The Logic of ACCUMULATION

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[Note: this is the text of the typescript; the final printed version can be textually more polished]

The term accumulation commonly refers to the formation of stocks: stocks of commodities, money or means of production. From the point of view of enterprises in a capitalist economy these are all *forms* of capital. Hence accumulation refers here to the accumulation of capital. Today use of the concept of accumulation is confined to marxian theory.

The balance sheet of an enterprise provides a report of the stocks of means of production (plant and equipment), commodities and money; together with any outstanding debts and claims these sum up to the enterprise's capital at one particular point in time. Such an account is a static one. Considered dynamically the capital of an enterprise is always in process, flowing through the subsequent phases of its circuit: (1) the entrepreneur, starting with *money capital*, (2) buys means of production (plant, equipment, raw materials) and labour-power; when these are set into operation capital is in the phase of *productive capital*, (3) the result of which is commodities – whence capital is in the phase of *commodity_capital*; (4) these commodities being sold for money, this may now resume its starting point (1).

However, the logic of a capitalist economy requires that the result of phase four includes a profit above the sum of money capital that was the starting point. Allowing for a degree of consumption out of profits (perhaps via dividends paid out), the investment of the remaining net profits accumulates to the money capital. Thus the capital circuit may develop on an expanded scale. This is in essence the process of what is usually called economic growth.

Note that for service sectors in the economy phases two and three of the circuit coincide, the service being the direct product, with the particularity that services cannot be accumulated. Note also that at the start all or part of the money capital may have been borrowed; at phase four this sum may in principle return to the lender together with interest, usually leaving the enterprise a sum of profits net of interest (see also *finance capital).

The metamorphosis of capital in each of the phases into the subsequent other provides ample room for interruption whence capital may get stuck in one of the phases of its circuit (see *disproportionality and *overproduction). Whereas the term accumulation bears the connotation of `stock', the continuous accumulation of capital requires any stock to be in continuous flow – in circuit. Once an entrepreneur or group

of entrepreneurs holds on to one of the three guises of capital, this multiplies into interruptions of the total economy, so enforcing others also to hold on to one particular guise of capital. For example, if an entrepreneur holds on to the guise of capital as accumulated in phase four of the circuit (money capital), he enforces sellers of means of production to get stuck into their phase three (commodity capital) – similarly the labour-power that he does no longer hire cannot buy commodities.

The logic of a capitalist economy requiring, as mentioned, a profit above the sum of money that was the starting point, distinguishes it from other modes of production. Whereas the aim of production in general is the transformation of inputs into qualitatively different outputs, the capitalist profit motive subordinates that transformation to merely a condition: the aim is to make more money, the type of transformation being auxiliary. Whereas for other modes of production qualitative difference is the object, the capitalist economy is rather guided by similarity and quantity: more of the same, that is more money capital at the end compared with the starting point. Therefore accumulation indeed takes the form of accumulation of capital. Its amount is determined by the amount of non-consumed profits; its pace by the rate of accumulation, that is, the amount of non-consumed profits over the amount of capital laid out at the starting point of the circuit. In essence then the logic of the accumulation of capital is the further expansion of accumulation via the expansion of profits.

The expansion of accumulation, however, is hampered by two complementary counteracting tendencies that this very accumulation of capital brings forth – each by itself producing a cyclical expansion. First, accumulation tends to expand beyond the point were there is a sufficient reserve of labour-power to feed production – the result being increasing wages and decreasing profits, so a decreasing rate of accumulation, hence decreasing growth and again the development of a reserve of labour-power with decreasing wages and increasing profits and accumulation, etcetera. Thus we have a cyclical path of increasing and decreasing rates of accumulation (see also *overproduction).

Opposed to this there is a second cyclical process which stems from the tendency to relative expulsion of labour due to labour extensive technical development, as resulting in the tendency for the rate of profit to fall (see also *falling rate of profit). However, a general fall in the rate of profit – be it that of one sector or that of the whole economy – will cyclically be countered by restructuring of capital, scrapping of plant and equipment: these together with the ensuing unemployment – bringing wages down and profits up – will restore the rate of profit and thus lay the foundation for a renewed cycle of accumulation of capital.

What these two cyclical processes have in common is that in each case we see the ebb and flow of profit rates and rates of capital accumulation resulting in expansions and contractions of the economy. Their intertwining with the swelling and waving of

credit granted by the financial sector risks these contractions to be accompanied by economic crisis (see *financial crisis). In effect, therefore, the logic of the accumulation of capital is not only the logic of recurrent unemployment, but also that of a recurrent de-accumulation – in fact the partial destruction of what was built up previously.

Further Reading

Foley, D.K. (1986) *Understanding Capital; Marx's Economic Theory*, Cambridge(Mas)/London: Harvard University Press. Chapters 8-9 introduce Marx's theory of accumulation.

Reuten, G. (1991) `Accumulation of capital and the foundation of the tendency of the rate of profit to fall', *Cambridge Journal of Economics* 15,1: 79-93. Provides the dynamic micro-foundations for this tendency.

Bellofiore, R. (ed.) (1998) *Marxian Economics – A Reappraisal (Volume 2)*, London/New York: Macmillan/St.Martin. Part II of this book (papers by Kurz, Freeman, Cullenberg, Reuten, Halevi & Kriesler) brings together the recent views on the dynamics of accumulation.

Reuten, G. & M. Williams (1989) *Value-Form and the State; the tendencies of accumulation and the determination of economic policy in capitalist society*, London/New York: Routledge. Chapters 1-5 provides a systematic account of the logic of accumulation, including the interconnection of the tendencies of accumulation.

Brenner, R. (1998) `Uneven Development and the Long Downturn: The Advanced Capitalist Economies from Boom to Stagnation, 1950-1998', *New Left Review* 229: 1-264. This book-length article, with lots of empirical material, discusses causes of the long boom and long downturn in the capital accumulation of the second halve of the twentieth century.