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DRAFT OF CHAPTER IV

for work-in-progress on Rosa Luxemburg, Women's Liberation
and Marx's Philosophy of Revolution

I- MARX'S AND LUXEMBURG'S THEORIES OF ACCUMULATION OF CAPITAL,
ITS CRISES AND INEVITABLE DOWNFALL

Luxemburg's isolation of herself from Party work, following the German Social-Democracy's rejection of her analyses, both on the question of the General Strike as applicable during the struggles for electoral rights, and the uncompromising anti-imperialism she articulated over the "Morocco Incident", provided time for her to plunge into creating her greatest theoretical work, Accumulation of Capital (A Contribution to an Explanation of Imperialism)¹. From her letter to Konstantin Zetkin, at the end of 1911, when she first thought of the work, it was clear that, far from her defeats in the Party making her tolerant of the political opportunism permeating it, she was out to discover "the economic roots of imperialism." With her massive 450-page work, she felt she was treading new ground where none, not even Marx, had ever been before. She considered Vol. II of Capital unfinished, since Marx had died before it was prepared for the printer, and she questioned what Engels had "made out" of the manuscripts left by Marx. Clearly, she felt confident that she was the pupil of Marx who could and did fulfill the task Marx had left "unfinished." As she was later to point out: "It was clear that he left it to his pupils to solve the problem (like many others) and my Accumulation was intended as an attempt in this direction."

The book was published in 1913. The outbreak of war and the collapse of the Second International was so traumatic an experience that she felt all the more confident, when she got to answer her critics, that she had been right all along. In that spirit, she answered her critics, entitling that work: Vol. II of Accumulation of Capital, or What the Epigones Have Made of It. An Anti-Critique. (Hereafter, this will be referred to as Anti-Critique.)

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She was later to describe the four impassioned months in which she wrote Accumulation as the "happiest" in her life. As she later wrote to Deifenbach: "Do you know that I wrote the entire 30 galleys in one go in four months -- incredible performance -- and sent it off to the printer without so much as a further glance through."² And, she added, she felt as intellectually excited when she wrote her answer to her critics, which she had sent off to Deifenbach for his comments. The point in both cases was that she considered this intellectual probing as a great adventure.

What is necessary to keep in mind is the length of the road that it took to "get there", that is, to develop from mere agitation to serious theory. To begin with, she had been pivotal in both great debates which determined the direction of Marxism -- the one against the first appearance of reformism and the second against the acknowledged leading orthodox Marxist, Karl Kautsky. (And let us not forget that she broke with Karl Kautsky four years before anyone in the international Marxist movement, Lenin included, had had the slightest sense of the deep opportunism permeating the GSD.) She had experienced her flash of genius on the shift in new global politics -- imperialism -- with the China-Japanese war in 1895.³ Not only that, she warned about its effects within the Social-Democracy itself as early as her very first entrance on the German scene. The 1898 description of the global shift of power was reiterated by her at the 1900 Congress where she took issue with a certain pusillanimity she felt on the part of her co-leaders in relationship to the war against China. She followed this up in 1905 in the debate on the first Moroccan crisis where she was most concretely spelling it out against Germany.

In 1907 she spoke in the name of the Russians as well as the Poles at the International Congress in Stuttgart, amending its anti-war resolution so that there would not be a shadow of a doubt that Socialists were pledged to oppose any imperialist war. It is certainly no accident whatever, and it certainly is not unrelated to the question of anti-imperialism, that she broke with Kautsky and Esbel. She

isolated herself from the Party in order to face, ground, and try to resolve the new, fantastic, militaristic, threatening, catastrophic appearance of imperialism. By the time we come to the year 1912, when she decided to dig into "the economic roots of imperialism," we find she had fought, analyzed and written about colonialism for some 15 years. Whether one thinks her theory right or wrong, it is utterly fantastic to act as if it can be dismissed as a mere tour de force and not a "serious" theory -- that is to say, brilliant but not profound.

Once Luxemburg has stated the problem of reproduction -- Section One -- she plunges into, not actual history but a detailed history of ideas on the subject. That is to say, the bulk of the work consists of debates with other economists -- mostly those Marx had analyzed, from Quesnay and Adam Smith to Sismondi-Malthus vs. Say-Ricardo, MacCulloch, Rodbertus and von Kirchmann. Then she turns to "A New Version of the Problem" -- Struve-Bulgakov-Rugan Baranovski vs. Vorontsov-Nikolai Danielson. Whether or not Luxemburg was consciously trying, in dealing with the question of reproduction, to follow what Marx had done with the Theories of Surplus Value, which, however, he had relegated to Volume IV of Capital, the point is that "history" up to the very last section of the book has not been the history of the day which she had accused Marx of subordinating to the abstract diagrams, but the history of various debates. It is only with Section Three, "The Historical Conditions of Accumulation," that we get down to history, to "reality vs. theory" that was the purpose of her work. It is to this that we turn now.

I- ENCOUNTER WITH MARX'S THEORY OF EXPANDED REPRODUCTION

Rosa Luxemburg's Accumulation of Capital⁴ 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.⁵

Since the publication of Volume II of Capital in 1885, 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. It's necessary to turn to that first. Marx does not let us forget that his premise is that of a closed society which is capitalistic, i.e. dominated by the law of value, and that the law of value is the 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."⁶

while
In a word, Marx excludes foreign trade, he nevertheless places his society in the environment of the world market. These are the conditions of the problem.

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 c. (The terminology Smith used for v and c 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.⁷

Marx spent 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.

When Lenin argued with the Russian underconsumptionists, with the Populists, here is how he 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." 3

The underconsumptionists construed the preponderance of production over consumption to mean the "automatic" collapse 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.

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

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. Along the use-value of means of production, writes, Marx, shows how important is "the determination of use-value in the determination of economic orders."⁹ 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 U.S., for instance, 90 percent of pig iron is "consumed" by the companies which produce it; 50 percent 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 role 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 differen-
tia specifica of expanded reproduction.

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."¹⁰

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." ¹¹

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: 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."

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 ¹² pointed this out to her, Luxemburg poured vitriolic scorn upon them. To speak of a single capitalist society, wrote Luxemburg in her Anti-Critique, ¹³ 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."¹⁴

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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. 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.

At the same time, some of the best writing in her Accumulation occurs in her description of the "real" process of accumulation through the conquest of Algeria and India; the opium wars against China; the Anglo-Boer war and the carving up of the African Empire; the extermination of the American Indian:

"Just as the American farmer had driven the Red Indian West before him under the impact of capitalist economy, so the Boer drove the Negro to the North. The 'Free Republics' between the Orange River and the Limpopo thus were created as a protest against the designs of the English bourgeoisie on the sacred right of slavery. The tiny peasant republics were in constant guerrilla warfare against the Bantu Negroes. And it was on the backs of the Negroes that the battle between the Boers and the English government, which went on for decades, was fought." 15

Luxemburg had become so blinded by the powerful imperialist phenomena and the opportunism it led to in the GSD, that she failed to see: 1) that the oppression of the non-capitalist lands could also bring about powerful new allies for the proletariat, and 2) that, in any case, 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." 16

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."¹⁷

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, at one and the same time, manufactures a third department out of gold and speaks of the "branches of production" as if it were a purely technical term! In so doing she not only moves away from Marx's level of abstraction but also from the class relations which he was expressing by the division of social production into two and only two departments. No wonder 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." 18

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 stopped. 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."¹⁹ 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."²⁰

Where Marx said that alone the use-value of means of production shows 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."²¹ 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.

When she got to answer her critics of Accumulation, which was completed before the outbreak of World War I, not only had capitalism sunk into its first World War, but the Second International had also collapsed. She further expanded her analysis:

"At first glance it may appear to be a purely theoretical exercise. And yet the practical meaning of the problem is at hand -- the connexion with the most outstanding fact of our time: imperialism. The typical external phenomena of imperialism: competition among capitalist countries to win colonies and spheres of interest, opportunities for investment, the international loan system, militarism, tariff barriers, the dominant role of finance capital and trusts in world politics, are all well known...How can one explain imperialism in a society where there is no longer any space for it? It was at this point that I believed I had to start my critique." ²²

It wasn't that Luxemburg was unaware of Marx's eloquent description of primitive accumulation:

"Colonial system, public debts, heavy taxes, protection, commercial wars, etc. -- these children of the true manufacturing period, increase gigantically during the infancy of Modern Industry. The birth of the latter is heralded by a great slaughter of the innocents." 23

It was that she insisted on having such "reality" included in the theoretical analysis of today without any dialectical awareness of the diversion that that would cause to Marx's purpose of "discerning the law of motion of capitalism" to its downfall.

For Marx, however, 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, and 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)²⁴ 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 over-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." 25

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."²⁶ 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." ²⁷

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?"²⁸ -- that is, out of the pocket of the iron producers and 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." ²⁹

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 contended that Marx assumed what he should have proved -- that expanded reproduction was possible in a closed society. With her attention focused on non-capitalist lands, 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. All of this, was, of course, inextricably bound to "realizing" surplus value whereas, in fact, imperialism was out for surplus profit, ever greater profit.

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."

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."³⁰

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 production, this leads us to the market. Finally, after this has succeeded, continues Luxem-

burg, 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."³¹

Whether 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 and to deny Marx's assumption of a closed society; or whether she was so weighted down by her false position against national self-determination which she doesn't bring in here at all (see Chapter 3) that she could not see that the absolute opposite to imperialism was not non-capitalism, but the masses in revolt, in the oppressed as in the oppressor country -- the point was that she could not escape from the false counter-position of theory to reality. In any case, she let go of Marx's total philosophy of revolution which kept, as one, theory and practice, objective and subjective, economics and politics, philosophy and revolution. Since that, and not different formulae, is what Luxemburg likewise wanted, we must now consider the market, not vs. production, but the "market"ⁱⁿ relationship to crises and the breakdown of capitalism.

III - CRISES AND THE BREAKDOWN OF CAPITALISM

The dispute between Marx and Luxemburg was, of course, not confined to the limits of the formulae. That was 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 formulae in Volume II, Luxemburg maintains that Volume III contains in implicate 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,"³² 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, necessitate, 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 to 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, 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."³³ 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. Luxemburg 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." 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."³⁴

Marx considered the theory of the declining rate of profit to be "the pons asini" of the whole political economy, that which divides one theoretic system from another.³⁵

The protracted depression following the 1929 crash silenced the vulgarizers of political economy, who denied that there is such a tendency. However, it was inconceivable to this "new political economy," as it is to all bourgeois, that the decline in the rate of profit comes from the very vitals of the productive system. Marx, based as he was on the capital-labor relationship, saw the decay in capitalist production in the tendency in the rate of profit to decline despite the growth in its mass. The bourgeois economists, on the other hand, see the decline in the rate not as a result of the organic composition of capital, reflecting the relationship of dead to living labor, but as a result merely of "a deficiency in effective demand."

Unfortunately so did Luxemburg. She held 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"³⁶ 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." ³⁷

Marx developed his analysis of capitalist production on different levels of abstraction. In Volume I of Capital, the most abstract of the three volumes, he projects the ultimate development of the economic laws of capitalism, the concentration and centralization of the means of production until they reach the limit, "the concentration of the entire social capital in the hands of one single capitalist or one single corporation."

This single capitalist society becomes the ideal capitalist society which is the premise of Marx's famous formulae in Volume II. Even in Volume III, where we are introduced to the "real" world, with its bogus transactions, credit manipulations and all other complicating factors of a complex society, Marx's vantage point remains the sphere of value production of a closed capitalist society. The main conflict in society, as in production, remains the conflict between capital and labor. It becomes aggravated, not modified, with the expansion of production and expansion of credit, and none of the laws of production, whether reflected in the declining rate of profit, or in the reserve army of labor, are attenuated by market manipulations. Rather the abstract laws themselves come to full fruition.

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. And so does her own theory of the "impossibility" of accumulation without these non-capitalist lands, once the live negative in her theory -- the colonial masses -- are seen nowhere as revolutionary.

Put otherwise, the dialectic, both as movement of liberation and as methodology, is entirely missing. All these opposites co-exist without ever getting jammed up against each other to produce a movement. What Hegel called "comes before consciousness without mutual contact"³⁸ Lenin called "the essence of anti-dialectics."³⁹ This, indeed, is the nub of her error.

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 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, capitalism's downfall 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.

By projecting an ideal capitalist society in which the capitalist has absolutely no headaches about markets -- everything produced is "sold"⁴⁰ -- Marx proved 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. Engels, in trying to show that no kind of different distribution of national capital would change basically the capital and labor relationship, wrote:

"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." 41

Because not even state-capitalism would abolish this relationship, but only push it "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." 42

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.

While it is true that the specific capitalistic imperialism that Luxemburg was prescient enough to recognize as a new global stage in the mid-1890s was a phenomenon not known to Marx, none has yet matched, much less surpassed Marx's analysis of what Luxemburg called "the world/historic act of the birth of capitalism":

"The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalized the rosy dawn of the era of capitalist production." 43

The only criticism she had of that was that Marx handled it as if it were only true of the primitive accumulation of capital and not "the constant epiphenomenon of accumulation." But Luxemburg has precious little strict theory of the specifics of accumulation in the era of imperialism, which were new since the days of Marx, such as monopoly and other forms of the fundamental laws Marx described of the concentration and centralization of capital.

What is worst of all, it must be repeated and stressed, is Luxemburg's failure to recognize that there were any new revolutionary forces in the non-capitalist lands that could become allies of the proletariat. In a word, imperialism becomes simply an "epiphenomenon." All her magnificent descriptions of imperialist oppression have no live subject arise to oppose it; they remain just suffering masses, not gravediggers of imperialism. When Marx summed up the General Law of Capitalist Accumulation, he left "pure economics" -- roots and all -- far behind, as he searched for its absolute opposite and found that, whereas that absolute law of capitalism was the creation of an unemployed army, that unemployed army is capitalism's "gravedigger."

What Marx is tracing in the historical tendency of capitalist accumulation is what results from the disintegration of capitalism: "From that moment new forces and new passions spring up in the bosom of society..."⁴⁴ Luxemburg's failure to see that in what she was trying to trace with imperialism's rise is the fatal flaw of her work. Just as Luxemburg the revolutionary tried to save Luxemburg the theoretician when she added that "long before" capitalism's downfall at the hands of the non-capitalist lands, the proletariat would overthrow it, so Luxemburg the revolutionary came once again to the rescue of Luxemburg the theoretician, as the imperialist war ended, the German Revolution began, and she rose to lead it.

FOOTNOTES

1- It took British academia 38 years to get around to translating and publishing her work (London: Routledge & Kegan Paul, Ltd, 1951). Neither that accumulation of time nor the accumulation of scholars involved -- the translation was by Dr. Agnes Schwarzschild; the prefatory note by Dr. W. Stark; and the 15 page Introduction by Joan Robinson -- prevented them from leaving out both Luxemburg's subtitle and her own brief introductory note which specified that her "scientific" work "is at the same time tied to the practical, contemporary, imperialist politics." They also left out, through a "technicality," an entire era of Russian dissident history. Thus, in 1913, when she wrote Accumulation, Luxemburg had protected from the Tsarist regime the name of Nikolai Danielson, the great Russian Populist and translator of Marx's Capital, by entitling her Chapter XX dealing with him: "Nikolai--on". By eliminating the dashes and printing it as "Nikolayen", the scholars managed not only to create a non-existent man, but to eliminate the very specific, reactionary, historic period of Tsarist censorship.

2- Cf. Luxemburg's letter to Hans Diefenbach dated May 12, 1917.

3- With the outbreak of the imperialist war, Luxemburg retraced imperialism's development in the pamphlet she had signed "Junius", the first German pamphlet to appear in opposition to the war. There are many translations and editions of this work; the quotation which follows appears on p. 281 of Rosa Luxemburg Speaks (New

York: Pathfinder Press, 1970): "England secured control of Egypt and created for itself, in South Africa, a powerful colonial empire. France took possession of Tunis in North Africa and Tonkin in East Asia; Italy gained a foothold in Abyssinia; Russia accomplished its conquests in Central Asia and pushed forward into Manchuria; Germany won its first colonies in Africa and in the South Sea, and the United States joined the circle when it procured the Philippines with 'interests' in Eastern Asia. This period of feverish conquests has brought on, beginning with the Chinese-Japanese war in 1895, a practically uninterrupted chain of bloody wars, reaching its height in the Great Chinese Invasion, and closing with the Russo-Japanese War of 1904."

4- There has been much confusion between Accumulation of Capital, a Contribution to the Economic Explanation of Imperialism (originally published in German in 1913), and Accumulation of Capital, or What the Epigones Have Made of the Marxist Theory -- An Anti-Critique (originally published in German in 1919). Although now available in English translation, I am here using my own translation from the Russian (translated by Dvoilatsky, edited by Bukharin and published in Moscow in 1921) as I consider it more precise.

- 5- M. Kalecki, Essays on the Theory of Economic Fluctuations, (New York: Russell and Russell, 1939), p. 46.
- 6- Karl Marx, Capital (Chicago: Kerr, 1909), Vol. III, p. 396.
- 7- When the word "realization" is used in its underconsumptionist meaning of sale, I am here putting it in quotes.
- 8- V.I. Lenin, Collected Works, Vol. II, p. 424 (Russian edition).
- 9- Karl Marx, Theories of Surplus Value, Vol. II, Part II, p. 170 (Russian edition).
- 10- Capital, Vol. II, p. 592. (All references to Capital are to the Charles H. Kerr edition.)
- 11- Theories of Surplus Value, Vol. II, Part II, p. 170.
- 12- 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, leveling all her critics "spies."
- 13- Anti-Critique, p. 401
- 14- Theories of Surplus Value, Vol. II, Part II, p. 161. See also N. Bukharin: Imperialism and the Accumulation of Capital (now available in English -- New York: Monthly Review Press, 1972)
- 15- Luxemburg, Accumulation of Capital (New York: Monthly Review Press, 1968), p. 412.
- 16- Accumulation, p. 245 (my emphasis).
- 17- Ibid., p. 222.
- 18- Ibid., p. 297, (my emphasis).
- 19- Ibid., p. 247.
- 20- Ibid. (my emphasis).
- 21- Ibid., p. 245.
- 22- Anti-Critique, edited with introduction by Kenneth J. Tarback, translated by Rudolf Wichmann (New York: Monthly Review Press, 1972), pp. 60-61.
- 23- Capital, Vol. I, p. 830.
- 24- Since Luxemburg herself claimed in the Anti-Critique that she had used the mathematical formulae only because Marx had used them, but that they weren't essential, and because these have been written about innumerable times, we have left them out entirely. For anyone interested, see Bukharin's Imperialism and Accumulation of Capital, included with her Anti-Critique in the publication cited above (fn. 22). In his Introduction, Tarback sums up many of the books on the formulae.
- 25- Accumulation, p. 229.
- 26- Ibid. p. 180.

- 27- Ibid., p. 244.
- 28- Anti-Critique, pp. 407-8.
- 29- Capital, Vol. III, p. 62.
- 30- Accumulation, p. 86.
- 31- Theories of Surplus Value, Vol. II, Part II, p. 170.
- 32- Capital, Vol. III, p. 292.
- 33- Accumulation, p. 6.
- 34- Capital, Vol. I, p. 688.
- 35- Capital, Vol. III, p. 250.
- 36- Anti-Critique, p. 441, fn.
- 37- Accumulation, p. 297.
- 38- This phrase of Hegel comes during his attack on formal thought which "makes identity its law, and allows the contradictory content which lies before it to drop into the sphere of sensuous representation ... where the contradictory terms are held apart ... and thus come before consciousness without being in contact." See Science of Logic, Vol. II (New York: Macmillan, 1929), p. 477, in Johnston and Struthers translation, p. 835 in Miller translation (London: Allen & Unwin, 1969).
- 39- " 'Come before consciousness without mutual contact' (the object) -- that is the essence of anti-dialectics... Is sensuous representation closer to reality than thought? Both yes and no. Sensuous representation cannot apprehend movement as a whole, it cannot, for example, apprehend movement with a speed of 300,000 km. per second, but thought does and must apprehend it. Thought, taken from sensuous representation, also reflects reality...." See Lenin, Collected Works, Vol. 38, p. 228 (Moscow, 1961).
- 40- This doesn't mean that Marx forgot either that they had to be "sold" or the constant crises in the world market. As he put it in Theories of Surplus Value, Vol. II, p. 510: "The crises in the world market must be regarded as the real concentration and forcible adjustment of all the contradictions of bourgeois economy. The individual factors, which are condensed in these crises, must therefore emerge and must be described in each sphere of the bourgeois economy and the further we advance in our examination of the latter, the more aspects of this conflict must be traced on the one hand, and on the other hand it must be shown that its more abstract forms are recurring and are contained in the more concrete forms."
- 41- F. Engels, Anti-Duhring (Chicago: Charles H. Kerr, 1935) p. 290.
- 42- Capital, Vol. III, p. 468.
- 43- Capital, Vol. I, p. 823.
- 44- Ibid., p. 835.