

# Luxemburg's Theory of Accumulation

## How It Differed with Marx and Lenin

Rosa Luxemburg's *Accumulation of Capital*<sup>1</sup> is a critique of Marx's theory of expanded reproduction as analyzed in Volume II of *Capital*. The question of the accumulation of capital has been the central theme of political economy. It was the subject of debate between Ricardo and Malthus, Say and Sismondi, Engels and Rodbertus, and Lenin and the *Narodniki* (Populists). Luxemburg occupies a conspicuous, but unenviable, position in this debate—that of a revolutionist hailed by bourgeois economists as having supplied "the clearest formulation" of the problem of "effective demand" until Keynes' *The General Theory of Employment, Interest and Money*.<sup>2</sup> It is typical of bourgeois economics that in 1945 they were discussing the market problem, which Marxists were discussing thirty years ago.

Prior to 1914 the statification of production and the problem of accumulation were not posed as sharply as today in terms of the decline in the rate of profit. Accumulation seemed to the bourgeoisie then to be a question soluble by the expansion of the market. It is true that Luxemburg posed the problem in such terms. But her main preoccupation even then was with the collapse of capitalism. Methodically, however, she did depart from Marxism in the analysis of the question of the accumulation of capital, and it was inevitable, therefore, that

she arrive at false conclusions. What makes this a problem of the day is that her conclusions are repeated not merely by bourgeois economists but even within the revolutionary Marxist movement. The current preoccupation with "customers" and "markets" can best be answered by a restatement of Marx's theory of capitalistic accumulation and Luxemburg's deviation from it.

### I. His Premise

Since the publication of Volume II of *Capital* the pivot of the dispute on expanded reproduction has been Marx's diagrammatic presentation of how surplus value is realized in an ideal capitalist society.

To understand the formulae one must comprehend the premise upon which they are built: a closed capitalist society, i.e., an isolated society dominated by the law of value.

For Marx the fundamental conflict in a capitalist society is that between capital and labor; all other elements are subordinate. If this is so in life, then the first necessity in theory, far more even than in society, is to pose the problem as one between the capitalist and the worker, purely and simply. Hence the assumption of a society consisting only of workers and capitalists. Hence the exclusion of "third groups" and, as he states repeatedly,<sup>3</sup> the exclusion of foreign trade as having nothing to do fundamentally with the conflict between the worker and the capitalist.

A capitalist society is distinguished from all previous societies by being a value-producing society. The law of value has nothing in common with the fact that in other class so-

1. *Accumulation of Capital, a Contribution to the Economic Explanation of Imperialism*, by Rosa Luxemburg, 1st ed., published in 1913. There has been much confusion between this book and her *Antikeritique*, first published in 1919, and called *Accumulation of Capital, or What the Epigones Have Made of the Marxist Theory—An Antikeritique*. This was republished in 1922 as Volume II of her first book on *Accumulation*. In this article, Volume I of her work will be referred to as *Accumulation* and Volume II as *Antikeritique*. *Accumulation* refers to the Russian translation by Dvolutsky, edited by Bukharin and published in Moscow in 1921. *Antikeritique* refers to the 1923 German edition.

2. Cf. M. Kalecki: *Essays on the Theory of Economic Fluctuations*, page 46.

3. Cf. especially *Capital*, Vol. II, page 548, Vol. III, page 390, and *The Theories of Surplus Value*, Vol. II, Part II, page 151 (the references to *The Theories*, etc., in this article are to the Russian edition).

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cieties the worker was paid his means of subsistence. Here the thirst for unpaid hours of labor comes from the very nature of production and is not limited by the gluttony of the master. Value, the socially necessary labor time needed to produce commodities, is constantly changing due to the unceasing technological revolutions in production, and this is a never-ending source of disturbance in the conditions of production as well as in the social relations, and distinguish capitalism from all other modes of production. Marx's isolated capitalist society is dominated by this law of value, and Marx does not let us forget that this law is a law of the world market:

The Industrialist always has the world market before him, compares and must continually compare his cost prices with those of the whole world, and not only with those of his home market.<sup>4</sup>

Thus, while Marx excludes foreign trade, he nevertheless places his society in the *environment* of the world market. These are the conditions of the problem. What is his purpose?

## 2. His Purpose

Marx's famous formulae in Part III of Volume II were designed to serve two purposes.

On the one hand, he wished to expose the "incredible aberration" of Adam Smith, who "spirited away" the constant portion of capital by dividing the total social production, not into constant capital (c), variable capital (v), and surplus value (sv), but only into v plus s. (The terminology Smith used for v and s was "wages, profit and rent.")

On the other hand, Marx wanted to answer the underconsumptionist argument that continued capital accumulation was impossible because of the impossibility of "realizing" surplus value, i.e., of selling.<sup>5</sup>

Marx spends a seemingly interminable time in exposing the error of Smith. That is because it is the great divide which separates both bourgeois political economy and the petty-bourgeois critique from scientific socialism. Smith's error became part of the dogma of political economy because it dovetailed with the class interests of the bourgeoisie to have that error retained. If, as Smith maintained, the constant portion of capital "in the final analysis" dissolved itself into wages, then the workers need not struggle against the "temporary" appropriation of the unpaid hours of labor. They need merely wait for the product of their labor to "dissolve" itself into wages. Marx proves the contrary to be true. Not only does c not "dissolve" itself into wages, but it becomes the very instrumentality through which the capitalist gains the mastery over the living worker.

In disproving the underconsumptionist theory, Marx demonstrates that there is no *direct* connection between production and consumption. As Lenin phrased it:

The difference in view of the petty bourgeois economists from the views of Marx does not consist in the fact that the first realize in general the connection between production and consumption in capitalist society, and the second do not. (This would be absurd.) The distinction consists in this, that the petty bourgeois economists considered this tie between production and consumption to be a *direct* one, thought that *production follows consumption*. Marx shows that the connection is only an *indirect* one, that it is so connected *only in the final instance*, because in capitalist society *consumption follows production*.<sup>6</sup>

The underconsumptionists construed the preponderance of production over consumption to mean the "automatic" col-

lapse of capitalist society. Where the classicists saw *only* the tendency *toward* equilibrium, the petty-bourgeois critics see *only* the tendency *away* from equilibrium. Marx demonstrates that *both* tendencies are there, inextricably connected.

## 3. The Two Departments of Social Production and the Conditions for Expanded Reproduction

To illustrate the process of accumulation, or expanded reproduction, Marx divides social production into two main departments—Department I, production means of production, and Department II, producing means of consumption.

The division is symptomatic of the class division in society. Marx categorically refused to divide social production into more than two departments, for example, a third department for the production of gold, although gold is neither a means of production nor a means of consumption, but rather a means of circulation. That is an entirely subordinate question, however, to the basic postulate of a closed society in which there are only two classes and hence only two decisive divisions of social production. It is the premise that decides the boundaries of the problem. The relationship between the two branches is not merely a technical one. It is rooted in the class relationship between the worker and the capitalist.

Surplus value is not some disembodied spirit floating between heaven and earth, but is embodied *within* means of production and *within* means of consumption. To try to separate surplus value *from* means of production and *from* means of consumption is to fall into the petty-bourgeois quagmire of underconsumptionism. As Lenin put it:

The postulate that capitalists cannot realize surplus value is only a vulgarized repetition of the quandary of Smith regarding realization in general. Only part of surplus value consists of means of consumption; the other consists of means of production. "Consumption" of this latter is realized through production. . . . Therefore the Narodniks who preach the impossibility of realizing surplus value ought logically to acknowledge the impossibility of realizing constant capital and thus to return to Adam Smith.<sup>7</sup>

This is fundamental to Marx's whole conception. It cuts through the whole tangle of markets. Marx's point is that the bodily form of value predetermines the destination of commodities. Iron is not consumed by people but by steel; sugar is not consumed by machines but by people. Value may be indifferent to the use by which it is borne, but it must be incorporated in some use-value to be realized. Alone the use-value of means of production, writes Marx, shows how important is "the determination of use-value in the determination of economic orders."<sup>8</sup> In the capitalist economic order means of production forms the greater of the two departments of social production. And hence also of the "market." In the United States, for instance, 90 per cent of pig iron is "consumed" by the companies which produce it; 50 per cent of the "market" for the products of the steel industry is the transportation industry.

It is impossible to have the slightest comprehension of the economic laws of capitalist production without being oppressively aware of the rôle of the material form of constant capital. The material elements of simple production and reproduction—labor power, raw materials and means of production—are the elements of expanded reproduction. In order to produce ever greater quantities of products, more means of production are necessary. That, and not the "market," is the *differentia specifica* of expanded reproduction.

4. Capital, Vol. III, page 398.

5. When in this article the word "realization" is used in its underconsumptionist meaning of sale, it is always put in quotes.

6. V. Lenin, Collected Works, Vol. II, page 421 (Russ. ed.).

7. Cf. Lenin, Collected Works, Vol. II, page 32 (Russ. ed.).

8. Cf. Marx, Theories of Surplus Value, Vol. II, Part II, page 170.

Marx proceeds further to emphasize the key importance of the material form of the product for purposes of expanded reproduction by beginning his illustration of expanded reproduction with a diagram showing that, so far as its value is concerned, expanded reproduction is but simple reproduction.

It is not the quantity but the destination of the given elements of simple reproduction which is changed and this change is the material basis of the subsequent reproduction.<sup>9</sup>

The difficulty in understanding expanded reproduction lies not in the value form of production, but in the comparison of the value with its material form.

Marx's view is that in order not to get lost in "a vicious circle of prerequisites"—of constantly going to market with the products produced and returning from the market with the commodities bought—the problem of expanded reproduction should be posed "in its fundamental simplicity." That can be done by a realization of two simple facts: (1) that the very law of capitalist production brings about the augmentation of the working population and hence that, while part of the surplus value must be incorporated into means of consumption, and transformed into variable capital with which to buy more labor power, that labor power will always be on hand; and (2) capitalist production creates its own market—pig iron is needed for steel, steel for machine construction, etc., etc.—and that therefore, so far as the capital market is concerned, the capitalists are their own best "customers" and "buyers." Therefore, concludes Marx, the whole complex question of the conditions of expanded reproduction can be reduced to the following: can the surplus product in which the surplus value is incorporated go directly (without first being sold) into further production? Marx's answer is: "It is not needed that the latter (means of production) be sold; they can in nature again enter into new production."<sup>10</sup>

Marx establishes that the total social product cannot be "either" means of production "or" means of consumption; there is a preponderance of means of production over means of consumption (symbolically expressed as mp/mc). That not only is so but it must be so, for the use-values produced in capitalist society are not those used by workers nor even by capitalists, but by capital. It is not "people" who realize the greater part of surplus value; it is realized through the constant expansion of constant capital. The premise of simple reproduction—a society composed solely of workers and capitalists—remains the premise of expanded reproduction.

At the same time surplus value, in the aggregate, remains uniquely determined by the difference between the value of the product and the value of labor power. The law of value continues to dominate over expanded reproduction. The whole problem of the disputed Volume II is to make apparent that realization is not a question of the market, but of production. The conflict in production and therefore in society is the conflict between capital and labor. That is why Marx would not be moved from his premise.

## II—LUXEMBURG'S CRITIQUE

### 1. Reality vs. Theory

The main burden of Luxemburg's critique of Marx's theory of accumulation was directed against his assumption of a closed capitalist society. She gave this assumption a two-fold meaning: (1) a society composed solely of workers and capitalists, and (2) "the rule of capitalism in the entire world."

9. Cf. Marx, Capital, Vol. II, page 502.  
10. Same as footnote 9.

Marx, however, did not pose the rule of capital in the entire world, but its rule in a single isolated nation. When Luxemburg's critics<sup>11</sup> pointed this out to her, Luxemburg poured vitriolic scorn upon them. To speak of a single capitalist society, wrote Luxemburg in her *Anticritique*,<sup>12</sup> was a "fantastic absurdity" characteristic of the "crassest epigonism." Marx, she insisted, could have had no such stratospheric conception in mind. Nevertheless, as Bukharin pointed out, Luxemburg was not only misinterpreting Marx's concept, but misreading the simple fact, which Marx had most clearly put on paper: "In order to simplify the question (of expanded reproduction) we abstract foreign trade and examine an isolated nation."<sup>13</sup>

Luxemburg, on the other hand, argued that a "precise demonstration" from history would show that expanded reproduction has never taken place in a closed society, but rather through distribution to, and expropriation of "non-capitalist strata and non-capitalist societies." Luxemburg falsely counterposed reality to theory. Her critique sprung theoretically from this one fundamental error. She was betrayed by the powerful historical development of imperialism that was taking place to substitute for the relationship of capital to labor the relationship of capitalism to non-capitalism. This led her to deny Marx's assumption of a closed society. Once she had given up the basic premise of the whole of Marxist theory there was no place for her to go but to the sphere of exchange and consumption.

That there is no possible escape from this dilemma is most clearly revealed by Luxemburg herself. Some of the best writing in her *Accumulation* occurs in her description of the "real" process of accumulation through the conquest of Algeria, India, the Anglo-Boer war and the carving up of the African Empire; the opium wars against China, the extermination of the American Indian; the growing trade with non-capitalist societies, and an analysis of protective tariffs and militarism. Luxemburg had become so blinded by the powerful imperialist phenomena of her day that she failed to see that all this had nothing to do with the problem posed in Volume II of Capital which is concerned with how surplus value is realized in an ideal capitalist world. Neither has it anything to do with the "real" process of accumulation which Marx analyzes in Volume III, for the real process of accumulation is a capitalist process or one of value production.

Luxemburg, on the other hand, writes that:

The most important thing is that value can be realized neither by workers nor by capitalists but only by social strata who themselves do not produce capitalistically.<sup>14</sup>

It was not by accident that Luxemburg found that she could not discuss capitalistic accumulation without bringing in other modes of production. Errors of thought, even when committed by great Marxists, have a logic of their own. Just as it is impossible in the actual class struggle to take a position between the capitalist class and the proletariat, so it is impossible to take a position between the two modes of thought reflecting the role of the two classes in the process of production. Thus there was only one thing theoretically left for her to do.

11. The argument was complicated by the fact that, in the majority, her critics were reformists. She, on the other hand, attacked indiscriminately both the revolutionists and those who betrayed the revolution, labeling all her critics "epigones."

12. Page 401.

13. Theoria, etc., Vol. II, Part II, page 161. Cf. also N. Bukharin: Imperialism and the Accumulation of Capital, 1925 (in Russian and in German).

14. Accumulation, page 246 (my emphasis—T. F.).

Along with all bourgeois economics, she buries, as we shall see, the whole distinction of value production.

## 2. The Market vs. Production

(A) *For whom?* According to Luxemburg, the Russian Marxists were deeply mistaken when they thought that the preponderance of constant capital over variable capital (symbolically expressed as  $c/v$ ) "alone" revealed the specific characteristic law of capitalist production, "for which production is an aim in itself and individual consumption merely a subsidiary condition." To raise consumption from this subordinate position, Luxemburg transforms the inner core of capitalism into a mere outer covering. The relationship of  $c/v$ , she writes, is merely "the capitalist language" of the general productivity of labor. With one stroke Luxemburg is depriving the carefully isolated  $c/v$  relationship of its class character. Value production loses the specificity of a definite historic stage in the development of humanity. Luxemburg is thus driven to identify what Marxism has considered to be the specific characteristic law of capitalist production— $c/v$ —with "all pre-capitalist forms of production" as well as with "the future, socialist organization."<sup>15</sup>

The next inevitable stage is to divest the material form of capitalism of its class character. Where Marx makes the relationship between Department I, producing means of production, and Department II, producing means of consumption, reflect the class relationship inherent in  $c/v$ , Luxemburg speaks of the "branches of production" as if it were a purely technical term. She first deprives the material form of capital of its capital content, then discards it because it has no capital content:

Accumulation is not only an inner relation between two branches of production. It is first of all a relation between capitalist and non-capitalist surroundings.<sup>16</sup>

Luxemburg has transformed capital accumulation from a substance derived from labor into one whose chief sustenance is an outside force: non-capitalist surroundings. To complete this inversion of the chief source of capitalist accumulation she is compelled to break the confines of the closed society, outside of whose threshold she has already stepped. Her "solution" stands the whole problem on its head, and she now implores us to drop the assumption of a closed society and "allow for surplus value to be realized outside of capitalist production."

This step, she says, will reveal that out of capitalist production could issue "either means of production or means of consumption."<sup>17</sup> There is no law compelling the products of capitalist production to be the one and not the other. In fact, states Luxemburg without any awareness of how far she is departing from the Marxist method, "the material form has nothing whatever to do with the needs of capitalist production. Its material form corresponds to the needs of those non-capitalist strata which makes possible its realization."<sup>18</sup>

### Difference on What Determines Production

For Marxism it is production which determines the market. Luxemburg, on the other hand, finds herself in a position where, although she accepts Marxism, she yet makes the market determine production. Once Luxemburg eliminates the fundamental Marxian distinction of means of production and means of consumption as indicative of a class relationship, she is compelled to look for the market in the bourgeois sense of

"effective demand." Having lost sight of production, she looks for "people." Since it is obviously impossible for workers "to buy back" the products they created, she looks for other "consumers" to "buy" the products.

Having thus departed from the Marxist method, she proceeds to blame Marx for not having used that as his point of departure. The Marxian formulae, writes Luxemburg, seem to say that production occurs for production's sake. As Saturn did his children devour, so here everything produced is consumed internally:

Accumulation is effected here (the schema) without it being seen even to the least degree for whom, for what new consumers does this ever-growing expansion of production take place in the end. The diagrams presuppose the following course of things. The coal industry is expanded in order to expand the iron industry. The latter is expanded in order to expand the machine-construction industry. The machine-construction industry is expanded in order to contain the ever-growing army of workers from the coal, iron and machine-construction industries as well as its own workers. And thus "ad infinitum" in a vicious circle.<sup>19</sup>

By means of her substitute of the non-capitalist milieu for Marx's closed society, Luxemburg is out to break this "vicious circle." The capitalists, she writes, are not fanatics and do not produce for production's sake. Neither technological revolutions nor even the "will" to accumulate are sufficient to induce expanded reproduction: "One other condition is necessary: the expansion of effective demand."<sup>20</sup> Except to the extent that surplus value is necessary to replace constant capital and supply the capitalists with luxuries, surplus value cannot otherwise result in accumulation, cannot be "realized." Or, as she put it:

They alone (capitalists) are in a position to realize only the consumed part of constant capital and the consumed part of surplus value. They can in this way guarantee only the condition for the renewal of production on the former scale.<sup>21</sup>

That the "consumed part of constant capital" is not consumed personally, but *productively*, seems to have escaped Luxemburg's attention. Capitalists do not "eat" machines, neither their wear and tear, nor the newly-created ones. Both the consumed part of constant capital and the new investments in capital are realized through production. That precisely is the meaning of expanded reproduction, as Marx never wearied of telling.

Luxemburg, however, instead of speaking of the laws of production based on the capital-labor relationship, has now no other refuge but the subjective motivation of the capitalists for profits. Capitalist production, she writes, is distinguished from all previous exploitative orders in that it not only hungers for profit but for ever greater profit. "Now how can the sum (of profits) grow when the profits only wander in a circle, out of one pocket and into another?"<sup>22</sup>—that is, out of the pocket of the iron producers into that of the steel magnates into that of the machine-construction industry tycoons. No wonder Marx was so insistent upon establishing the fact that:

Profit is therefore that disguise of surplus value which must be removed before the real nature of surplus value can be discovered.<sup>22</sup>

Luxemburg, being a serious theoretician, was compelled to develop her deviation to its logical conclusion. Where, to Marx, expansion of production meant aggravation of the conflict between the worker and the capitalist, to Luxemburg it meant "first of all" expansion of demand and of profits. She

15. *Accumulation*, page 223.

16. *Ibid.*, page 297 (my emphasis—F. F.).

17. *Ibid.*, page 247.

18. *Ibid.*, (my emphasis—F. F.).

19. *Ibid.*, page 239.

20. *Accumulation*, page 180.

21. *Ibid.*, page 244.

22. *Antiferrique*, pages 407-8.

22. *Capital*, III, page 62.

contended that Marx assumed what he should have proved—that expanded reproduction was possible in a closed society. With her attention focused on imperialism, she overlooked that capitalism was developing to a much greater extent capitalistically (expansion of manufacture within the home country) and between capitalist countries (e.g., United States and Britain) rather than through "third groups" or between capitalist and non-capitalist countries.

Luxemburg had left the sphere of production for that of exchange and consumption. There she remained. Having given up Marx's premise, she had no vantage point from which to view these phenomena. She arrived pivotless on the broad arena of the market, asking that the obvious be proved, while "taking for granted" the production relationship which the obvious obscured. Remaining in the market, there was nothing left for her to do but adopt the language characteristic of what she herself, in other circumstances, had called "the merchant mentality."

**B. "Pure Form of Value"**

Luxemburg maintains that, although coal may be needed for iron and iron for steel and steel both for the machine-construction industry and for machines producing means of consumption, the surplus product cannot be reincorporated into further production without first assuming "the pure form of value," which is evidently money and profits:

Surplus value, no matter what its material form, cannot be directly transferred to production for accumulation; it must first be realized.<sup>24</sup>

Just as surplus value must be "realized" after it is produced, so it must after that reassume both the "productive form" of means of production and labor power as well as means of consumption. Like the other conditions of produc-

tion, this leads us to the market. Finally, after this has succeeded, continues Luxemburg, the additional mass of commodities must again be "realized, transformed into money." This again brings us to the market and only after this has succeeded. . . . Closing the door to what Luxemburg thinks is the "vicious circle" of production for production's sake, she opens the doors wide to what Marx called "the vicious circle of prerequisites."<sup>25</sup>

Where Marx said that alone the use-value of means of production show how important is the determination of use-value in the determination of the entire economic order, Luxemburg leaves out of consideration entirely the use-value of capital: "In speaking of the realization of surplus value," she writes, "we a priori do not consider its material form."<sup>26</sup> Where Marx shows the inescapable molding of value into use-value, Luxemburg tries violently to separate them as if surplus value could be "realized" outside its bodily form. The contradiction between use-value and value which capitalist production cannot escape Luxemburg tries to resolve by dumping the total product of capitalist production into non-capitalist areas.

Luxemburg may have thought that she was thus freeing herself from "the vicious circle" of the Marxian schema. In reality, by freeing her thoughts from the laws of capitalist production, Luxemburg was freeing herself from the actuality of the class struggle. It is this which permitted her to abandon the premise of a closed capitalist society, and hence the implications and limitations of the Marxian categories.

(Editor's Note—The concluding portion of this study will appear in our next issue. It concerns itself mainly with "Marx and Luxemburg on the Breakdown of Capitalism," being a discussion of the Marxist theory of crises.)

24. Accumulation, page 88.

25. Cf. Section I of this article, the matter relating to footnote 19.  
26. Accumulation, page 246.

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# Luxemburg's Theory of Accumulation - II

## Market, Crises and the Breakdown of Capitalism

The dispute between Marx and Luxemburg is not confined to the limits of the formulae. That is only the outer shell of the inner core of the essential question of the breakdown of capitalism, or the creation of the material foundation for socialism. Throughout her criticism of the formula in Volume II, Luxemburg maintains that Volume III contains "in *implicite*" the solution to the problem posed "but not answered" in Volume II. By the "implicit" solution Luxemburg means the analysis of the contradiction between production and consumption, and between production and the market. That, however, is not what Marx called "the general contradiction of capitalism."

The "general contradiction of capitalism,"<sup>27</sup> writes Marx, consists in the fact that capitalism has a tendency toward limitless production "regardless of the value and surplus value incorporated in it and regardless of the conditions of production under which it is produced." That is why, in "Unravelling the Inner Contradiction," Marx places in the center of his analysis, not the market, but the "Conflict between Expansion of Production and the Creation of Values."

The constant revolutions in production and the constant expansion of constant capital, writes Marx, necessitates, of course, an extension of the market. But, he explains, the enlargement of the market in a capitalist nation has very precise limits. The consumption goods of a capitalist country are limited by the luxuries of the capitalists and the necessities of the workers when paid at value. The market for consumption goods is just sufficient to allow the capitalist to continue his search for greater value. *It cannot be larger.*

This is the supreme manifestation of Marx's simplifying assumption that the worker is paid at value. The innermost cause of crises, according to Marx, is that labor power in the process of production, and not in the market creates a value greater than it itself is. The worker is a producer of overproduction. It cannot be otherwise in a value-producing society where the means of consumption, being but a moment in the reproduction of labor power, cannot be bigger than the needs of capital for labor power. That is the fatal defect of capitalist production. On the one hand, the capitalist must increase his market. On the other hand it cannot be larger.

Luxemburg, however, is so blind to all this, that she insists that it is not the problem that is insoluble, but Marx's premise which makes it so. She is prevented from seeing what is most fundamental to Marx because, on the one hand, she has excluded crises as being merely "the form of movement but not the movement itself of capitalist economy."<sup>28</sup> On the other hand, because she abandoned Marx's basic premise, she looked at the market not as a manifestation of the production relationship, but as something expendable *outside of* that relationship. To Marx, however, the "market" that can be enlarged beyond the limits of the working population paid at value is the capital market. Even there the constant technological revolutions make the time necessary to reproduce a product tomorrow less than the time it took to produce it today. Hence there comes a time when all commodities, including labor power, have been "overpaid."

The crisis that follows is not caused by a shortage of "effective demand." On the contrary, it is the crisis that causes a

shortage of "effective demand." The worker employed yesterday has become unemployed today. A crisis occurs not because there has been a scarcity of markets—the market is largest just before the crisis—but because from the capitalist viewpoint there is occurring an unsatisfactory distribution of "income" between recipients of wages and those of surplus value or profits. The capitalist decreases his investments and the resulting stagnation of production appears as overproduction. Of course, there is a contradiction between production and consumption. Of course, there is the "inability to sell." But that "inability to sell" manifests itself as such because of the fundamental antecedent decline in the rate of profit, which has nothing whatever to do with the inability to sell.

What Marx is describing in his analysis of the "general contradiction of capitalism" is (1) the degradation of the worker to an appendage of a machine, (2) the constant growth of the unemployed army, and (3) capitalism's own downfall because of its inability to give greater employment to labor. Since labor power is the supreme commodity of capitalist production, the only source of its value and surplus value, capitalism's inability to reproduce it dooms capitalism itself.

Thus the three principal facts of capitalist production which are reaffirmed not merely "implicitly" but *explicitly* in the real world in Volume III are: (1) decline in the rate of profit, (2) deeper and deeper crises, and (3) a greater and greater unemployed army.

One by one Luxemburg rejects these, either in part or in full, either implicitly or explicitly. As we have seen, she has entirely excluded any consideration of crises from her analysis of accumulation. She now dismisses the decline in the rate of profit as symbolic of capitalist collapse. She states that the tendency for the rate to decline is, if not entirely negated, at least strongly counterbalanced, by the increase in the mass of profit. Therefore, she concludes, we might as well wait for "the extinction of the sun"<sup>29</sup> as to wait for capitalism to collapse through a decline in its rate of profit. On the contrary, she writes, the historic process will reveal the "real" source of capital accumulation and hence the cause of capitalism's downfall when that source will have been exhausted:

From the historic point of view, accumulation of capital is a process of exchange of things between capitalist and pre-capitalist methods of production. Without pre-capitalist methods of production, accumulation cannot take place... The impossibility of accumulation signifies from the capitalist point of view the impossibility of the further development of the productive forces and consequently the objective historic necessity for the breakdown of capitalism.<sup>30</sup>

Here again Luxemburg was betrayed into this position by the one and only fundamental error she made to start with—the counterposition of "reality" to theory. This leads her to so fully depart from the Marxian theory of accumulation that she finally denies Marx the right to assume that labor power will always be on hand for purposes of expanded reproduction *simultaneously* with assuming a closed capitalist society. "Reality" would show, she writes, that it is the non-capitalist societies which are the "reservoir of labor power."<sup>31</sup> By denying Marx that right she is denying the Marxist theory of population. With a single stroke of the pen Luxemburg frees capitalism from its "absolute general law"—the reserve army of

labor—which, says Marx, is all-dominant even when the entire social capital has been concentrated in "the hands of one single capitalist or one single corporation."<sup>32</sup> That is the blind alley to which Luxemburg was led by the phenomena of imperialism which had driven her to substitute "reality" for theory.

## 2. Once Again, Theory and Reality

Theory and reality are not separable. Marxist theory is the conscious expression of the unconscious historic process. Distinction between the real world and general theory is false. The real world has significance only if you see it in relation to a certain theory. Essentially there can be only two modes of thought in contemporary society: bourgeois or proletarian-Marxist. If you develop consistently away from the Marxist you must inevitably fall prey to the bourgeois theory. That is what happened to Luxemburg. That is what happens to anyone who comes unarmed by Marx's fundamental premise into the broad sphere of exchange and consumption where the capitalist hides behind the guises of "consumer," "buyer" and "seller."

Wherein lay the importance of the imperialist phenomena that Luxemburg said contradicted the Marxist theory and diagrammatic presentation of accumulation? Obviously in the fact that the phenomena brought into view "not only" a closed capitalist society and its contradictions, "but also" the non-capitalist strata and societies and its relation to them. And not merely "also," but "first of all." And from this "first of all" Luxemburg did not hesitate to draw the logical conclusion that accumulation was "inconceivable in any respect whatever" without these third groups. But if accumulation is "inconceivable" without this outside force, then it is this force, and not labor, which will bring about the downfall of capitalism. The historic necessity of the proletarian revolution falls to the ground.

Luxemburg, the revolutionist, feels the abysmal gap between her theory and her revolutionary activity, and comes to the rescue of Luxemburg, the theorist. "Long before" capitalism would collapse through exhaustion of the non-capitalist world, writes Luxemburg, the contradictions of capitalism, both internal and external, would reach such a point that the proletariat would overthrow it.

But it is not a question of "long before." No revolutionist doubts that the *only final* solution of the problem of expanded reproduction will come in the actual class struggle, on the live historic stage, as a result of class meeting class on the opposite sides of the barricades. The question *scientifically or theoretically* is: does the solution come *organically* from your theory, or is it brought there merely by your "revolutionary will." In Marx the granite foundation for socialism and the inevitability of capitalist collapse come from the very laws of capitalist production: capitalism produces wage labor, its grave digger. The organic composition of capital produces, on the one hand, the decline in the rate of profit, and, on the other hand, the reserve army of labor. The inability of capitalism to reproduce its only value-creating substance sounds the death-knell of capitalism.

With Luxemburg, on the other hand, death comes not from the *organism* of capitalism, but from an outside force: "non-capitalist strata and non-capitalist societies," while the revolution is dragged on by her indomitable revolutionary will. The socialist proletarian revolution, which, with Marx, is rooted in the *material* development of the conflicting forces of capital and labor, here becomes a wish disconnected from

the increasing subordination of the laborer to, and his growing revolt from, the capitalist labor process.

## 3. A Single Capitalist Society and "A Different Distribution of National Capital"

Lenin, in his voluminous writings in defense of the abstraction of a closed capitalist society, wrote that not only had Marx the right to his assumption, but that it was the *only scientific* method possible to illustrate (1) the law of realization, which held true "whether we take one nation or the whole world,"<sup>33</sup> and (2) to prove that distribution was *not* the problem. By projecting an ideal capitalist society in which the capitalist has absolutely no headaches about markets—everything produced is "sold"—Marx proved, says Lenin, that the capitalists' search for markets is motivated by the search for greater profits, and not because it is absolutely impossible "to realize" the goods produced within the capitalist society.

"Under a *different* distribution of the national capital," writes Lenin, "the same quantity of products could be realized within the country."<sup>34</sup>

When Engels had postulated a similar "distribution of national capital," he too had done so without changing the basic capital-labor relationship:

The modern state, whatever its form, is an essentially capitalist machine; it is the state of the capitalists, the ideal collective body of all the capitalists. The more productive forces it takes over, the more it becomes the real collective body of all the capitalists, the more citizens it exploits. The workers remain wage earners, proletarians. The capitalist relationship is not abolished; it is rather pushed to an extreme.<sup>35</sup>

Because this capitalist relationship would not be abolished but would rather be "pushed to an extreme," Marx would not budge from his premise of a society consisting only of workers and capitalists. By being solidly based on the capital-labor relationship Marx sees that the decline in the rate of profit cannot be obviated either by an increase in the mass of profits or by an increase in the "effective demand" for the extra products created. No matter what the market is, the technology of production is such that the capitalist needs relatively less workers to man the new and ever larger machines. Along with the technology of production, the production relationship is such that surplus value comes only from living labor (variable capital in the process of production), which is now an ever smaller part of total capital. Hence the tendency to decline reveals ever clearer the *law of surplus value* behind that tendency.

The logical development of this tendency, writes Marx, will reveal that ultimately *not even the full twenty-four hours of labor* would produce sufficient surplus value to turn the wheels of expanded reproduction on a *capitalist* basis:

In order to produce the same rate of profit when the constant capital set in motion by one laborer increases ten-fold, the surplus labor time would have to increase ten-fold and soon the total labor time and finally the full twenty-four hours a day would not suffice even if wholly appropriated by capital.<sup>36</sup>

We have reached the theoretic limit of capitalist production. It is as inextricably connected with labor as is the theory of the abolition of capitalism with the proletarian revolution. That is why an organic part of Marx's theory of accumulation is the mobilization of the proletariat for the overthrow of capitalism. That is why Marx would not be moved from his premise of a closed society. It was the basis not only of Volume II of *Capital* but of Volumes I and III, as well as of his *Theories of Surplus Value*. Moreover, it was the basis not only of his entire theoretical system but also of his whole revolutionary activity.

which or what capital or where should never arise. The formula or label,  $c+v+s$ , definitely and quite sufficiently marks off the capital under discussion as industrial capital, otherwise standard capital. And it does not matter where or how much one may have in mind, the fact always remains the same in this regard, viz., that it is just industrial capital.

The "closed society" idea might be correct in some sense or other, and it may possibly help study in some way. Such hypothetical distinction might thus be all very well—where it may be appropriate. But in the matter of Capitalist Accumulation it does not seem capable of any proper application. The accumulating capital depicted by Marx in Part III of Vol. II just means the increasing capital outfit of any employer at all, or any industrial capital in general. Marx's description of "capitalist accumulation" applies to any  $c+v+s$  capital whatever, in any part of the world, or if you will, in many parts or even in all parts of the globe.

Forest's reference (p. 107) to "the exclusion of foreign trade as having nothing to do fundamentally with" the class conflict also seems rather forced. I do not see that Marx, in either of the quoted pages, in Vol. II and Vol. III of "Capital," in any way refers to any "class conflict," or to any of its fundamental relationships.

In the case of Vol. II, Marx excludes consideration of foreign trade at certain points, not because of its non-relation to class conflicts, but because such secondary topic would only result in confusion. For instance, on pages 547-8, when we seek to understand reproduction on a given scale, or when we wish to comprehend the gold reproduction, "we transfer the gold mines [mentally of course] into the country with capitalist production whose annual reproduction we are analyzing," so to leave aside the irrelevant activities of foreign commerce. But very certainly, this is not because of foreign-commerce's non-relation to the class conflict.

In Vol. III, too, the matter of "exclusion" would seem to be related to quite another kind of "conflict," instead of any class affair, viz., that "conflict" between "Expanding production and the creation of values." (See sub-title, p. 289, Vol. III.) But there is no trace here of any "conflict" between worker and capitalist. There is no sort of mention about any conflict of persons, the real "conflict" in question is merely one of conditions, and such conflict of conditions is one of the Internal Contradictions in the operation of that "law" the "falling tendency of the rate of profit."

It seems absurd to encounter such confusion on such a simple matter. Marx excluded consideration of foreign commerce where such consideration would not assist clarification, because it would complicate the issue under discussion and cause unnecessary and denultory trouble. And it seems to be thought that therefore foreign commerce is omitted, through its non-relation to class conflict!

As with every other serious study, what is to be assumed or noticed (or maybe what is to be excluded from the scene of observation) will precisely depend upon what at the moment is to be examined.

Marx not only does not always exclude

"foreign commerce"; but neither does he always assume that the capitalists fully pay the labor-power at its value. Mostly, of course, he does assume value-for-value exchanges, but a very effective instance of the contrary occurs in the second paragraph on p. 595 of "Capital," Vol. II. Instead of assuming such full payment of labor-power's value by capitalists, Marx there declares it to be "a thing which they rarely do!"

With the matter of "foreign trade"; sometimes this topic will be excluded, according to what main topic is at the time to be discussed. But on p. 546 of Vol. II, discussing cases of the relative overproduction and also of the relative underproduction (equally characteristic of industrial crises), Marx tells us that "Foreign trade could relieve the pressure in either case."

On p. 548 Marx declares that "Capitalist production does not exist at all without foreign commerce." Yet, at this point, just because this "foreign commerce" merely results in some use-values being substituted for other use-values without affecting the general value relations, "we leave it aside."

But now, if "foreign trade" were always to be "excluded," even to the extent that "Marx would not be moved from his premise," how could Marx tell us that foreign trade is an indispensable part of capitalist production? And why, then, should he write that "Capitalist production does not exist at all without foreign commerce"? If foreign trade is to be "excluded," how comes it that (against the falling tendency of the rate of profit) the fifth (or No. 5) of the "counteracting" or "counterbalancing causes," is this very same "Foreign trade"? How is it that under this heading the subject is of sufficient importance to occupy about four pages of Marx's Vol. III?

Not only did Marx sometimes "exclude" consideration of foreign trade. But sometimes he also avoided any entanglement with "fixed capital." He writes in one place "... we must for the present leave out of consideration that portion of value which is transferred from the fixed capital to the annual product by wear and tear, unless this fixed capital is reproduced ... during the year" (Vol. II, p. 458).

From his three "vantage points," he paraded the process of Capitalist Circulation in its various threads up to the stage of Simple Reproduction; and he showed that in the absence of any upset by, or concern about, fixed capital (in short, by "excluding" the fixed capital), the surplus value can all be "realized" and distributed without leaving any remainder to cause any trouble, for example, anything like the commercial crises. He shows the exchanges which dispose of the surplus value when the process is not blocked by the circulation of fixed capital.

Not only so, but he also shows that the surplus value is divisible into necessities and luxuries, and he shows the distribution of these sub-divided parts of surplus value as fair, or equal, shares for the capitalists in both Division I and Division II.

In Division I, the surplus value, assumed as being 1000, or 50 per cent. of the newly produced value, is "realized" by the capital-

(Limitations of space have made it necessary for us to abridge the following communication. Its author, W. H. Emmett, is well known for his "Economic Handbook of Marxism" and for previous contributions to these pages.—Editors.)

Editor:

I wish to make some commentary on the discussion of "Luxemburg's Theory of Accumulation" by E. Forest in the April and May issues of THE NEW INTERNATIONAL. Especially, I would refer to the general bearing as to the cause of modern commercial crises.

A persistent and engaging question of the discussion in THE NEW INTERNATIONAL seems to be: What exactly does Marx mean by "Capitalist Accumulation"? More definitely and substantially it seems to be: Does Marx refer to the capital of a single capitalist nation, or to that of a number of nations or, say, all the nations of Europe, or to the capital of the whole capitalist world?

Before venturing an answer to this evident question, let us briefly contemplate a rather simple analogy.

Whenever one may meet with anthropological work about the attributes or characteristics of human nature, we can easily understand that it matters not whence the examples of human nature may come—from a special part of the world, or any number of parts, or from all parts of the habitable globe. Wherever they may be found, humanity's physique or make-up, speech, general activities and character, will always effectually differentiate mankind from all the rest of the animal kingdom. The essential distinctiveness of that nature is quite independent of any particular race or races of mankind, and independent, too, of any countries to which they may happen to belong.

Similarly with the capital of Marx's "Capitalist Accumulation." The phenomenon of accumulating capital is quite independent of "a closed society" and quite independent of any pre-capitalist or "non-capitalist surroundings."

Despite her wide research, Forest's two articles will not withstand much economic probing or analysis. The question as to

ists of this Division. It is distributed amongst them in proportionate shares (arbitrarily, of course) consisting of three-fifths as life's necessities and two-fifths as luxuries, that is, 600 as necessities and 400 as luxuries, which together equal the surplus value of 1000. The details of which distribution (if one wishes the pleasure of looking them up) are given by Marx on page 471.

In Division II there is the same assumption of 50 per cent of the new value product being the surplus value, viz. 500. And it is "realized" by the capitalists in this Division II. It is proportionately shared out amongst them (again arbitrarily, of course), three parts as necessary and two parts luxuries, that is: 300 and 200, equal to the 500 of surplus value. (See Vol. II, pp. 468-70.)

It seems necessary to notice that "Accumulation" is not any direct cause of the crises. So far from "Accumulation" being directly the "cause" of crises, the subject, "Accumulation," etc., is broached by Marx in his Vol. II, only well after he had already demonstrated how the non-conforming and unruly fixed-capital was causing the crises. That is to say, in his Vol. II Marx commenced work on the subject of "Accumulation in Division I," etc., only about thirty pages after having already traced out the direct and inevitable cause of the commercial crises.

W. H. EMMETT.

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APRIL 1947  
THE NEW INTERNATIONAL

Editor:

In the February 1947 issue of THE NEW INTERNATIONAL there appears an abbreviated letter by W. H. Emmett of Australia, in criticism of my articles on Luxemburg's *Theory of Accumulation*, which were published in the April and May 1945 issues. In all fairness to Comrade Emmett it should be stated that in the unabridged letter he wrote that of the fifteen books I quoted, "ten of these works are out of my reach completely." Among these were Luxemburg's *Theory of Accumulation* or her *Anti-critique*; Marx's *Theories of Surplus Value*; Lenin's dispute with the Narodniki; and Bukharin's answer to Luxemburg's work on accumulation. He also wrote that in *Anti-Duehring* he could not find the passage quoted. (The page number was wrongly listed as 349; it should have been 312-3.) Consequently, he was tendering his criticism on the basis of the three volumes of *Capital*. Without this pertinent bit of information, some of the statements in Emmett's criticism become incomprehensible.

For example, he writes:

"The phenomenon of accumulating capital is quite independent of a 'closed society' and quite independent of any pre-capitalist or non-capitalist surroundings." (My emphasis—F. F.)

Now, if I agreed with him, this would in no way change the fact that (1) Marx posited his theory of accumulation of capital in a closed society, and (2) that the very life-stream of Luxemburg's theory of accumulation, which she counterposed to that of Marx, ran through "non-capitalist surroundings." How then could I write a restatement of Marx's theory and a critique of Luxemburg's as if the accumulation of capital were "quite independent of any pre-capitalist or non-capitalist surroundings"?

Emmett proceeds doggedly down his own road, insisting that while the idea of a closed society (i.e., a society consisting only of workers and capitalists, from which both

"third groups" and foreign trade are excluded) "might be correct in some sense or other . . . it does not seem capable of any proper application" in the question of capitalist accumulation. And he concludes:

"Forest's reference to 'the exclusion of foreign trade as having nothing to do fundamentally with' the class conflict also seems rather forced. . . . But now if 'foreign trade' were always to be 'excluded,' even to the extent that 'Marx would not be moved from his premise,' how could Marx tell us that foreign trade is an indispensable part of capitalist production?"

Since I presented nothing new in my study that had not previously been stated by Marx and defended by Lenin, I will let Lenin give the answer. Although, Lenin wrote, "it is impossible to imagine a capitalist nation without foreign trade because there is no such nation," nevertheless "The theory of realization must take for its construction a closed capitalist society, i.e., to abstract the process of expansion of capitalism from our countries. . . ." Otherwise, one would fall into the trap of the petty-bourgeois critics who base their critique of capitalism on "the incorrectness of circulation," whereas "it is necessary to base this on the character of the evolution of production relations." (*Collected Works*, I, p. 32-3, Vol. II, pp. 40, 419-20, in Russian—my emphasis, F. F.)

Emmett can think that the question of accumulation can be considered both independently from the question of a closed society and from the question of "third groups" only because he has transformed the question of accumulation from a problem of production, that is *class*, relation, to a mere technical question. To him accumulation of capital "just means the increasing capital outfit of any employer at all, or any industrial capital in general." Hence, he can come to the conclusion:

"The question as to *which* or *what* capital or *where* should never arise. The formula, or label,  $c+v+s$ , definitely and quite sufficiently marks off the capital under discussion as industrial capital, otherwise *standard* capital."

It was, however, not I, but Marx, who made the point that: "It is not the quantity but the destination of the given elements of simple reproduction, which is changed, and this change is the material basis of a subsequent reproduction on an enlarged scale." (*Capital*, II, p. 592.)

So insistent was Marx in demonstrating that it is not the *thing*, or *quantity* ( $c$  plus  $v$  plus  $s$ ) which was important, but the *relationship* ( $c$  to  $v$ ) that he began his first diagrammatic presentation of expanded reproduction by choosing a total whose absolute volume was *smaller* than that of simple reproduction!

**Accumulation and Crises**

In viewing the complex question of accumulation as if it "just means the increasing capital outfit of any employer at all," Emmett is sweeping aside Marx's greatest contribution to the theory of expanded reproduction, his division of the whole of social production into but two major departments: Department I producing means of production and Department II producing means of consumption. It is this division

which enables Marx to cut through the whole tangle of markets and to show that: "The difficulty, then, does not consist in the analysis of the social product in values. It arises in the comparison of the component parts of the value of the social product with its material elements." (*Capital*, II, p. 499.)

The contradiction between the value and material forms of capital erupts in crises. For Emmett, however, this whole problem does not exist. He writes in an offhand manner:

"It seems necessary to notice that 'Accumulation' is not any direct cause of the crises. So far from 'Accumulation' being directly the cause of crises, the subject of 'Accumulation,' etc., is broached by Marx in his Volume II only well after he had already demonstrated how the non-confirming and unruly fixed capital was causing the crises."

Now, the fact that Marx deals with crises before he comes to the question of accumulation or expanded production is not at all due to the fact that accumulation "is not any direct causes of crises" but because Marx's whole method of presentation of the problem rests on the fact that if you fully understand the problem of simple reproduction, expanded reproduction will present no difficulties, for there are no new problems in expanded reproduction that aren't implicitly present in simple reproduction. Accumulation of capital aggravates the contradictions of capitalism and brings them to the breaking point. But the innermost cause of crises remains the fact that labor, in the process of production, and not in the market, creates a greater value than it itself is. And that the ever greater portion of the surplus value extracted from the worker goes back into producing ever greater quantities of constant capital, or what Emmett calls "the non-confirming and unruly fixed capital." But so directly is this accumulation of capital connected with crises that Marx devotes the better part of one of his volumes of *Theories of Surplus Value* to this very problem. If Emmett is unaware of the most famous portion of Marx's *Theories*, "Accumulation of Capital and Crises"—he should not be unaware of the fact that the part to which he himself refers to in Volume III of *Capital* ("The Law of the Falling Tendency of the Rate of Profit") is so wholly immersed in the accumulation of capital and crises that it could very well bear such a sub-title. Volume III, as Comrade Emmett must know, was written as Book III of Volume II of *Capital*. Emmett and I seem indeed to be speaking in entirely different languages not only insofar as the vast Marxist literature on the subject of accumulation is concerned, but insofar as Marx's theory itself is concerned. The theory remains, for him, not only unconnected from crises but from class conflict.

"There is no sort of mention about any conflict of persons," he writes, "the real 'conflict' in question is merely one of conditions, and such conflict of conditions is one of the Internal Contradictions in the operation of the 'law,' the 'falling tendency of the rate of profit.'"

I rubbed my eyes and reread the above passage a half dozen times before I could believe what I saw black on white. Emmett, please, doesn't the conflict of conditions re-

fer to the conflict of the production relationship between capital and labor? What else does the famous passage of Marx in that very chapter refer to?

"The real barrier of capitalist production is capital itself. It is the fact that capital and its self-expansion appear as the starting and closing point, as the motive and aim of production; that production is merely production for capital and not vice versa, the means of production mere means for the ever expanding system of the life process for the benefit of the society of producers." (*Capital*, III, p. 293.)

In analyzing the "Internal Contradictions in the operation of the 'law,' the 'falling tendency of the rate of profit,'" wasn't Marx's whole point to prove that:

"It is here demonstrated in a purely economic way, that is, from a bourgeois point of view, within the confines of capitalist understanding, from the standpoint of capitalist production itself, that it has a barrier, that it is relative, that it is not an absolute, but only a historical mode of production corresponding to a definite and limited epoch in the development of the material conditions of production." (*Ibid.*, pp. 304-5.)

How can a Marxist limit himself to these very confines! This, it seems to me, could be done only under the conditions that, for Emmett, the theory of value is just an economic theory unconnected with the class struggle. Emmett can write: "Despite her wide research, Forest's two articles will not withstand much economic probing or analysis," only because, for him, Marx's economic doctrine is completely divorced from his conception of the historical limitations of capitalist society and the inevitability of the proletarian revolution.

F. FOREST.

Editors:

F. Forest's article, *The Nature of the Russian Economy*, is a milestone in the history of Marxist thinking. Trotsky's theory of Stalinist Russia as a "degenerated workers' state" and the WP's rationalized modification of that theory have been demolished. Can any other conclusion be made after a careful reading of this article? If the haywire ultra-leftist zigzags of the Johnsonite Minority (deplorable but logical results of their failure to act on their conclusion in regards to the nature of the Soviet Union) prevent the members of the WP and the International from giving this paper the serious and sober examination it deserves, it will be nothing short of criminal. It comes as a terrific shock to realize that had this article appeared ten years ago the vanguard of the international working class would now be well armed to lead the struggle against the two-headed monster of world capitalism.

While pointing out the mistake Trotsky made in *The Revolution Betrayed* in dismissing the idea that Russia might be a state capitalist society, Comrade Forest should also have called attention to the astounding statement Trotsky makes on page 242. He writes: "Such a regime (state capitalist) never existed, however, and because of the profound contradictions among the proprietors themselves, never will exist—the more so since, in its quality of universal repository of capitalist property, the state

would be too tempting an object of social revolution." Today it seems incredible that Trotsky would have used such an unscientific argument that because such a society had not previously existed, therefore it could not exist; further, that because the profound contradictions existing in a traditional capitalist society would prevent state capitalism from developing (even this is questionable in the light of the direction of the Nazi state before its collapse), the same would also apply to Russia; finally, no one was ever more aware than Trotsky that the Russian state under Stalin was, as it still is, a "tempting object of social revolution" but has managed to maintain itself only through the most ruthless and complete suppression of its people in all modern history.

That chapter on State Capitalism in *The Revolution Betrayed* will remain one of the costliest examples of that tendency of Trotsky's to be carried away by abstract arguments which Lenin so much deplored.

J. LOVEJOY.

Chicago

Editor: