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# The discontents of Marxism

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## *Abstract*

This is a pre-publication version of a full-length review of Kuhn, R. (2007) *Henryk Grossman and the Recovery of Marxism*. Urbana and U of Illinois.

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# The discontents of Marxism

Review of Kuhn, R. (2007) *Henryk Grossman and the Recovery of Marxism*

By Alan Freeman, London Metropolitan University

In 1977, volumes 2 and 3 of *Capital and Class*, journal of the seven-year old Conference of Socialist Economists, carried Pete Burgess's translation of Henryk Grossman's 1941 review article *Marx, Classical Political Economy and the Problem of Dynamics*. Of this Kuhn (p190) justly remarks 'It was and remains one of the most impressive critiques of the methodological underpinnings of the body of ideas known as economics in most universities and the media'. The second part of this article offers a devastating dissection of the approach known as 'general equilibrium', which now dominates not only orthodox but 'Marxist' economics.

Had the participants in the next thirty years of debate around Marx's economic theories treated this article with even normal professional diligence, most of what passes for 'theory' in this field would probably never have been written. If written, it would probably never have been published. If published, it would certainly not have been taken seriously. Had this happened, Marxist political and social theory could have been re-grounded in the economic foundations that lie at the heart of Marx's analysis of society. The importance of Rick Kuhn's excellent book is that provides a firm and informed account of Grossman's real contribution to Marxist theory, freed from the trivialisation to which his ideas have become subject, from which we can enquire why this did not happen.

The CSE had already become the forum within which the English-speaking left produced its present consensus, cogently set out by Steedman (1977), that Marx's economic theory is logically inconsistent and should be ignored. His concept of value, the story runs, is arithmetically impossible and his explanation for long-term declines in the profit rate is demonstrably false. This consensus is founded on the reading of Marx as a general equilibrium theorist. It is overwhelming, dogmatic, and stifling, and eschews any coherent response to criticism, substituting a simple appeal to intuition and authority for reasoned argument based on evidence.<sup>1</sup> Yet Grossman's work, accessible to all the participants in the debate, convincingly demolished – thirty years ago – the basic theoretical errors in this consensus, rigorously laid bare its apologetic foundations, and clearly signalled the basis for a different, non-equilibrium or temporal reading which makes perfect sense of all Marx's supposedly disputable conclusions.

Grossman's reception illustrates the central contradiction of Marxist theory in the second half of the twentieth century, namely, its dogged rejection of the most central feature of this theory – Marx's economics. Kuhn's scholarly intellectual biography lays the basis for examining this deeper issue. The 'Grossman question', if one may so call it, is this: given the depth, profundity, comprehensiveness and relevance of Grossman's theoretical work, why has his influence been so small? The traditional Western Marxist dismissal is based on a trivialisation: Grossman is pigeonholed as a one-issue fanatic whose only contribution to Marxist thinking was a simple-minded

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<sup>1</sup> See Kliman (2007), Freeman and Carchedi (1996) and Freeman, Kliman and Wells (2004) for a discussion and bibliography. See also the recent exchange between Mohun, Veneziani, Kliman and Freeman in *Capital and Class* 91, 92 and 94 (forthcoming)

theory of inevitable capitalist breakdown. Hence, the story runs, he has been ignored because he has little of merit to say. Kuhn's book drives one to a different conclusion, although Kuhn does not explicitly draw it: the problem lies not with Grossman's contribution to Marxism but with Marxism's reaction to Grossman.

Kuhn amply demonstrates that there is no sound reason for dismissal rooted in the quality of Grossman's work. The book removes all doubt that he ranks among the twentieth century's most original, informed and profound writers on economic theory.

Nor is he restricted in the range of issues he considered. His theoretical reach was prodigious, from his earliest highly original encounter with the complex issues of nationality, language and class as the controversial organiser of a revolutionary organisation of the Galician Yiddish-speaking workers to his last written work on appearance and essence in the foundations of classical economics.

Nor has his work dated. Re-reading his 1941 article reminds one how extraordinarily prescient he was and how relevant his work remains after thirty years of Keynesian predominance followed by twenty of neoliberal reaction. Unlike Luxemburg and Gramsci, with whom he is often compared as a mass political organiser who combined activism with theoretical praxis of the highest order, he remained theoretically active well into the late 1940s. His life spanned four intellectual epochs: the pre-revolutionary before WWI, in which the mass parties of Eastern Europe were formed; the period of post-revolutionary construction; the period of the US exile community, and the early period of postwar reconstruction.

He was no marginal figure. A prominent revolutionary leader, he joined the Frankfurt School soon after it was formed to become a thorn in the side of the more famous, but arguably more superficial Theodor Adorno and Max Horkheimer. He remained a member of it from 1925 until his return to East Germany after the war, where he held a prominent academic position until he died in 1950.

Finally, and not least, he is accessible. Decisive contributions of his have long been available in German and, since the 1970s the most important economic works, listed in Kuhn's comprehensive bibliography, are available in English.

The marginalisation of Grossman by contemporary Marxists is not explained by any theoretical flaw in his work. Is it explained by other material or causal factors? Some of the reasons Kuhn considers do account for the controversy which his work excited during his lifetime and in the decades after his death, but do not explain his post-68 marginalisation. Thus the influence of Stalinism certainly did curtail the free evolution of economic theory from the late twenties onwards. And the Cold War took its toll of Grossman's ideas along with those of all Marxists. But how should we explain his 'third rejection' by the children of 68? By 1977 Stalinism was to all intents and purposes dead as a theoretical constraint. The triple conjuncture of the Vietnamese revolution, the student movement, and the 'Prague Spring' shattered the suppressive Cold War consensus. The very same generation that ignored and ridiculed Grossman enthusiastically embraced his Frankfurt School colleagues such as Marcuse, Adorno, and Horkheimer.

There is hence neither a sound theoretical, nor an evident material explanation as to why an otherwise radical, *Marxisant* generation should turn its back on the one component of Marxist theory most central to its explanatory power – its account of the capitalist economy. The question therefore requires study.

Significantly, the Frankfurt institute itself, the charting of which is a successful achievement of Kuhn's book, exhibits many elements that explain this desertion. The institute came into existence through a strange contradiction as Kuhn (p113) explains:

The IfS was the product of the German revolution and its failure. The institute brought together a group of brilliant Marxists, not in an organization dedicated to the overthrow of capitalism but in one integrated into the conservative, and elitist German university system and financed by profits from international grain dealing, the meat trade, and property speculation.

Earlier on the same page he remarks that Brecht himself grasped its contradictory nature in notes for a novel: '[A] rich old man...dies, disturbed at poverty in the world. In his will he leaves a large sum to set up an institute that will do research on the source of this poverty, which is, of course, himself.'

This outpost survived the Nazi takeover in exile in what Lukacs termed the 'Grand Hotel Abyss' in New York, where its funds ran down following ill-advised speculative investments by Pollock, a director who pointedly distanced himself from Grossman's crisis theory and failed to anticipate the US downturn of 1938, somewhat undermining (or perhaps exemplifying) Horkheimer and Adorno's view that 'Marxist economics was significant not as a means to understand concrete developments in capitalist societies but only as an ironic demonstration of its contradictions' (Kuhn: 187).

Grossman's relations with Adorno and Horkheimer were marked, against this background, by increasingly acrimonious differences, to the point where the institute members basically sought to suppress his 1941 text, successfully delaying it for four years after its initial submission. Horkheimer denounced as a "most rotten piece of work", and Löwenthal, the institute's editor, described Grossman as "totally *meshugge*" and "psychotic". Eventually, eighty mimeo copies were produced. Disagreement was not merely theoretical: Horkheimer, Pollock and Weill were openly concerned that a planned English version of the text would discredit the Institute as procommunist.

These early disagreements prefigure many if not all subsequent debates in the post-1968 left. The critical organising nexus of the intellectual relations linking the Institute members was *money*. Offensive as the very idea was to the delicate noses of the Marxist elite which populated it, in the crudest and most basic sense, shorn of any organic relation to any external political movement, the continuation of their labour process depended directly on maintaining the Institute's funding. With exquisite sensibilities they displayed the same instinctive understanding as a later generation of fund-hungry academics of what could, and what could not be said, without risking offence to the social layers and institutions on whom their continued employment depended.

Grossman represented the most radical and dangerous idea with which Marx's theory confronts every private interest: the system which funds all purely private interests is historically circumscribed, contains the seeds of its own future destruction, and generates from within itself contradictions that continually threaten its existence – and with it, the material means to support the existence of these private interests.

The difficulty with making Marx's economics 'respectable' lies precisely in the extreme radicalism of this conclusion. The course of Western Marxism since 1945 can be interpreted, in a certain sense, as a concerted attempt to secure institutional

respectability by separating the body of Marx's many and varied contributions to political and social theory from the radical economic content which these contributions merely render concrete.

For previous generations whose individual freedom was always under threat, personal survival was often more simply guaranteed by throwing in their lot with classes capable of defending them from the censor, the jailor or the gallows, than by jumping the complex system of hurdles that led to institutional recognition. The radicals of the enlightenment lived in a state of permanent guerrilla war with the censors. Marx himself spent most of his life as a refugee. Democratic movements were suppressed and policed throughout the Nineteenth Century, above all in the crucibles of revolution to the East, where Metternich in the wake of the French revolution enunciated the vigorously-applied doctrine that reading was a dangerously subversive activity. Even the period of mass socialist party-building in Europe, which founded the Second International, was one of continual battle for basic civil rights in the West and, in the East where the most critical development took place, activists and intellectuals alike were always one step away from arrest or exile.

In contrast, with McCarthyism in the past, and with the final collapse of the remaining European dictatorships, the post-68 generation was, arguably, the first generation of Western intellectuals left truly 'free' in the political sense to choose its own direction. One cannot but question the use it made of this freedom.

This freedom was contingent – on institutional submission. As the situationists have wittily remarked 'Man is born free but is everywhere in chain stores'. If you want the qualifications, the promotions, the recognition, and the funding that pays for the laptops, the studies, and the cool dude profiles, you have to walk the walk and talk the talk. There are many such talks of which one, a significant minority, is academic Marxism. In the absence of a structured external political framework, this has become the principal reference point for Western radicalism – which, it should not be forgotten, began and ended in the 60s in the Universities.

It developed two tendencies. One was to renounce responsibility for understanding the material foundations of social relations, retreating into the study of their phenomenological form of appearance, progressively substituting politics, social theory, and aesthetics for the material and economic basis on which these – unquestionably important but historically derivative – relations actually rest.

The second tendency, when forced by brute facts to confront the realities of an entire social system organised around commodities, with all the complexity this implies, was to turn its back on Marx's own most decisive contribution – his analysis of the capitalist mode of production rooted in his theory of value – in favour of either purely empirical and atheoretical accounts, or worse still, simply to accept and deploy the existing, highly apologetic framework of economic analysis offered by conventional orthodoxy.

The problem with the second recourse is the prior existence of a greatly superior economic analysis, namely that of Karl Marx. Since the principal function of economic theory under late capitalism is apologetic, his principal contributions remain yet to be superseded and in any case, all improvements and developments of Marx's theory which preserve intact the radical content of his economics, are every bit as threatening as the original. Marx's own economics have therefore become the implicit or explicit target of an extraordinarily wide range of 'Marxists' employing

extraordinarily vitriolic rhetoric and equally extraordinarily base methods. This is what makes the likes of Grossman an anathema.

His views contains contradictions – whose do not? But the contradictions he is accused of do not exist, and the contradictions he contains are not referred to. His achievement in bringing these latter to light is not a reason to dismiss his contribution but a testament to the profundity of the questions he raises. As Marx noted of both Smith and Ricardo, their scientific character is clearest when they identify the central contradictions which thought encounters when attempting to grasp reality, and when, having identified them, they confront them instead of shying away, burying, or seeking to reconcile them, thus laying them out for future generations to grapple with. The superficiality of Western Marxism's dismissal of Grossman for his focus on economic crisis lies precisely in the fact that economic crisis is the most profound and difficult phenomenon of the age.

The debate on crisis within the Marxist left does not show Marxism at its best. It generally supposes the whole question can be reduced to a single formula such as overproduction, underconsumption, or overaccumulation. It flees from engagement with theoretical issues by reducing them to conflicts between alleged schools organised around these simplistic formulas. It conceals its ignorance under cover of abusive rhetorical terms such as 'fundamentalism'. Surrounded – and largely informed - by an apologetic dogma of inevitable harmony, it usually ends up with an uncritical adoption of the products of this dogma under the name of 'empirical research'. Not least, it reduces the state of the world economy, which under commodity production contains within it all the highest contradictions of all social and political relations, to a single dimension such as the 'rise' or 'decline' of production or the hegemonic status of a single power.

The central problem Grossman sought to address was the following: does capitalism contain within itself mechanisms which, without external intervention, undermine the conditions for its own existence? His central point is the apologetic function of all theories whose point of departure is to assume equilibrium, that is, which introduce the *prior* assumption that the economy reproduces itself perfectly:

The reason why all tendencies within the dominant theory stressed the static character of the economy and its capacity for adjusting to the changing needs of society, for over 100 years - from Ricardo to the present day - has clearly been the need to justify the existing social order as a "reasonable", "self-regulating" mechanism, in the context of which the concept of "self-regulation" was intended to divert attention away from the actually prevailing chaos of the destruction of capital, the bankruptcy of firms and factories, mass unemployment, insufficient capital investment, currency crises, and the arbitrary distribution of wealth. (Grossman 1977:78)

His economic work centers on exhibiting a theoretical explanation for this 'prevailing chaos'. This is a highly scientific endeavour and not worthy of the ridicule that greeted it: his work at the end of the day was a Herculean attempt to develop an adequate theoretical explanation of something everyone can observe but no-one will acknowledge. The difficulties arise in his attempts to account for the *reverse* phenomenon, the fact that capitalism not only creates chaos but also recovers from it. It is because of his failure to address this question that his extended analysis of capitalist reproduction in Grossman (1929) and his writing on the falling rate of profit, reads as a prediction that capitalism will inevitably collapse through purely economic mechanisms.

In point of fact, capitalism clearly does reproduce itself despite disequilibria, clearly does recover from economic crisis, and clearly does – although generally at great cost and through enormous upheavals such as fascism and war – restore the profit rate. In some cases, as with the business cycle, or imbalances in economic proportions, the mechanism is largely ‘endogenous’. It is accomplished by market mechanisms, albeit destructive ones. In other cases, as with the fall in the profit rate, the mechanism is ‘exogenous’. It requires political intervention.

These issues were a major preoccupation of the Marxists of the 1920s because they were central to the strategic issues facing the infant Soviet State.<sup>2</sup> The Luxemburgist ‘left’ held that revolution could be expected in the West because of the economic difficulties to be expected there, so that Soviet strategy should aim at achieving this. The Bukharinist right expected the economic crisis to ebb, dictating a retrenchment, compromise with the small bourgeoisie at home, and attempts to accommodate international capital abroad – the broad policy involved in ‘socialism in one country’.

Each side rounded out and developed theoretical arguments which determined almost the whole subsequent evolution of Marxist economic theory. Bukharin (see Tarbuck 1989) explicitly endorsed the theory of equilibrium, to which Sweezy (1942) gave academic respectability by announcing that Marx’s theory was, in reality, merely a variant of general equilibrium, setting the stage for the entire postwar evolution of Marxist economic theory. A minority current, of which Grossman was the foremost and by 1940 the only representative, rightly insisted on Marx’s temporalism.

However, there is a crucial difference between the two currents. A general equilibrium interpretation of Marx *necessarily excludes crisis*. It is in essence an ‘impossibilist’ theory which decrees that, for example, the rate of profit *cannot possibly fall* as a result of capitalist accumulation. A temporal interpretation does not lead to the opposite conclusion of an ‘inevitalist’ theory that crisis must necessarily happen. It simply demonstrates that crisis is inherent in, and a possible outcome of, capitalist reproduction: specifically, that the fall in the rate of profit may only be finally overcome, economically, by a suspension of accumulation.

That is to say, it exhibits the contradictions inherent in accumulation – that it must periodically be suspended, in order to recreate the conditions for its continuation. It does not state how these contradictions will be resolved but to the contrary, creates the theoretical space in which a *variety* of possible accounts and predictions may be formulated and tested against reality. It is thus an intrinsically *pluralistic* theoretical framework. The equilibrium view in contrast is *monotheoretic*: it leads only to the single conclusion that capitalism cannot but survive unless something knocks it off course.

The 1930s, however, was hardly the decade for pluralistic debate and in consequence, the theoretical issues of economics became frozen into dogmatic justifications for essentially political views. The political battle in the early USSR was therefore the high point of the discussion: a theoretical argument which the left today merely echoes, with hardly any advance in its discussion of the underlying issues. The most advanced discussion took place between Kondratieff and Trotsky. Kondratieff argued that there were long periods of downswing and upswing in the world economy, of the same economic character as the short business cycle. Trotsky in 1923 summarised the alternative view

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<sup>2</sup> See Day(1981) for an excellent presentation of this debate.



One can reject in advance the attempts by Professor Konrad'ev to assign to the epochs that he calls long cycles the same "strict rhythm" that is observed in short cycles. This attempt is a clearly mistaken generalization based on a formal analogy. The periodicity of short cycles is conditioned by the internal dynamic of capitalist forces, which manifests itself whenever and wherever there is a market. As for these long (fifty-year) intervals that Professor Konrad'ev hastily proposes also to call cycles, their character and duration is determined not by the internal play of capitalist forces, but by the external conditions in which capitalist development occurs. The absorption by capitalism of new countries and continents, the discovery of new natural resources, and, in addition, significant factors of a "superstructural" order, such as wars and revolutions, determine the character and alteration of expansive, stagnating, or declining epochs in capitalist development

Kuhn emphasizes Grossman's recognition of exogenous factors in restoring stability. However, his statement of the question, counterposed to Trotsky's, reveals the central difficulty

In Marx's general theory ... no economic system, no matter how weakened, collapses by itself in automatic fashion. It must be "overthrown." ... Marx has frequently been charged with a "fatalistic" theory of the "historical necessity" of social development in some given direction. Such a charge rests on a serious misunderstanding of the theory of the class struggle... This so-called "historical necessity" does not operate automatically but requires the active participation of the working class in the historical process.

In Grossman's account, the only political factor operating is the working class. In Trotsky's account, *all* classes intervene as an outcome of crisis. When the 'invisible hand' shakes, politics comes into action. Grossman's account, widely conceived of as an account of inevitable economic collapse, is better understood as an attempt to explain the point at which conscious political action becomes an economic factor, in which the working class is cast as the sole political actor.

His analysis, arising from the political circumstances of interwar Europe and the desperate strategic choices facing the infant Soviet State, is defective not *economically* but *politically*: it reduces to the idea that somehow, collapse renders the bourgeoisie supine so that the only issue is whether the working class mobilises to fill the gap created. The history of Grossman's own country shows that the bourgeoisie, when required, is quite happy to produce its own political solutions. The tragedy is that these political solutions, to this day, have frustrated the goal which Kuhn sets out as Grossman's achievement: the recovery of Marxism.

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