

# Title: From Macroeconomic History to Historical Materialism: Rethinking the Great Depression

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## Abstract

Since it sees capitalist development as a natural, harmonious and co-ordinated process, the tradition of liberal macroeconomic history cannot explain the Great Depression as an expression of *endogenous* developments of capitalist markets, instead seeing it an outcome of ‘subjective irrationality’ or historical or institutional ‘contingency’.<sup>1</sup> After decades of such arguments, one would have expected that Marxists would have built a solid case that the social foundations of the Great Depression cannot be found at the level of the ‘macroeconomic’ adjustment of markets. For Marx himself, after all, the tendency to the overaccumulation of capital has (so to speak) a ‘microeconomic’ origin, in the interaction of capitalist markets and agents responding to social imperatives specific to capitalist social relations of production.<sup>2</sup>

‘Models’ of crisis developed within the tradition of ‘Marxist political economy’, however, face insuperable difficulties when attempting to move from the abstract demonstration of the *formal* possibility of crisis to the analysis of the *historical* development of the Great Depression. Some attribute these difficulties to progress from the abstract (‘laws of motion’) to the concrete (historical development of crises) to the persistence of a *positivist*, rather than *dialectical*, interpretation of the Marxian ‘contradiction’ between forces and relations of production.<sup>3</sup> My interpretation of the Great Depression, however, derives from my awareness of another dimension to the problem: the problem of crises must be posed in a way that does not dissociate the lessons we can learn from a Marxian analysis of the valorisation of capital from the practice of historical materialism

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NB The footnotes have been added only to give an idea of the literature critically assessed, and can of course be removed for editorial purposes.

<sup>1</sup> Cf. Friedman, M and AJ Swartz (1963). *A Monetary History of the United States 18-67-1960*. Princeton University Press; Eichengreen, B (1987). ‘Macroeconomics and History.’ in AJ Field, ed. *The Future of Economic History*. Boston, Kluwer-Nijhoff: 43-90; Bernanke, B (1995). ‘The Macroeconomics of the Great Depression: A Comparative Approach’ *Journal of Money, Credit and Banking* 27 1-28; Eichengreen, B and P Temin (2000). ‘The gold standard and the Great Depression’ *Contemporary European History* 9 (2) 183-207; James, H (2001). *The End of Globalization: Lessons from the Great Depression*. Cambridge, Harvard University Press.

<sup>2</sup> Marx, K (1894/1998) *Capital, Volume Three*. New York, International Publishers; Clarke, S (1994). *Marx’s Theory of Crisis*. New York, St Martin’s Press.

<sup>3</sup> Arthur, CJ (1997). ‘Against the Logical-Historical Method: Dialectical Derivation Versus Linear Logic.’ in F. Moseley and M. Campbell, eds. *New Investigations in Marx’s Method*. Atlantic Highlands (NJ), Humanities Press: 9-37; Knafo, S (2002). ‘The Fetishizing Subject in Marx’s *Capital*.’ *Capital Class* 76 183-213