Class Series on Grossman's Breakdown Model and Breakdown Theory

Study Questions for 2nd Class

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Questions 5 through 10 in the "Study Questions for 1st Class" will be relevant to the second class—partly because we're somewhat behind schedule.

In addition:

11. How does the Bauer-Grossman scheme implicitly constrain the volume of physical output, such that it grows more slowly than the amount of means of production? What assumption(s) of the scheme lead to this result? Is it a realistic constraint? Does Marx's theory include it?

12. How did Grossman try to remedy Bauer's "manifest contradiction" (see Question 7)?

13. How, according to Grossman, do falling values of commodities affect the (alleged) breakdown tendency? What argument, if any, does he provide for his conclusion that the breakdown tendency persists even when commodities' values are falling?

14. In an unpublished response to Helene Bauer's 1929 review of his book, Grossman wrote, "The simplest reflection shows that [… the] proposition that devaluation of capital abrogates the tendency to breakdown necessarily entails … that there is no development of an ever higher organic composition of capital in contemporary capitalist society!" (Devaluation of capital is a result of falling values of means of production; the organic composition of capital is, roughly speaking, the ratio of constant capital to variable capital, *C/V*.)

a. How does this statement relate to his claim that the breakdown tendency persists even when commodities' values are falling (see Question 13)?
b. To understand what Grossman is saying here, rephrase the statement as a conditional one: "If devaluation of capital abrogates …." Then restate the conditional statement in contrapositive form: "if there *is* an ever higher organic composition of capital, then …." (If a conditional statement is true, so is its contrapositive; if it is false, so is its contrapositive.)
c. Is the contrapositive—and, thus, Grossman's original statement—true or false? (This is not a question about whether C/V rises, or about whether there is a tendency to breakdown. It is a question about the *connection* between them.)

15. In my 2021 article, consider the subsections "No Breakdown Tendency Exists if Circulating Constant Capital …" and "Why Growth of Circulating Constant Capital Cannot …." They assume that Marx's value theory (equation 7) is true, and that new value (*N*), i.e., the sum of variable capital and surplus-value, grows over time. Given these assumptions, they demonstrate that

(i) equation 11 is true,
(ii) the derivative of $\frac{C_{t+1}}{N_{t+1}}$ with respect to $\frac{C_t}{N_t}$ (in equation 11) is less than 1, and therefore
(iii) the ratio of constant circulating capital to new value (*C/N*) "*does not increase without limit*. [… It] eventually approaches some finite value."

a. Explain how result (iii) implies that there is no long-run breakdown tendency.
b. Does this result imply that there is *not* "an ever higher [*C/N*]"? Why or why not? Hint: (how) is an ever-higher *C/N* compatible with a *C/N* that "eventually approaches some finite value"?

16. In the next subsection, "Breakdown Prior to the Long Run?," I argue that the Bauer-Grossmann scheme leads to a breakdown because its **"**predetermined growth rates … invert the chain of causation."

a. Discuss the steps that lead from the generation of profit to the investment of (some or all of) the profit as additional constant and variable capital.
b. Outside of Star Trek episodes, can later events determine earlier events? What does this imply regarding the correct chain of causation?
c. Explain why, "[if capitalists] do not invest more than their total profit, this year's physical output is *always* sufficient to satisfy the productive demand of the following year."
d. What does this have to do with the possibility of, and the plausibility of, a breakdown due to "insufficient surplus-value"?