

Critical Political Economy I

Lecture 4

Capital Accumulation

Have had some previous discussions on Marx's historical analysis and the dialectical processes by which capitalist development can be understood.

It is important to remember that Marx was concerned with the dynamics of CMP. His simple abstract models are intended to relate to the real world to explain the appearances. He considered simple growth models but they were all part of a more general analysis of capital accumulation - all relates to the concrete.

Important distinction between: capitalist and the capitalist class and short run and long run

Competitive forces >> capital accumulation >>> technological change

In short run changes in rate of profit and changes in the wage rate affect capital accumulation. In long run analysis based more on social forces - changes in the social relations of production
Cycles around a trend (tendency) ?

From before

Surplus value (absolute and relative) is created in production and profit is realised in the sphere of circulation, where competition leads to profits being equalised.

For capitalists: profit maximisation >>> min costs >>> innovations to increase e
Total profit = total surplus value

But not for the individual capitalist

Individual capitalist: has to increase profits or won't survive because of competition
Needs to employ more labour
Needs to exploit existing labour more: to increase e

This needs control over production

Whether profits increase as s increases will depend on the sphere of circulation

If other capitalists don't follow:

increase s >> prices stay constant >>> increase profits

If all expand:

increase total s >> change prices >>> may not get increase in profits

Reasons why accumulate

1. Choice between consumption and investment
2. Desire for control over workers
3. Sociological imperative to accumulate for its own sake

Junankar (1982) gives useful exposition of links between profit and accumulation in the price domain and argues that Marx had an accelerator theory of accumulation.

Technological Change

Inseparably linked with accumulation as accumulation leads to the introduction of new

machinery and new methods of production (increasing division of labour) and for Marx technical progress is embodied. The accumulation of c occurs with the introduction of new technologies which are labour saving. NB there is conflict with labour taking place but this is regulated by the reserve army as we shall see.

Note contradiction:

For individual capitalist introducing an innovation:

increasing productivity >>> decrease embodied labour

Value = social average >>> get excess surplus value s

But because of competition

all capitalist introduce the innovation >>>> lowering of social value

>>> removal of excess >>> nobody better off

Same in the price domain. Note similarity with Schumpeter.

Also contradiction:

Technical progress decreases the economic life of the machines but increase the value of capital used

Important to recognise that technology is not neutral but reflects social relations.

Concentration and Centralisation

These are important to Marx's analysis.

Concentration :

Accumulation leads to an increase in the division of labour

Larger firms accumulate faster because of higher profits (and Gibrats law)

With increasing returns to Scale larger firms have advantage

Larger firms are using the most advanced technology because of their faster accumulation

Small firms go bankrupt >>>>> concentration

But this is a slow process. Faster and more important is:

Centralisation:

Accumulation leads to large firm take-overs and mergers

Credit system and joint stock companies facilitates this

Leads to much faster accumulation of capital in the hands of a few capitalists

NB the contradiction that competition >>>> monopoly

Interesting parallel in introduction of competition for defence contractors

Also private -free labour >>>> increase concentration and homogenisation

This concentration of the means of production and of labour leads to class polarisation.

This analysis is important

Stresses the competitive nature of accumulation

Importance of technical change

Embodied nature of technical progress

All aspects of the real world ignored by neoclassical economics, until recently. Neoclassical theories also ignore the fact that the firm can expand especially in theories of investment.

Marx predicted increasing concentration -lot of attention

Only the seeds were there when he wrote

It certainly happened -though changes since 70s

Clearly mergers and take-overs important in process of concentration

Increased concentration and increased social and political power of big business are evident and often ignored by orthodoxy.