transition to socialism.⁵²

⁴⁹ Grossmann 1970, pp. 621–2.

⁵⁰ Grossman 2000.

⁵¹ Grossmann 1977, p. 41; also Grossmann 1992, pp. 119, 128.

⁵² In an unpublished manuscript, Grossman provided an example of how, when commodities are treated as use-values as well as exchange-values, Bauer's utopia of proportional accumulation falls apart, Grossman 'Entwertung'.

Marx's method

His recovery of Marx's understanding of the totality of social relations and the need to explain the appearances of the surface of the capitalist economy in terms of its fundamental structures, was also the basis on which Grossman developed the most systematic and compelling account, to that point, of the structure of *Capital*. His work in this area, from 1919 (or earlier), paralleled Lenin's then unpublished comments on the relationship between appearance and reality and Lukács's analysis in *History and Class Consciousness*. Like their insights, it was connected with an appreciation of Marx's debt to Hegel.⁵³

In his first published discussion of capitalism's tendency to break down, Grossman argued that, as in the natural sciences, it is necessary to abstract from 'accidental and external influences' and abandon 'naïve empiricism' in order to grasp 'whether crises result from the essence of the economic mechanism under consideration'.⁵⁴ A decade later, he published an essay which he called a 'small programmatic work'.⁵⁵ 'The Alteration of the Original Plan of Marx's *Capital* and Its Causes' dealt with much more than the differences between drafts of Marx's economic study. It was concerned with Marx's method and its implications for the Marxist understanding of capitalism. In this sense, the article provided a justification for the method used in *The Law of Accumulation*, and highlighted some of the book's most important conclusions.⁵⁶

In his 1859 *Contribution to a Critique of Political Economy*, Marx had foreshadowed that the structure of his study of capitalism would deal successively with capital, land ownership, wage-labour, the state, foreign trade and the world market. That is, it would reflect certain basic, empirical features of capitalism. But the four volumes of *Capital* (including *Theories of Surplus-Value*) eventually dealt with the capitalist production process, the circulation process of capital, the process as a whole, and the history of economic theory. The final presentation was much more theoretical.⁵⁷

In 1924, Grossman had linked Sismondi's reproduction scheme and method of abstraction.⁵⁸ Now, on the basis of Marx's correspondence, he pinpointed the decision to change the structure of *Capital* to July–August 1863, coinciding

⁵³ Lenin 1981, p. 182; Lukács 1971, p. 31; Grossman 1929, pp. 327, 337.

⁵⁴ Grossman 2000, p. 175.

⁵⁵ Grossmann 1969, p. 86.

⁵⁶ Grossmann 1929, pp. 305–38.

⁵⁷ Grossmann 1929, p. 311.

⁵⁸ Grossman 1924, pp. 14–17; Grossmann 1929, pp. 313–14, 327.

with Marx's work on the reproduction scheme that was eventually an important element in the argument of Volume II. In order to lay bare the process through which capitalist production, from the perspective of total social capital, is sustained over time, Marx set out abstract models consisting of just two departments of production: the first combined variable capital (labour-power) and constant capital (means of production) to create surplus-value – (that is, new value) by producing means of production; the second by producing articles of consumption. Marx considered the exchanges between the two departments and the conditions which must hold true if reproduction is to take place smoothly, both when the level of output remains constant and when it expands. As we have seen, these conditions relate to the proportions, in both material and value terms, amongst the inputs and outputs of commodities in both departments of production.

Grossman pointed out that the perspective underpinning Marx's schemes, in particular a series of simplifying assumptions or abstractions, had already been elaborated in Volume I of *Capital*.⁵⁹ These abstractions laid bare the relations which determined capitalism's basic logic in the creation of surplus-value. The abstractions Marx made in the first stages of his analysis included a focus on industrial capital, to the exclusion of circulation and the credit system; the assumption that commodities sold at their value and therefore the exclusion of foreign trade, fluctuations in supply, demand and the value of money; putting aside the different forms that surplus-value takes (taxes, ground rent, interest and commercial profit), apart from industrial profit; and the temporary assertion that society only consisted of the two classes of capital and labour, whose relationship defines the capitalist production process.⁶⁰

In the literature, there was a great deal of confusion about Marx's method. György Lukács, Grossman acknowledged, had grasped it, unlike Luxemburg. Lukács had understood that Marx abstracted to a society without any classes but workers and capitalists, 'for the sake of argument, i.e. to see the problem more clearly, before pressing forward to the larger question of the place of this problem within society as a whole'.⁶¹ But, Grossman pointed out against Lukács, *Capital* was not 'a fragment' and Marx himself, rather than Luxemburg, undertook the return journey to the living whole, re-introducing into his now clarified analysis elements previously abstracted from. For, as *The Law of*

⁵⁹ Grossmann 1929, p. 329.

⁶⁰ Grossmann 1929, pp. 312–21.

⁶¹ Grossmann 1929, pp. 336, fn. 40, 338; Lukács 1971, p. 31.

Accumulation demonstrated, 'to every simplifying, fictional assumption' in Marx's system, 'there corresponds a subsequent modification'.⁶² Particularly in Volumes II and III of *Capital*, Marx introduced complicating factors, step by step, exploring their effects and progressively revealing and explaining specific features of empirical capitalism.⁶³ By means of this account, Grossman dissolved objections by critics of *Capital* that there were contradictions between the first and the subsequent volumes. Although neither Marx's preliminary draft of *Capital*, subsequently published as *Grundrisse*, nor his later drafts were available to Grossman, his pioneering treatment of the logic of *Capital* is still widely acknowledged.⁶⁴

Grossman's grasp of Marx's scientific method in *Capital* was also apparent in his work on the history of science. In a devastating critique of Franz Borkenau's work, he demonstrated that the extensive use and study of machines during hundreds of years of capitalist development had facilitated the process of abstraction embodied in early modern physics.⁶⁵

Capitalism's breakdown tendency

Grossman is best known for his explanation of capitalism's 'law of breakdown' in terms of the tendency for the rate of profit to fall, his second theory of capitalist crises. It drew extensively on Marx's account in Volume III of *Capital*. Standard presentations of Grossman's work ignore the political argument about the circumstances under which revolution is possible, that he explicitly established as the context for his economic analysis. They similarly ignore his method of presentation, that followed Marx's in *Capital*, and Grossman's own systematic discussion of counter-tendencies which bolster profit rates.

The dual nature of commodities underpinned Grossman's second theory of crises as it did the first.

This same duality serves to reveal the category which occupies the central place in Marx's system: the falling average rate of profit, the 'motive power

⁶² Grossmann 1929, p. 336.

⁶³ Grossman 2000; Grossman 1924, pp. 9–11, 13, 15–17; Grossmann 1928, pp. 145, 149–50, 173, 183; Grossmann 1992, pp. 29–33, 63–7, 83–6, 130; Grossmann 1929.

⁶⁴ Kenneth Lipides (1992) provides an excellent survey of the debate on the completeness of *Capital*, Marx's modifications of its structure and their implications, as well as Grossman's contribution. The article includes translations of passages from Grossmann 1929. Morf (1970, pp. 104–8) and Rosdolsky (1980, pp. 23–6), however, were critical of Grossman's explanation of the changes in Marx's plan for *Capital*. Also see Sweezy 1970, p. 18.

⁶⁵ Grossmann 1987, pp. 129–80.

of capitalist production'. In *Capital* we find it repeatedly stressed that 'the inner opposition of use-value and value hidden in the commodity' develops and grows along with the development of capitalist production. The nature of the opposition between use-value and value in the commodity, and why it assumes constantly growing proportions, was never treated as a problem. However, when seen in connection with the presentation of the development of the productive power of labour in Volume I, the presentation of the tendency of the rate of profit to fall in Volume III of *Capital* shows that Marx also derives this category from the dual character of labour, namely the inverse movement of the mass of use-values and values as a consequence of the increase in the productive power of labour: the richer a society becomes, the greater the development of the productive power of labour, the larger the volume of useful articles which can be manufactured in a given period of labour; however, at the same time, the value of these articles becomes smaller. And since the development of the productive power of labour means that a constantly growing mass of means of production (MP) is set in motion by a relatively constantly falling mass of labour (L), the unpaid portion of labour (surplus-value or profit) must progressively fall.⁶⁶

Eventually, the valorisation process, through the fall in the rate of profit, brings capital accumulation to a halt, even though, '[f]rom a purely technological aspect, as a labour process for the production of use-values, nothing could impede the expansion of the forces of production'.⁶⁷ The very mechanism through which capitalism increases the productivity of human labour *necessarily* undermines the rate of profit⁶⁸ and hence gives rise to economic crises. Contradictions at the heart of the capitalist production process constitute the 'law of capitalist breakdown'. In Marx's words 'The *real barrier* of capitalist production is *capital itself*'.⁶⁹

For polemical purposes, Grossman demonstrated the mechanisms at work by using a simplified version of Otto Bauer's reproduction scheme.⁷⁰ Bauer

⁶⁶ Grossmann 1977, p. 41 also see pp. 47–8; and Grossmann 1992, pp. 61, 119, 123–4, 144–7.

⁶⁷ Grossmann 1992, p. 119 also pp. 123–4.

⁶⁸ Grossman 'Entwertung'.

⁶⁹ Grossmann 1992, p. 119. The reference is to Marx 1981, p. 358.

⁷⁰ Grossman's more abstract model had the advantage that conclusions derived from it would be true even when the equalisation of profit rates across industries or departments of production transformed commodities' values into the 'prices of production' Grossmann 1932a, pp. 63–4. Gurland (1930) and Neisser (1931), two of Grossman's early critics and more recently Howard and King (1989, p. 330) were

had developed it, on the basis of Marx's schemes of capitalist accumulation in Volume II of *Capital*, to refute Rosa Luxemburg's argument that accumulation could only occur when 'third parties', outside the framework of capitalist production, provided markets for a portion of capitalist output. Bauer's numerical model made assumptions about the rate of accumulation (ratio of new investment in labour-power and constant capital to outlays on these in the previous cycle), the rate of surplus-value (ratio of surplus-value to the value of the labour-power which created it) and the rate of population growth. For four cycles ('years') of production, the model ran quite smoothly, and showed that capitalism could survive without external markets, that the system would not break down in the way Luxemburg argued it would. A realistic feature of Bauer's scheme was the assumption that constant capital accumulated at a more rapid rate than variable capital. In other words, over time, capitalists' outlays on means of production grow compared to what they pay on wages to purchase labour-power. The *organic composition of capital* tends to rise. Because only living labour creates surplus-value, given a constant rate of surplus-value, this means that the rate of profit (the ratio of surplus-value to capitalists' total outlays on variable and constant capital) tends to fall.

Grossman noted that:

Bauer's scheme is insufficient on many grounds. . . . I wanted to demonstrate that the result of even this, his mistaken scheme is breakdown and not equilibrium. *I do not want, however, to identify myself with Bauer's scheme under any circumstances.*⁷¹

By letting it run for thirty-six cycles rather than just four, Grossman showed that this very model, designed to refute Luxemburg's theory of breakdown, actually confirmed the validity of her conclusion. Bauer's own model demonstrated that there are definite limits to capitalism's capacity to grow, although these were not a consequence of the mechanism Luxemburg had identified.⁷²

Like his fellow neo-harmonists, Bauer thought that the rate of profit could tend downwards, indefinitely getting closer and closer to zero without ever disappearing entirely. Grossman demonstrated why this is not the case. His

oblivious to this consequence of the difference between Grossman's and Bauer's models.

⁷¹ Grossmann 1969, p. 88.

⁷² Grossmann 1992, pp. 74–7, 168.

explanation remains important as a refutation of the reformist illusion that capitalism is capable of sustaining crisis-free growth.

After twenty cycles of the Bauer/Grossman model, the incentive for capitalists to invest begins to decline because the absolute amount of surplus-value available for the private consumption of the capitalists has to fall, if the assumed rate of accumulation of constant and variable capital is to be maintained. This is despite the fact that the total mass of profit continues to rise. Grossman argued that, as a consequence, capitalists will start seeking outlets for profitable investment outside production, especially in speculative activity and the export of loan capital.⁷³ By year 35, no surplus-value is available for capitalists' private consumption at all. What is more, the total amount of surplus-value is now not even sufficient to purchase the additional constant and variable capital required to sustain the model.

So either working-class wages have to be reduced or previous assumptions [of the model] must be broken. In particular the assumption that, with a 5% annual increase in population, constant capital must accumulate at 10% a year if technological progress is to match population growth has to be lifted. . . . The tempo of accumulation must decline *from now on* and indeed slow down continuously and progressively. Accumulation cannot keep up with population growth. Fewer and fewer machines etc than are really required can be put in place, which means nothing else than that the development of the productive forces is constrained. As a consequence, from this year on an increasingly large reserve army [of unemployed workers] emerges. The slowing of the tempo of accumulation and the emergence of a reserve army occur, not as Bauer thinks, because wages have risen, but despite the fact that, in accord with our assumption, wages have been constant for the whole time!⁷⁴

Whatever the rate of accumulation assumed in the model, the rate of profit eventually declines to a level at which the mass of surplus-value is not great enough to sustain that rate of accumulation.⁷⁵ Furthermore, because accumulation takes the form of investment in concrete use-values, it will ultimately become impossible to invest the arbitrarily small fragment of

⁷³ Grossmann 1992, pp. 189, 191–2.

⁷⁴ Grossmann 1970, pp. 136–7. The passage is abbreviated in Grossmann 1992, p. 82.

⁷⁵ Grossmann 1992, p. 103; also see Grossmann 1971c, pp. 331–2.

additional surplus-value produced as the rate of profit declines.⁷⁶ The rate of profit cannot fall indefinitely without triggering a crisis. It was this mechanism, which he identified as intrinsic to the process of capital accumulation, that Grossman regarded as 'the decisively important' factor in Marx's theory of economic crisis and breakdown.⁷⁷ What is more:

The limits to accumulation are specifically capitalist limits and not limits in general. Social needs remain massively unsatisfied. Yet from the standpoint of capital there is superfluous capital because it cannot be valorised.⁷⁸

Grossman developed a formula for calculating when these limits are reached, in order to highlight the factors which slow down or accelerate the collapse. The crisis is accelerated by a higher organic composition of capital and a faster rate of accumulation of constant capital. The effects of a rise in the rate of accumulation of variable capital is ambiguous, while a higher rate of surplus-value slows down the tendency for capitalism to break down.⁷⁹

Offsetting mechanisms, Grossman pointed out, mean that capitalism's tendency to break down will take the form of recurring crises, rather than an uninterrupted collapse. 'In this way the breakdown tendency, as the fundamental tendency of capitalism, splits up into a series of apparently independent cycles which are only the form of its constant periodic assertion'.⁸⁰ A crisis is both a consequence of capitalism's breakdown tendency and, 'from the standpoint of capitalist production, a healing process through which the valorisation of capital is restored', for the time being.⁸¹ During crises, the means of production of enterprises that experience difficulties are sold off at a discount. The new owners can therefore achieve a higher rate of profit even if they extract no more surplus-value from the same number of employees. When unemployment rises, as a result of a crisis, workers' bargaining power declines, so capitalists are also generally better placed to drive down wages and hence to increase the rate of surplus-value.

⁷⁶ Grossman 1971c, pp. 332–3.

⁷⁷ Grossmann 1992, p. 83.

⁷⁸ Grossmann 1992, p. 189.

⁷⁹ Grossmann 1992, pp. 96–101. Sam Pietsch pointed out to me that two steps in the derivation of Grossman's formula are mis-specified in Grossmann 1992, p. 97; cf. Grossmann 1970, pp. 184–5.

⁸⁰ Grossmann 1992, p. 85.

⁸¹ Grossmann 1992, p. 99.

Counter-tendencies

Having established the fundamental causes of capitalism's tendency to break down, the next stage in Grossman's second account of economic crises was to examine the consequences of both automatic mechanisms and deliberate policies which off-set falling profit rates. He considered the consequences of lifting Bauer's unrealistic assumptions.⁸² In doing so, Grossman drew on and extended the discussion of counter-tendencies in *Capital* and reinforced Marx's conclusions.⁸³

Commodities can be produced with the expenditure of less labour as a consequence of the introduction of new technologies and superior means of production. This applies to both commodities which are means of production and to the means of consumption that workers require to reproduce their labour-power. If means of production are produced at a lower cost, the organic composition of capital will decline and the rate of profit will rise. Nevertheless,

[T]he factors which bring about the tendency for the rate of profit to fall indeed win the upper hand 'in the long run', because in the end there really is an increase in the productive forces of *all* branches of industry. Temporarily, in specific branches of a particular industry, the tendency for the rate of profit to fall can, however, be checked and indeed because the elements of constant and variable capital are cheapened.⁸⁴

In the short term, random improvements in the productivity of labour may reduce the value of constant capital more than that of variable capital in a branch of industry, lowering the organic composition of capital and raising the rate of profit. But in the longer term, declines in the value of constant and variable capital balance out. What remains is the incentive, outlined by Marx at the end of the chapter on 'The law as such' in the third volume of *Capital*, to increase the productivity of human labour (and the profitability of the first capitalists to innovate) by raising the organic composition of capital.⁸⁵ In an unpublished response to critics, Grossman identified the question of whether the growth in the mass of means of production is offset by the decline in their value as an empirical one.

⁸² Grossmann 1969, pp. 86–7.

⁸³ Marx 1981, pp. 339–75.

⁸⁴ Grossmann 1970, pp. 311, 329; also Grossmann 1992, pp. 137–8.

⁸⁵ Marx 1981, p. 338.

Experience, indeed the experience of more than one hundred years, teaches that the *value* of constant capital, thus also of the total capital, in relation to variable capital grows *more quickly* than variable, that is, in the relationship $c:v$, c [constant capital] grows *faster* than v [variable capital].⁸⁶

Cheapening the cost of variable capital increases the rate of surplus-value, by reducing the proportion of the working day workers have to spend reproducing their labour-power. The depression of wages below the value of labour-power has a similar effect. Both mechanisms, the first a consequence of the process of capital accumulation itself, the second the result of the conscious actions of capitalists and governments, raise the rate of surplus-value, increasing the rate of profit and postponing the onset of crises.⁸⁷ What is more, the tendency for the rate of profit to fall is accompanied by a tendency for the rate of surplus-value to increase.⁸⁸

Desirable as the defence of working-class living standards is for its own sake, Grossman pointed out that

[O]nce this connection is clear, we have a means of gauging the complete superficiality of those theoreticians in the trade unions who argue for wage increases as a means of surmounting the crisis by expanding the internal market. As if the capitalist class is mainly interested in selling its commodities rather than the valorisation of its capital.⁸⁹

It makes sense for workers to struggle for higher wages and against wage cuts. This is the only means they have to defend and improve living standards and can also lay the foundations for struggles that consciously challenge the continued existence of the capitalist order. But, to the extent that they are successful, campaigns to maintain or increase wages will prevent employers from increasing the rate of profit or will reduce it. Higher wages intensify rather than alleviate crises deriving from the tendency for the rate of profit to fall.

Grossman identified a series of other factors which affect the rate of profit. Decreasing the turnover time of capital means that it can give rise to more

⁸⁶ Grossman 'Entwertung'. The emphasis is Grossman's rather than Bauer's. For a recent illustration of the decreasing weight of labour costs in manufacturing capitalists' outlays see *The Economist* 2003.

⁸⁷ Anwar Shaikh (1990, p. 308) has, nevertheless, demonstrated that 'no matter how fast the rate of surplus-value rises, the rate of profit eventually falls'.

⁸⁸ Grossmann 1970, p. 316.

⁸⁹ Grossmann 1992, p. 140.

surplus-value. This can also free a portion of money capital for productive investment. New commodities may emerge whose organic composition of capital is lower than the average, leading to a higher average rate of profit.⁹⁰ The extension of capitalist production on the basis of existing technology – simple accumulation – will slow the tendency for the rate of profit to fall.⁹¹ As the ability of productive capitalists to dominate the whole of the circuit of capital grows, they are in a better position to reduce deductions from surplus-value, in the form of the claims of landowners (groundrent), commercial capitalists (commercial profit) and banks (interest), and thus to sustain their profitability.⁹² Decreasing the income of intermediate social strata, bureaucrats and professionals, who are not involved in production operates in the same way.⁹³ The destruction of means of production in military conflict also weakens the breakdown tendency.⁹⁴

Imperialism generates a series of other mechanisms which can offset the tendency for the rate of profit to fall. For Grossman, as for Luxemburg, 'the growing tendency to break down and the strengthening of imperialism are merely two sides of the same empirical complex'. Imperialism is a means of '*securing the flow of additional surplus-value from outside*' a country. But, Grossman asserted, Lenin's critique of underconsumptionism and emphasis on the export of capital as a characteristic feature of imperialism since the late nineteenth century refuted Luxemburg's analysis of imperialism primarily as a means to realise surplus-value.⁹⁵ Like the other Marxists who had dealt with the export of capital, in the form of loans, credits and speculative investments, Lenin's account was, however, more empirical than analytical.⁹⁶ Rather than being directly related to the level of monopolisation of industry, as Lenin suggested, capital export is a consequence of the lack of opportunities for adequate returns on domestic investments of liquid funds, due to low profit rates. Capitalism's tendency to break down, in other words, encourages the export of capital. By instituting control over sources of cheap raw materials at the expense of competitors, for example, capital export and the policies of imperialist states which promote it can boost the profitability of metropolitan

⁹⁰ Grossmann 1992, pp. 147–9.

⁹¹ Grossmann 1992, pp. 154–5.

⁹² Grossmann 1992, pp. 149–52, 199–200.

⁹³ Grossmann 1992, pp. 153–4.

⁹⁴ Grossmann 1992, p. 158.

⁹⁵ Grossmann 1971c, pp. 318–22. Also see Grossmann 1970, pp. 527–9.

⁹⁶ Grossmann 1970, pp. 519–20; Grossmann 1992, pp. 179–85, 194.

capitals.⁹⁷ Rampant gambling on the stock exchange is often similarly motivated by the declining opportunities for profitable investment in advanced capitalist countries.⁹⁸

Just as the diversification of domestic economies into new areas of production expands the scope for creating surplus-value by making different use-values, so foreign trade also slows the breakdown tendency by increasing the variety of use-values. In addition, foreign trade raises profit rates by allowing greater economies in the scale of production and distribution.⁹⁹

Imperialism off-sets capitalism's tendency to break down in a further way. The formation of a world rate of profit means that trade can involve the transfer of surplus-value from less to more developed countries. Commodities produced with a lower organic composition of capital sell below their value, while those produced with a higher organic composition sell above theirs. This was a rigorous formulation of a theory of 'unequal exchange', a term Grossman used, long before the idea became fashionable in the 1970s.¹⁰⁰

At advanced stages of accumulation, when it becomes more and more difficult to valorise the enormously accumulated capital, such transfers [from underdeveloped to developed countries] become a matter of life and death for capitalism. This explains the virulence of imperialist expansion in the late stage of capital accumulation.¹⁰¹

Grossman's conclusion about the logic of imperialism has a particularly contemporary resonance.

It is also, therefore, clear that the struggle for spheres for investment is the greatest danger to world peace. That this does not involve prediction of the future should be clear to anyone who studies the methods of 'Dollar Diplomacy' with the appropriate attention.¹⁰²

⁹⁷ Grossmann 1970, pp. 296–7, 300, 527–9; Grossmann 1992, pp. 174–79, 180, 187–8, 193.

⁹⁸ Grossmann 1992, p. 192.

⁹⁹ Grossmann 1992, pp. 166–8.

¹⁰⁰ Grossmann 1992, p. 172. Also see Grossmann 1929, pp. 305–38; Grossmann n.d., pp. 34–5.

¹⁰¹ Grossmann 1992, p. 172.

¹⁰² Grossmann 1970, p. 572; an abbreviated discussion of the issue is in Grossmann 1992, p. 197.

Economic crisis and socialist revolution

In the final stage of his explanation of capitalism's breakdown tendency and crises, in terms of the tendency for the rate of profit to fall, Grossman operated at a concrete level of analysis, focusing on implications for the class struggle.¹⁰³ Counter-tendencies can temporarily off-set the decline in the rate of profit and moderate crises so that they do not result in total economic collapse. But the counter-tendencies become progressively weaker.

If crisis, for him [Grossman], is a tendency to break down that has not fully unfolded, then the breakdown of capitalism is nothing but a crisis that has not been limited by counter-tendencies.¹⁰⁴

Hilferding argued that planning, within the framework of capitalism, could prevent crises. He did so because he attributed crises to the anarchy of production.¹⁰⁵ But, Grossman countered, capitalism is a *global* system that makes effective planning in individual countries impossible. Even more importantly, as the proneness of the capitalist mode of production to crises does not arise directly from competition but rather indirectly from the overaccumulation of capital and its effects on the rate of profit, 'organised capitalism' will not resolve the underlying problem.¹⁰⁶

Economic crises, such as the Depression from 1929 onwards, are unavoidable and can trigger sharp class struggles, as employers attempt to sustain their own consumption as well as capital accumulation, at the expense of wages. If bosses generally win in these conflicts, labour-power will not be fully reproduced, in other words, the working class will be paid less than the value of its labour-power. If workers maintain or improve their living standards, then the rate of accumulation will slow, technological change stagnate and the crisis will become more acute. So 'the breakdown, despite its objectively given necessity, can be influenced by the living forces of the struggling classes to a large extent and leaves a certain scope for active class intervention'.¹⁰⁷

¹⁰³ The final chapter of Grossmann 1970, which concludes Grossman's argument at the most concrete level of analysis, that of the class struggle, is missing from Grossmann 1992.

¹⁰⁴ Grossmann 1971c, p. 335.

¹⁰⁵ See Hilferding 1982.

¹⁰⁶ Grossmann 1970, pp. 606, 610–19.

¹⁰⁷ Grossmann 1970, pp. 590–1, 595–8, 601; Grossmann 1969, pp. 86–7; Grossmann 1971c, p. 333. For an illuminating summary of Grossman's account of the movement of wages that includes a translation of a section not included in the English translation of *The Law of Accumulation*, see Lapides 1994, pp. 239–46.

The prospects for socialist revolution are increased by the circumstances of deep economic crises, 'when every major *economic* struggle necessarily becomes a question of the existence of capitalism, *a question of political power*'. Revolution is 'a result of immediate everyday struggles and its realisation can be accelerated by these struggles'.¹⁰⁸

Far from propounding a theory of the automatic collapse of capitalism, as his critics alleged, Grossman's second theory of capitalist crises explored the objective preconditions for successful revolutionary action by the working class. In explaining his approach to Mattick, Grossman emphasised points he had made previously in print.

Obviously, as a *dialectical* Marxist, I understand that both sides of the process, the objective and subjective elements influence each other *reciprocally*. In the class struggle these factors fuse. One cannot 'wait' *until* the 'objective' conditions are there and only *then* allow the 'subjective' factors to come into play. That would be an inadequate, mechanical view, which is alien to me. But, *for the purposes* of the analysis, I had to use the process of abstract isolation of individual elements in order to show the essential function of each element. Lenin often talks of the revolutionary situation which has to be objectively given, as the precondition for the active, victorious intervention of the proletariat. The purpose of my breakdown theory was not to exclude this active intervention, but rather to show when and under what circumstances such an objectively given revolutionary situation can and does arise.¹⁰⁹

Recovery and loss

Grossman's recovery of Marx's theory of economic crisis proved to be a short interlude of illumination between the fog of orthodox Second-International Marxism and the violent storm clouds of Stalinism. The international working class experienced disastrous setbacks during the late 1920s and early 1930s. Stalin's faction was victorious in Russia. It subordinated the international Communist movement to the interests of the state-capitalist ruling class now in control of the Soviet Union.¹¹⁰ The Nazis destroyed the German labour movement in 1933. The upsurge in working-class struggle and organisation

¹⁰⁸ Grossmann 1970, pp. 602–3.

¹⁰⁹ Grossmann 1969, p. 88.

¹¹⁰ See Cliff 1974 and Hallas 1985.

which were the context of the recoveries of Marxism undertaken by Lenin, Lukács and Grossman had ended and the international working class was generally on the defensive. The space for the revolutionary-Marxist tradition that rejected both social democracy and Stalinism contracted dramatically.

The Stalinised Communist movement substituted justifications for Russian nationalism, hyper-exploitation of workers in the Soviet Union and dictatorial authority, that is, 'Marxism-Leninism', for Marxism. This new conservative ideology negated Lenin's internationalism, his understanding of the nature of proletarian state power and insights into the relationship between a revolutionary party and the working class. Most prominent Communists made an accommodation with Stalinism. They included Lukács who repudiated his own contributions to the recovery and development of Marxism.¹¹¹ Very small numbers of people, amongst whom Trotsky and his supporters were the most effective, continued to defend revolutionary Marxism.

A few exceptions aside, the initial reception of *The Law of Accumulation* was very unfriendly.¹¹² The reviews were shaped by the Stalinist, bourgeois and social-democratic politics of their authors. Grossman was a Communist sympathiser until 1933. But, unaffected by party discipline, he was unaware of the implications of Stalinism and regarded his views, based on Marx and Lenin and shaped by his own experiences of working-class organisation and struggle, as compatible with the outlook of the official Communist movement. Stalinist ideologues were, however, very conscious of the contradictions between his work and their orthodoxies.

On the level of politics, Communist attitudes to Grossman's work were conditioned by the emergence of a dogma in economic theory, paralleling developments in many other areas. It was based on Stalin's unchallengeable utterances and presided over by his high priest in economics, Jenő Varga. Any theory which did not accord with their radical underconsumptionist explanation of economic crisis was a challenge to Stalin's authority and that of the hierarchy of the Communist International.

In terms of specific content, Grossman's work embodied ideas that might prompt unwanted scrutiny of social relations in the Soviet Union. This could be a dangerous consequence of his critical focus on the fetishism of commodities

¹¹¹ See Löwy 1979; pp. 193–205; Arato and Breines 1979, pp. 190–200; Rees 2000, pp. 32–5.

¹¹² For details about the reception of Grossman's book and his responses to critics see Kuhn 2004.

and their dual nature, as use- and exchange-values; his location of the roots of economic crises in contradictions at the heart of capitalist production; his identification of the working class as a potential historical subject; and his advocacy of a method that abstracted from surface appearances to reveal the essence of social reality. For, despite state ownership of the means of production, the Russian economy was still organised according to the logic of commodity production and was periodically disrupted by economic crises. The régime's rhetoric about planning and the dictatorship of the proletariat denied the reality of arbitrary decision making and the dictatorship of a new bureaucratic, capitalist class.

Bourgeois economists and social democrats were just as understandably hostile to Grossman's theory. It maintained that capitalism was necessarily crisis-prone and ruled out a crisis-free transition from capitalism to socialism. The judgements in the first hostile reviews of his book, particularly that Grossman was guilty of arguing that capitalism would break down automatically, have been regurgitated ever since in standard accounts of Marxist economics.¹¹³

The politics of the Social-Democratic and Stalinist organisations which dominated the Left meant that positive assessments of the core argument in *The Law of Accumulation* were confined to the margins of the international labour movement. In France, Mohan Tazerout, a professor in provincial *lycées*, praised the work.¹¹⁴ Paul Mattick espoused Grossman's contributions to Marxist economics in English and German for fifty years.¹¹⁵ Until the 1960s, however, his political audience was tiny. During the 1930s, translations of Grossman's work only appeared in Japanese, Czech and Serbo-Croatian, but not French, Spanish or English, let alone Russian. With two exceptions, it was not until the late 1960s that more of Grossman's work was republished in any language.¹¹⁶

The circumstances of what Victor Serge called the midnight in the century, when Stalinism and fascism were triumphant, help explain the political

¹¹³ For instance, Howard and King 1989, pp. 316–36; and Hansen 1985, pp. 65, 142. Sweezy (1970, pp. 211–13, 215) asserted that Grossman's crisis theory was mistaken and 'exhibits in extreme form the dangers of mechanistic thinking' but did endorse some of his other conclusions and refrained from the common accusation that Grossman thought capitalism would collapse without the need for working-class intervention.

¹¹⁴ Tazerout 1932.

¹¹⁵ For example, Mattick 1934; Mattick 1974.

¹¹⁶ The exceptions reinforce the basic point. They were a Czech edition of an essay, published in 1946 before the Communist takeover; and a Serbo-Croatian edition of *The Law of Accumulation*, published in 1956, well after Yugoslavia's departure from the Soviet bloc.

trajectories of Grossman, his immediate associates and many working-class militants. The labour movement's defeats during this period also destroyed or obscured much of the tradition of revolutionary Marxism, including Grossman's contribution.

After the Nazi seizure of power in 1933, Grossman left Germany for Paris, where he lived until moving to London in early 1936. The disastrous policies of the German Left, which had allowed Hitler to take over without a serious fight, led Grossman to reassess his attitude to official Communism. At least for a period, his views were influenced by participation in a discussion group whose other members included Paul Frölich and Jacob Walcher, founding members of the KPD who had become leaders of the Socialist Workers' Party (SAP). A left-wing breakaway from the SPD in 1931, the SAP had about 17,500 members in January 1933. Grossman adopted highly critical positions, like those of the SAP, that paralleled Trotsky's on the Soviet Union and on the policies of the Communist International, in both their sectarian 'Third-Period' and class-collaborationist 'Popular-Front' incarnations. In private correspondence, he expressed some bravado at the worsening situation in early 1935, by which time the SAP had moved to the right and away from Trotskyism.

Sadly, the political situation is hopeless. The IIIrd International morally bankrupt, Trotskyism having perished miserably, other little groups without hope in the future of the workers' movement. In short we have to start the whole work from the beginning. But despite all this I am an *optimist* because the *objective* economic situation of capitalism is hopeless.¹¹⁷

A few days later, Grossman wrote that

I gave up the hope that the Muscovites would indicate a fruitful path in the area of philosophy. Over there, Stalin has to be celebrated as the greatest philosopher, the greatest economist, the greatest thinker in general.¹¹⁸

But Grossman abandoned his negative assessment of Russia between October 1935 and November 1936, the period during which the Communist International's Popular-Front strategy had its greatest successes: the election of Popular-Front governments in Spain and France. The civil war in Spain,

¹¹⁷ Grossmann 1969, pp. 104, 107–8; letter from Grossman to Mattick, 3 January 1935, Mattick Collection, Internationaal Instituut voor Sociale Geschiedenis; Drechsler 1965, p. 161; Grossman 1935.

¹¹⁸ Horkheimer 1995, p. 312. Also see Grossmann 1969, pp. 109–10.

after the military insurrection against the government in July 1936, seems to have had a major effect on Grossman. The Soviet Union was the only major power to back the Spanish Republic against the nationalist rebels, while Communists everywhere were enthusiastic supporters of the Republican cause. Grossman would not credit accurate reports of the counterrevolutionary role of Spanish Communists, carrying out policies formulated in Moscow.¹¹⁹ It was more comforting to revert to the belief that socialism was being constructed in the Soviet Union, which was fulfilling its duty to the international working class in the fight against fascism. Until the end of his life, Grossman held fast to this fantasy, through the increasingly desperate efforts by Stalin's régime to reach an accommodation with British and French imperialism, then the Hitler-Stalin Pact, the nationalism of the 'Great Patriotic War against Fascism' and the Cold War.

Nevertheless, in London, New York, where he lived from 1937 until 1949, and finally Leipzig, Grossman continued to defend and develop his economic analyses. The synthesis of Grossman's contribution in the previous section draws, in particular, on his 1941 'Marx, Classical Political Economy and the Problem of Dynamics' and 1943 'The Evolutionist Revolt against Classical Economics'.¹²⁰ He was (again) oblivious to the contradiction between his own theories, on the one hand, and, on the other, his faith in the state-capitalist régime in Russia and its influence on Communists around the world. Grossman's loyalty to his own contribution to Marxism can, at least in part, be explained in terms of his very high self-regard, attested to by friends and colleagues, and the momentum of his earlier work. The impetus for that work derived from his experiences as an activist amongst Jewish workers and socialist students, as a leader of the Jewish Social-Democratic Party, on the left wing of the international labour movement, and as a member of the Polish Communist Party. An organic intellectual of the working class at an early age, Grossman's international profile arose from publications that embodied his recovery of Marxist economics.

The situation of Grossman's younger colleagues at the Institute for Social Research in the immediate circle of Max Horkheimer was different. They had been radicalised by the revolutionary atmosphere in Germany between 1918 and 1923. None had personal experience in the organised workers' movement.

¹¹⁹ Horkheimer 1995, pp. 714–15, 797–8; Grossmann 1969, p. 111. For the role of the Communists during the Civil War see Broué and Témime 1972.

¹²⁰ Grossmann 1977, 1943a and 1943b.

Their publication records during the 1920s and 1930s were much more modest and the intellectual capital they had sunk into Marxism, compared to Grossman's work, was therefore of much less significance for their reputations. Following the collapse of the mass workers' movement in Germany and the Moscow show trials from 1936, their commitment to Marxism waned. By the early 1940s, Horkheimer had abandoned historical materialism and the idea that the working class could liberate society.¹²¹ Leo Löwenthal, a member of Horkheimer's inner group, later recalled, 'We didn't feel that we had deserted the revolution, but rather that the revolution had deserted us.'¹²²

Throughout his exile in France, England and the USA, the Institute for Social Research supported Grossman financially. But conflicts over politics, as Horkheimer and his friends moved to the right, and salary, as the Institute's resources diminished under the financial management of the economist Fritz Pollock, culminated in Grossman's estrangement from most of his colleagues in 1941. Although the Institute continued to provide him with a small income, occasionally supplemented by payments for translations of his current work, and he still insisted that, legally, he was one of its members, from then on he had very limited contact with the Horkheimer group.

In 1949, when he accepted a lump sum payment to terminate the Institute's obligations to him, Horkheimer and Pollock were happy to see Grossman's back. The severance money financed a move to East Germany, where he took up a professorial post at the University of Leipzig. Although keen to contribute to the 'socialist' reconstruction in East Germany, Grossman's ability to engage in teaching and research were soon curtailed by ill health.

In exile and back in Germany, Grossman was keen to find a new and wider audience for his work. In the United States, he explored the possibility of publishing an English translation of 'Marx, Classical Political Economy and the Problem of Dynamics' and prepared an English version of a monograph on Descartes. In Leipzig, he was enthusiastic about passing on his understanding of Marxist economics to students and about publishing and republishing his work. The year he died, 1950, he submitted a collection of his essays from the 1930s to Dietz, the principal publishing house of the East-German Communist Party. It issued neither this volume, nor any other book or essay by Grossman.

¹²¹ On the political evolution of Horkheimer and his closest associates in the Institute for Social Research see Brick and Postone 1982, p. 652; Buck-Morss 1977, pp. xii, 24, 28, 42, 62; Slater 1977, p. 63.

¹²² Leo Löwenthal cited in Gangl 1987, p. 247.

For the same reasons that Grossman's theories had been criticised by apologists for capitalism and Stalinism during the early 1930s, they remained uncongenial for Moscow as well as Washington during the Cold War, despite his allegiance to the Soviet Union. The contributions Grossman had made to Marxist economics were largely dormant until the late 1960s. Then a new generation of young Marxists – initially activists in the West German 'New Left' – began to recover them and Grossman's own recovery of Marx's insights.¹²³

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¹²³ While the German New Left republished Grossman's work, his positions were more widely adopted in the English speaking world; see Yaffe 1973, Shaikh 1978, Harman 1984, Harman 1993.

¹²⁴ There is an extensive bibliography of Grossman's work in Kuhn 2000a, pp. 163–70.

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