



Tugan-Baranowsky and Effective Demand

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ABSTRACT: Tugan-Baranowsky criticized underconsumption crisis theories on the basis of Marx's reproduction schemes in Vol. II of *Capital*. However, he incorporated in his analysis the "absolute immiseration thesis," and claimed that "proportionality" between production sectors would exclude any possibility of crisis, despite the supposedly continuous fall in mass consumption. This approach allows for a Keynesian interpretation of Marx's theory of expanded reproduction of social capital, according to which a constantly increasing investment demand may always compensate for the lacking demand for consumer goods. In contrast to Keynesian approaches, the ultimate "cause" of an economic crisis is found to be not "lack of demand" but "lack of surplus value," in the sense that the totality of capitalist contradictions renders capital unable to exploit labor at the level of exploitation that is required for sustaining profitability rates.

THE UKRAINIAN ECONOMIST Professor Mikhail von Tugan-Baranowsky (1865–1919) is mainly known as a critical exponent of Marx's theory and method, who first formulated a radical critique of underconsumption theories (Milios, 1994; Milios, *et al.*, 2002) and also laid the foundation of what is nowadays known as the Surplus Approach School (Ramos-Martínez, 2000). In this paper we are going to critically discuss the Keynesian interpretation and use of Tugan-Baranowsky's arguments and theoretical contradictions, which aims at turning him into an early formulator of the "effective demand principle" and thus an (immature) exponent of modern (Keynesian) underconsumptionism. This interpretation is closely connected with the attempt to discover a "Keynesian element" in Marxist theory in general.

1. *The Main Arguments of Marxist Underconsumptionist Approaches*

Even before Marx's death, underconsumptionist interpretations of his theses and excerpts on economic crises had become dominant, in both countries where Marxist ideas were influencing a considerable part of the intelligentsia and the labor movement: Russia and Germany–Austria. However, these approaches were soon disputed by an analysis deriving from Marx's theory of the expanded reproduction of the social capital, which was introduced in both Russia and Germany by Tugan-Baranowsky.

The predominant current of the Russian left in the 1865–1905 period is now known as the Narodniks (populists), because of their links at that time to the organization *Narodnaya Volya* ("People's Will"). However, the Narodniks formulated their arguments exclusively as an interpretation of Marx's analyses. Their theoretical edifice was based on an underconsumptionist approach, crowned by the conviction that the limitations of the domestic market (precisely because of the poverty of the popular masses in Russia but also because of the perceived tendency of capitalism to depress the living standards of the masses) constituted a formidable impediment, or even rendered impossible, the development of capitalism in Russia.

The first author in the Narodnik current to make "the problem of the home market" into the chief subject of a monograph was probably V. Vorontsov, who as early as 1882 published the book *The Destiny of Capitalism in Russia*. Vorontsov maintained that crises are caused by production of surplus value, which becomes the real purpose of the economy under capitalist relations. The "problem of the home market" and crises (*i.e.*, the excess of production over consumption) are manifestations of the fact that *the capitalist class* is not in a position to consume the entire surplus value produced:

The Achilles heel of capitalist industrial organisation thus lies in the incapacity of the entrepreneurs to consume the whole of their income. . . . The immediate cause of the above phenomena (over-production, unemployment, etc.) is not that the working classes receive too small a share of the national income, but that the capitalist class cannot possibly consume all the products which every year fall to their share. (Cited in Luxemburg, 1971, 281–2.)

Vorontsov had therefore worked out a Marxist version of the underconsumption approach, which converged with the one first introduced by T. R. Malthus: Crises emanate from “over-saving,” or, in Marxist terms, from the inability of the capitalists to consume surplus value (see Milios, *et al.*, 2002, 160ff).

The views of the other Marxist theoreticians of the Narodnik current — first and foremost Nikolai Danielson, who in 1891 presented his theses in comprehensive form in his *Outlines of our Social Economy after the Reform* — converged with the basic conclusions of Vorontsov’s analysis: inability of the economy to absorb the product generated owing to capitalism’s inherent tendency to increase production beyond society’s ability to consume. Within this framework, Danielson is nevertheless to be distinguished from Vorontsov as regards the factors that cause underconsumption: contraction in the purchasing power of the popular masses (and not the inability of capitalists to consume the surplus value). Danielson’s analysis therefore falls into the school of underconsumption theory initiated, during the classical era of political economy, by Sismonde de Sismondi.

According to Danielson, capitalist development reduces the number of workers (formerly self-employed craftsmen, small manufacturers, farmers or even laborers) through rapid increase in productivity. This leads to an ever smaller number of workers handling an ever larger mass of means of production, and accordingly also the number of mass consumers, since it marginalizes all those who are being pushed into the industrial reserve army, depriving society of their purchasing power. Crises therefore emerge as a result of *contraction* of the internal market and of *popular consumption*.

Danielson’s analysis of the contraction of popular consumption linked his theory of crises (“underconsumption”) with the “theory of pauperisation,” *i.e.*, of deterioration in workers’ economic position under capitalism. In this context he adopted a version of the “absolute immiseration” thesis (deterioration of the standard of living of the working class).

The theoretical scene in the German-speaking lands, after the deaths of Marx and Engels, was very similar. The German Marxists had in fact reformulated the purely descriptive (not heuristic) view that in periodic economic crises production expands beyond paying consumption into an assertion that under capitalism production *always* increases faster than society’s ability to consume. Expansion of

the market for commodities by means of "third persons" from non-capitalist modes of production now remained the sole (albeit temporary) solution to the immanent realization problem (see Milios, 1994; Milios, *et al.*, 2002).

According to the main postulate of all underconsumption theories, an abstract ("pure") capitalist society cannot exist and reproduce itself on an expanding scale. On the contrary, it will suffer a permanent underconsumption–overproduction crisis. The only way out of crisis for capitalism is the creation of an "external" market (in relation to the pure capitalist economy, *i.e.*, the capitalists and their workers), which is formed, according to Karl Kautsky's formulation, by "those strata and nations which are still non-capitalist" (quoted by Luxemburg, in Luxemburg and Bukharin, 1972, 79). The notion of the market as "external" to capitalist production is typical for all versions of the underconsumptionist approach.

2. *Tugan-Baranowsky's Position and the Questions Arising from This*

Tugan-Baranowsky's approach to crisis theory was first published in Russian in 1894, with a more mature formulation following later in German (Tugan-Baranowsky, 1969; Luxemburg, 1971, 311). The primary significance of Tugan-Baranowsky's intervention is that it transformed the theoretical scene both in Russia and in the German-speaking milieu (Milios, 1994; Milios, *et al.*, 2002, 158–89). The putative "orthodox Marxism" of Russian and German-language Social Democracy adopted the critique of underconsumptionist theory on the basis of the reproductive models of Vol. II of *Capital*, in accordance with the line of thought introduced by Tugan-Baranowsky.¹

Tugan-Baranowsky's basic contribution was that he was the first to ascertain the critical importance of the conclusions accompanying the reproduction models of Vol. II, correspondingly shifting the ground of discussion. Indeed, as he himself put it:

In the second volume of *Capital*, there is a brilliant analysis of the reproduction of the social capital that, in our opinion, must constitute the basis of

1 The exception to this perspective in Russia was Plekhanov and in the German-speaking countries Kautsky, Thalheimer and Rosa Luxemburg, who persisted in supporting underconsumptionist theory (see Milios, *et al.*, 2002, 170ff).

any scientific theory of the social metabolism in the capitalist economy. But this analysis was left unfinished by Marx, who did not employ it in order to clarify crises and other phenomena of economic life. (Tugan-Baranowsky, 2000, 83.)

Tugan-Baranowsky attempted to reverse the terms of the underconsumptionist argument, retaining a considerable number of the prior assumptions of underconsumptionist thinking. For him the realization of surplus value is entirely independent of the existing private consumption potential of a society. Given that capitalist development is accompanied by constant increase in the organic composition of capital, realization of surplus value is assured by appropriate expansion in production of means of production. Tugan-Baranowsky sees this process as an expression of the fundamental law of capitalist production that "the further technical progress advances, the more do consumer goods recede as compared with producer goods. Human consumption plays an ever decreasing part as against the productive consumption of the means of production" (quoted in Luxemburg, 1971, 316).

Alternatively, we may conceptualize Tugan-Baranowsky's argument as follows: increase in the productivity of labor means that the increase in the bulk of commodities produced takes place more rapidly than the increase in real wages. But even now production does not surpass the consuming potential of the market because with capitalist development production undergoes restructuring, with the result that the means of production sector continually grows at the expense of the consumer goods sector.

There may thus be a link between unimpeded capitalist development and the thesis of absolute immiseration of the toiling masses formulated by the underconsumptionists. We arrive, in Tugan-Baranowsky's words,

at the most important conclusion that in capitalist economy the demand for commodities is in a sense independent of the total volume of social consumption. Absurd as it may seem to "common-sense," it is yet possible that the volume of social consumption as a whole goes down while at the same time the aggregate social demand for commodities grows. (Quoted in Luxemburg, 1971, 312.)

In accordance with the procedure described in the reproductive models, as long as Sector I products (means of production) and Sector II

products (consumer goods) remain in the appropriate proportions, no problems will arise in realization of surplus value. Sector I demand for consumer goods realizes Sector II demand for capital goods and, conversely, Sector II demand for means of production makes possible the realization of surplus value produced in Sector I. If we symbolize the values of constant capital, variable capital and surplus value in Sector i ($i = 1, 2$) as c_i , v_i , s_i respectively, then the general conditions of social production in the simple two-sector model used by Marx are conveyed by the following formulae (k_i is consumption by capitalists):

$$\text{Sector I: } c_1 + v_1 + s_1 = c_1 + \Delta c_1 + c_2 + \Delta c_2 \quad (1)$$

$$\text{Sector II: } c_2 + v_2 + s_2 = v_1 + k_1 + \Delta v_1 + v_2 + k_2 + \Delta v_2 \quad (2)$$

From this it is evident that the new value $v_1 + s_1$ produced in Sector I will be equal to $\Delta c_1 + c_2 + \Delta c_2$, and that the difference between new value in Sector I and demand from Sector 2, $(v_1 + s_1) - (c_2 + \Delta c_2)$, is Δc_1 . Tugan-Baranowsky seems to conclude that even when Sector II contracts ($\Delta c_2 < 0$), a development corresponding to absolute immiseration of the working masses, the system is not endangered by underconsumption, since there will always be a suitable price for (net) investment in means of production, Δc_1 , capable of absorbing the surplus product of Sector I. This would of course mean, as Tugan-Baranowsky himself earlier admitted, that total demand for commodities is independent of the ultimate total volume of social consumption, so that the latter sets no limit either to realization of surplus value or indeed to growth of the economic system.

The extremism of what is logically implied by this train of thought leads us to two possible forms of catastrophism. Either the capitalist system is headed for total automation of production, probably signifying transcendence of capitalism; or absolute immiseration of the masses (unrelenting contraction of Sector II) will trigger a revolutionary overturn of capitalism long before we reach full automation. Tugan-Baranowsky apparently espouses the former "peaceful" variant. As pointed out by Howard and King (1989, 170):

Tugan-Baranowsky pushed this conclusion to its logical extreme (or almost so) by imagining a (virtually) automated economy in which the production of ever more machines is used to produce even more machines. Similarly,

the process of reaching this end-point will involve the realization of surplus value with declining consumption — possibly with the immiseration of the mass of the population. Consumption demand, therefore, has no privileged role in the operation of capitalism.

In the course of his description of the “general law of capitalist accumulation” in *Capital I*, Marx asserted that capitalist accumulation raises the constant more than the variable component of capital, imposing a continual increase in its organic composition whose effect is to bring about a relative excess in the population of unemployed: “With the growth of the total capital, its variable constituent, the labor incorporated in it, does admittedly increase, but in a constantly diminishing proportion” (Marx, 1990, 781–2). Tugan-Baranowsky thus overlooks the fact that increase in the organic composition of capital does not necessarily entail absolute but rather relative reduction of variable capital, *i.e.*, increase at a rate lower than that of fixed capital.

As early as 1893, in his essay *On the So-Called Market Question*, Lenin² was already criticizing the thesis of expanded reproduction irrespective of individual consumption by workers and capitalists. He wrote that: “it is wrong to speak of accumulation being ‘independent’ of the production of articles of consumption, if only because the expansion of production calls for new variable capital and, consequently, articles of consumption” (Lenin, 1977, 84). A similar criticism of Tugan-Baranowsky was later formulated by Kautsky (who noted that it did not correspond with Marxian reproduction schemes to imagine there could be accumulation of capital even in the event of a diminution in the volume of commodities consumed by the working class), and also by Rosa Luxemburg, in their endeavor to defend underconsumption theory:

The accumulation of Department II is completely determined and dominated by the accumulation of Department I. . . . Accumulation must proceed simultaneously in both departments, and it can do so only on condition that the provisions-department increases its constant capital by the precise amount by which the capitalists of the means-of-production-department increase both their variable capital and their fund for personal consumption. (Luxemburg, 1971, 127.)

2 For an outline of Lenin’s theses, see Howard and King, 1989, 171–3.

What is perhaps uniquely significant about Tugan-Baranowsky's relevant argument is that reproduction of constant capital in Sector I "takes place without exchanges with department II, *i.e.*, every year a certain quantity of, say, coal is produced in society for the purpose of producing coal" (Lenin, *op. cit.*)

For Tugan-Baranowsky capitalist crises are the result of temporary disproportions between production in the two sectors. "If social production is proportionately organized, there is no limit to the expansion of the market other than the productive forces available" (cited in Luxemburg, 1971, 313). Thus:

The underconsumption of the popular masses can be an obstacle for the realization of the social product only insofar as it hinders a proportional distribution of the social production. Yet, the lack of proportionality is, also in this instance, the only cause of an insufficient demand. Therefore, one should not consider both, the lack of proportionality and underconsumption, as two particular causes of the crises since, strictly speaking, both are one and the same. (Tugan-Baranowsky, 2000, 86.)

Tugan-Baranowsky in this way provides us with an interesting conception of cyclical fluctuations in capitalist growth.

A systematic critique of Tugan-Baranowsky's views was undertaken by Nikolai Bukharin, in his 1925 polemical brochure which mainly aimed at Rosa Luxemburg's "counter-attack" in defense of the underconsumptionist approach (Bukharin, in Luxemburg and Bukharin, 1972; see also Milios, *et al.*, 2002). Bukharin's key point was that mass consumption can grow to the extent that it is determined by the dynamic of expanded reproduction of social capital (level of the rate of profit, sectoral restructuring of the economy, etc.). This led him also to a corresponding critique of "monistic" views in relation to the origins of crises (*e.g.*, underconsumption *versus* disproportionality). Class struggle emerges from this line of argument as the process in the last instance driving all economic development and also determining the outbreak of economic crises.

We are not going to further discuss Bukharin's critique of underconsumption theories or Tugan-Baranowsky's approach, as we have dealt with this in the past. Our purpose in this paper is to explore the relation between Tugan-Baranowsky's analysis and the Keynesian concept of effective demand. In this context, one aspect of Tugan-

Baranowsky's analysis remains open. What determines net investment and what dictates that it should occur to the extent required for unimpeded reproduction? And, by extension, what is it that, even if only temporarily, influences it in such a way as to generate disproportionality, and therefore crises?

3. The Keynesian Interpretation of Tugan-Baranowsky's Contradictions

Keynes' intervention marked a break with the neoclassical variant of Say's Law, which presupposes the equilibrium of full employment. In general terms, the Keynesian line of thought may be represented as follows. In an economy without significant foreign trade and government economic activity, aggregate demand is comprised of individual consumption and investment. As a result, there are two possible ways of extending aggregate demand: through extension of individual consumption or through activation of private investment. As Keynes himself saw it, by attributing causal priority to effective demand the underconsumptionists moved in the right direction, but inadequately.

Practically I only differ from these schools of thought in thinking that they may lay a little too much emphasis on increased consumption at a time when there is still much social advantage to be obtained from increased investment. Theoretically, however, they are open to the criticism of neglecting the fact that there are *two* ways to expand output. (Keynes, 1973, 325.)

In the Keynesian problematic, individual consumption is fundamentally contingent on income (see Asimakopulos, 1991, 58–75) and cannot be regarded as an independent variable. The weight falls exclusively on investment. To cite Kregel's comment (1979, 54),

it is customary to assume, as did Keynes, that the level of investment is determined exogenously. Keynes himself . . . used the catch phrase "animal spirits" to indicate that decisions to invest were based on a more complex set of factors than just profits or the availability of finance.³

³ For more on this, see Robinson, 1962, 36–8, 48–51. The relevant comment by Keynes (1973, 161) reads as follows: "Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as a result of animal spirits — of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by

This is what Kaldor (1980, 229) had earlier designated the "Keynesian hypothesis."

Keynes' overall argument seems to be structured more or less as follows:⁴ 1) "autonomous investment" via the multiplier determines effective demand, 2) effective demand in turn determines the level of output and 3) the level of output determines real wages, since the condition of maximizing profits, at the prevailing level of product, makes real wages equal to the marginal product of labor (in other words we have internal determination of real wages, in contrast to what Smith, Ricardo, and also Marx, had accepted).

In light of this approach, Tugan-Baranowsky's basic mistake was "not to see" how unimpeded capitalist accumulation is not a necessity but an endangered potential of the system. Commenting on the work of Tugan-Baranowsky, Kalecki (1980, 146) shrewdly takes advantage of the gap in his analysis to smuggle in the concept of effective demand. Whenever the economic system is conceptualized in two sectors, with suitable proportions between them, the problem of effective demand remains concealed in the background. At every level of individual consumption by workers and capitalists, the national product *may* be sold *in toto* (and surplus value realized), on the condition, of course, that investment expenditure is sufficiently high. But this elevates the level of investment into a critical condition for maintenance of proportionality between the two sectors.

Thus the fundamental idea of Tugan rests on an error that what may happen is actually happening, because he does not show at all why capitalists in the long-run are to invest to the extent which is necessary to contribute to full utilization of productive equipment. (Kalecki, *op. cit.*)

It is here that Robinson (1991, 43–51) detects the beginnings of effective demand in Marx's text, misinterpreting the way in which

quantitative probabilities. Enterprise only pretends to itself to be mainly actuated by the statements on its own prospectus, however candid and sincere. Only a little more than an expedition to the South Pole, is it based on an exact calculation of benefits to come. Thus if the animal spirits are dimmed and the spontaneous optimism falters, leaving us to depend on nothing but a mathematical expectation, enterprise will fade and die — though fears of loss may have a basis no more reasonable than hopes of profit had before."

4 For example, see Bhaduri and Marglin, 1990, 375–6. In reality this is the "neo-Keynesian" reading.

Marx develops his argument.⁵ In expanded reproduction, part of the surplus value $s_1 + s_2$ produced in Sector I and Sector II respectively is saved, without being spent in purchasing Sector II consumer goods. But this means that the new value $v_1 + s_1$ of Sector I exceeds demand. For the system to function smoothly, this shortfall in demand must be covered by corresponding net investment demand for means of production, Δc_2 , through s_2 . For Robinson (*op. cit.*, 48), “saving represents sales without purchases, and can proceed smoothly only if it is offset by equivalent investment — purchase without sales.” This, of course, is by no means certain to happen. So “the cause of crises is to be sought in a lack of balance, which is an ever-present threat to the stability of the system” (*op. cit.*).

Thus, according to Kalecki and Robinson, Tugan-Baranowsky — probably unintentionally — opens up a research orientation on the basis of which we may conceive of long-term movement in the capitalist system from the viewpoint of a more general Keynesian problematic. The origin of crises and destabilization of accumulation must be traced to unequal distribution of purchasing power. Tugan-Baranowsky’s error and by extension his extremely negative attitude to the underconsumptionists may be attributed to his failure to understand how when demand for Sector II consumer goods is restricted (something he himself did not exclude within the context of acceptance of “absolute immiseration”), there will be corresponding negative consequences for demand for Sector I means of production also, given that investment expenditure Δc_2 will cease to exist. Δc_1 cannot exist without Δc_2 , simply because “the constant capital of the consumption-good industries will not expand fast (enough) to absorb the potential output of the capital-good industries” (Robinson, 1991, 49).⁶

The problem of effective demand (and so the necessity of a policy mix to deal with it) will make its appearance as soon as — for whatever reason — there is a fall in investment (*e.g.*, in Sector II). This is the point at which a general contraction will occur in overall production, moving the economy away from full employment. According to Kalecki (1980, 148):

5 We do not propose to concern ourselves with Marx’s analysis. The shift from simple reproduction to extended reproduction models represents a qualitative transformation, something that appears to be misinterpreted by Robinson (see Marx, 1992, 581ff).

6 Here Robinson questions the soundness of Tugan-Baranowsky’s hypothesis that growth may occur in one sector absolutely independently of the other.

Tugan considers the *possible* use of the national product created by full utilization of the productive forces as the actual fact — in any case if we disregard the business cycles. The following problem arises here: the approach is certainly faulty, from which however does not follow that Tugan's theory is wrong, but merely completely unfounded.

What appears to be "absent" in Tugan-Baranowsky's model of reproduction is the factor determining investment incentives (and thus ensuring full utilization of the productive forces). If the propensity for capitalists to invest surplus value in capital goods exists independently of their profitability, then the Sector I product will fill the gap between consumption and the maximum potential product, removing the probability of crises, however unfavorable the level of consumption (Robinson, 1991, 50). In this case the balance between the two groups of industries will be self-regulating. But what is it that determines the long-term level of investment?

In Tugan-Baranowsky we do not find the answer given in the Keynesian literature to this question, where in the long term the "principle of effective demand" translates as "autonomous investment." This autonomy appears to be linked to a wide range of social and psychological factors. The key idea is based on an inversion of the neoclassical schema, in which independent investment, through a variety of mechanisms, creates the corresponding savings. In accordance with one of Kaldor's findings (Kaldor, 1980, 227–8), there are two possible ways in which something like this may happen.⁷ Investment can generate the corresponding savings either through appropriate adjustment of distribution for a given level of the product (the neo-Keynesian outcome), or through a change in the overall level of the product, given a particular social distribution (this might be called the neo-Ricardian Keynesian outcome).⁸

7 The relevant discussion has to do with the time frame for implementation of the multiplier, something that remained open in Keynes' analysis. For a general account of the question, see Asimakopulos, 1991, 65–70; Harcourt, 1972, 205–214.

8 In this connection, see Garegnani, 1992, 47–8; Kurz, 1992, 84; Robinson, 1962, 11, 40–1; Eatwell, 1983; Dutt and Amadeo, 1990, 44–93. Representing the "neo-Keynesians," Kaldor (1980, 227–8), in agreement with Robinson on this point (Robinson, 1962, 11), considers that at work here are two different conceptions of the multiplier, which are mutually incompatible. Variant 2 finds its realm of application in the short term, in contrast to the first, which could constitute the background for elaboration of a long-term theory. The "neo-Ricardian Keynesians" maintain that Kaldor's assertions have an inverse validity.

4. *Conclusion: Towards a Marxist Conception of Capital Accumulation*

Above and beyond the Keynesian element, one may seek an alternative, Marxist, solution to the question of capitalist development.

We ascertained previously that the process of producing means of production through increased production of means of production, described by Tugan-Baranowsky, is very far from comprising a coherent interpretation of capitalist reality. It nevertheless incorporates a basic idea that is in no way offensive to a Keynesian interpretation. Autonomous investment generates the profits and savings needed for its own financing, so that it is in a position on its own to sustain capitalist development.⁹

It should, however be noted that in Tugan-Baranowsky's text we find a variant of the Marxist theory of overaccumulation that shifts the problem of capitalist development a long way from the essentially "psychological" concept of effective demand. These are the points where Tugan-Baranowsky continues — quoting long passages — the analysis of capitalist crises¹⁰ in the third volume of *Capital*. Tugan, however, does not avoid mistakes that are chiefly attributable to the fragmented manner in which Marx developed his argument.

In contrast to the Keynesians (and also to the neoclassical economists), Marx proposes something different: "the true barrier to capitalist production is capital itself" (Marx, 1991, 358). In the process of capitalist accumulation, capital may be rendered "unable to exploit labor at the level of exploitation that is required by the 'healthy' and 'normal' development of the capitalist production process" (Marx, 1991, 364). Net investment of social capital then yields a sum of profit smaller than that which it had previously realized, so that continuing accumulation becomes "unproductive" for capital, meaning that the rate of profit steadily contracts.¹¹ The crux of the problem lies in

9 Here the question of distribution is of secondary importance. Of course, Tugan-Baranowsky, rejecting as he does the labor theory of value, seems to have ended up with a preliminary formulation of the neo-Ricardian theory of surplus. For further details, see Ramos-Martínez, 2000; Tugan-Baranowsky, 1969.

10 For this approach to the problem of crises, see Marx, 1991, Ch. 15; Mattick, 1978, 87–97; Milios, 1994; Ioakimoglou and Milios, 1993.

11 "Overproduction of capital never means anything other than overproduction of means of production — means of labour and means of subsistence — that can function as capital, *i.e.*, can be applied to exploiting labor at a given level of exploitation; a given level, because a fall in the level of exploitation below a certain point produces disruption and

“the decrease of the exploitability of labor in comparison with the profit requirements of a progressive capital accumulation” (Mattick, 1969, 79).

We may conceptualize this process as follows (see Mattick, 1978, 87–88, 92–3): Every long-term developmental phase of capital has as its concomitant certain limits, and is succeeded by crisis if these limits are transgressed. They oblige the “collective capitalist” to reorganize the overall structures of production. As Mattick (1969, 73) pointed out, Marx’s theory

does not depend on any particular periodicity of crises. It only maintains that crises are bound to arise as an expression of a temporary overproduction of capital and as the medium for the resumption of the accumulation process.

Given that in Marxist theory the “market question” does not represent the reality of social conditions but is to a large extent determined by the process of capital “creation” (as it is the problem of “technical change”¹²), the ultimate “cause” for an interruption to capitalist accumulation is not “lack of demand” (nor “retardation of savings”) but “lack of surplus value.” To quote Mattick once more:

At any given time the actual borders of capital expansion are determined by general social conditions, which include the level of technology, the size of the already accumulated capital, the availability of wage-labor, the possible degree of exploitation, the extent of the market, political relations, recognized natural resources, and so forth. It is not the market alone but the whole social situation in all its ramifications which allows for, or sets limits to, the accumulation of capital. (Mattick, 1969, 74.)

Thus, behind the process of capitalist accumulation and the crises that periodically accompany it there is no “simple” systematically operant

stagnation in the capitalist production process, crisis and the destruction of capital” (Marx, 1991, 364; MEGA II, 4.2, 330).

12 “The beginning of true wisdom about technical change . . . is that ultimately, all benchmarks notwithstanding, there is no reason to believe that any parameter . . . will remain constant. A change in technique alters all of the relationships in the workplace, both explicit and implicit. Productivity norms for each operation must be redrawn, and will be the object of struggle. Lines of authority must be redirected; some centers of power within the workplaces may be eroded by the introduction of a new technique, and others strengthened. . . .” (Laibman, 1997, 49).

cause (disproportionality, lack of effective demand, etc.), but rather the evolving balance of class forces themselves, the totality of contradictions and internal causal relations governing capitalist production.

Therefore, it becomes evident that the Marxist problematic transcends the apparent dilemma between the priority of investment (Keynesian) and saving (neoclassical-classical), offering a richer framework for interpretation of capitalist accumulation.

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