

Imperialism and the
Accumulation of Capital

BY

NIKOLAI I. BUKHARIN



**IMPERIALISM
AND THE
ACCUMULATION
OF CAPITAL**

NIKOLAI BUKHARIN

PREFACE

The problem of imperialism is theoretical as well as practical. So naturally, proletarian politicians are faced with it the same way that bourgeois politicians are. The knowledge of the driving forces of modern capitalism, its own particular methods of expansion, the increasing inner contradictions, all these questions form an unavoidable pre-condition for the theoretical critique of capitalism which, in the hands of the proletariat, turn from the weapon of critique into the critique of the weapon. The theory of imperialism is closely linked to the theory of capitalist breakdown. The same applies for the perspectives of socialist revolution, though this is a very abstract problem and has to be expressed in terms of algebra. It will show that all problems linked with this dominating question are of vital interest for the proletarian struggle today and in the future.

1. EXPANDED REPRODUCTION IN AN ABSTRACT CAPITALIST SOCIETY

As is well known, Marx outlined in general terms the course of the total social reproduction, proceeding from a whole series of premises to simplify the situation: for instance, the assumption of a capitalism with only two classes, no external markets, value equal to price, etc. How is a mobile equilibrium possible in the growing capitalist system? – this is how Marx formulated his question. By and large, the *most abstract* (supremely theoretical) solution is as follows:

The total social capital is $c + v$, the surplus value is s .

The value of the total product (assuming that the constant capital is completely consumed in the course of one turnover or, which amounts to the same thing, that c represents only the used part of the constant capital) is then $c + v + s$.

This product (and correspondingly the total process of social production) is divided up into two large divisions: means of production and means of consumption. If we take the corresponding symbols into account, we arrive at:

I (production of means of production) . . . $c_1 + v_1 + s_1$

II (production of means of consumption) . . . $c_2 + v_2 + s_2$

If we were dealing here with a *simple reproduction*, i.e. if the capitalists were to squander the entire surplus value amounting to $s_1 + s_2$, the condition for the regular course of reproduction would be given by the following relations:

1. Since the entire product of Dept I consists *exclusively* of means of production (machines, raw materials, etc.), which cannot go into individual consumption (they can be neither eaten nor used for clothing, nor even presented to the 'fair sex'), these must all be used to replace the constant capital $c = (c_1 + c_2)$. Thus: $c_1 + v_1 + s_1 = c_1 + c_2$.

2. Since the entire product of Dept II consists *exclusively* of means of consumption, not even the smallest part of it can be used as raw materials or machines. It must therefore be *completely*

'consumed' by the workers and capitalists of the two departments. Therefore: $c_2 + v_2 + s_2 = v_1 + v_2 + s_1 + s_2$.

3. Since the first department reproduces its constant capital (c_1) itself and must replace the material form ($v_1 + s_1$) with a 'consumable' form, and on the other hand the second department reproduces both the elements of its variable capital and the surplus value of the capitalists of Dept II itself in natural form and must replace the material form c_2 , it is essential for reproduction to run smoothly that those parts which are to be exchanged are equal. It therefore follows that c_2 must equal $v_1 + s_1$.

It is clearly obvious that our three equations can basically be reduced to one *single* equation. If in the first equation we subtract c_1 from both sides, and $v_2 + s_2$ from both sides in the second, we arrive at the above third equation, namely $c_2 = v_1 + s_1$.

Now, it is precisely in this that the conditions of the smooth running of simple reproduction are expressed: the sum of the revenues of the first department must equal the constant capital of the second department. If this condition pertains, we receive for Dept I: a constant capital produced *in natura* which remains within the same department; and a variable capital reproduced in an unsuitable form, which appears in new clothing and can carry on functioning in a propitious union with the constant capital; finally a surplus value, which, after changing its clothes for the reproduction of the living personal officers and commanders of its department, disappears without a trace.

Dept II: a surplus value produced in a suitable form which, without going outside the bounds of its department, satisfies its master and disappears into its stomach; further, a variable capital in a form which likewise enables it to convert itself into labour-power without overstepping the bounds of its department; and lastly a constant capital, which joins the variable capital after a metamorphosis of its material, soft consumption-skin into a hard machine-armour. Thus, in this case too, production can proceed, to complete the same, closed circle once again.

The situation is much more complicated with *expanded* reproduction, in which a part of the surplus value is turned into capital and begins to function as capital, in other words, where reproduction proceeds 'not in a circle, but a spiral' (Marx).

If we let α_1 indicate the part of the surplus value which serves

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

for the personal consumption of the capitalists, and β_1 that part which is turned into capital, thus, if we make $s_1 = \alpha_1 + \beta_1$ and correspondingly $s_2 = \alpha_2 + \beta_2$; if we further let β_{1c} indicate that part of the surplus value which is to be accumulated as a part of the constant capital, and β_{1v} that part of the surplus value which is to be accumulated as part of the variable capital, and thus posit $\beta_1 = \beta_{1c} + \beta_{1v}$, and correspondingly $\beta_2 = \beta_{2c} + \beta_{2v}$, thus the general formula for the product of both departments takes on the following form:

$$\begin{array}{r}
 \text{I} \\
 \hline
 \text{II}
 \end{array}
 \begin{array}{l}
 \boxed{c_1 + v_1 + \alpha_1} + \overbrace{\beta_{1c} + \beta_{1v}}^{\beta_1} \\
 \boxed{c_2 + v_2 + \alpha_2} + \underbrace{\beta_{2c} + \beta_{2v}}_{\beta_2}
 \end{array}$$

As is clearly obvious, the problem of *simple* reproduction is enclosed in those amounts which we have put together in a common frame, and the solution has already been given above. (After what has been said it would be necessary for $c_2 = (v_1 + \alpha_1)$.) The difficulties only begin thanks to the appearance of new amounts lying outside the above rectangle.

Now, what do these represent?

β_1 represents, according to its *value*, that part of the surplus value which is destined for accumulation; according to its *material* form, i.e. its *use value*, a profusion of the most diverse means of production, such as machines, raw materials, resource materials, etc.

However, this part does not, as a rule, attach itself to capital in *one* form, namely in the form of constant or variable capital alone; rather, it falls into two parts, according to a certain proportion, in relation to the organic composition of capital.

β_{1c} , i.e. that part which is turned into constant capital, is produced in a corresponding natural form, and thus remains within Dept I, without ever leaving it. On the other hand, conversely, β_{1v} cannot function as an element of the variable capital, since it is hidden in the armour of means of production, as a result of which it must be exchanged against corresponding products from the second department. Thus, β_{1v} has to flee from its birth-place.

The production of β_{2v} proceeds in such a form that it can constitute an element of the additional variable capital of the second department and thus remains *in natura* in its home, i.e. in the same department. β_{2c} , on the other hand, has a material form which technically excludes the functioning of this part of the surplus value in the role of additional *constant* capital. Thus, β_{2c} must be exchanged and put on the clothes of β_{1v} . Therefore, in respect to the value β_{2c} must equal β_{1v} .

Thus, in so far as we have before us an expanded reproduction, the absorption into the first and second department of the surplus value which is destined for accumulation, leaving aside the conditions of equilibrium necessary from the point of view of simple reproduction, must take place in such a relation that the *additional variable capital of the first department must equal the additional constant capital of the second department*.

Altogether then we arrive at three models for the formulae of expanded reproduction, which can be reduced to a single one and which are analogous to the three models of simple reproduction.

1. The *total product* of Dept I (means of production) cannot in any way be employed *directly* as revenue. It must therefore be equal to the sum of the constant capitals of both departments (including the additional constant capitals). In order to facilitate the possibility of comparison we shall put the one amount under the other, as follows:

Sum of means of production

$$\text{(Total product of Dept I)} = c_1 + \boxed{v_1 + \alpha_1} + \beta_{1c} + \boxed{\beta_{1v}}$$

$$\text{Sum of all constant capitals} = c_1 + \boxed{c_2} + \beta_{1c} + \boxed{\beta_{2c}}^*$$

It is immediately apparent that this model presupposes an equality within the framed amount in which the left frame portrays the condition of simple reproduction, the right the

[* Sweezy criticizes Bukharin for his formulation of the equation in this manner. He argues that there should be an increment of surplus value consumed by the capitalist class. However, Bukharin specifically states that in the *following* cycle 'the unproductively consumed part of the surplus value grows - for the first time . . .'. Therefore Bukharin was quite well aware of the problem. This whole question is dealt with in Appendix II.]

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

additional condition of expanded reproduction. Both can be reduced to the equation:

$$v_1 + \alpha_1 + \beta_{1v} = c_2 + \beta_{2c}$$

2. The *total product* of Dept II cannot in any way be employed *directly*, i.e. in its natural form, as constant capital. It must therefore be equal to the sum of all revenues (including the additional variable capital, which is converted into the income of the additional workers).*

Sum of all means of consumption (total product of Dept II)

$$= c_2 + v_2 + \alpha_2 + \beta_{2c} + \beta_{2v}$$

Sum of all revenues (of all wages as well as individually consumed surplus value)

$$= v_1 + \alpha_1 + v_2 + \alpha_2 + \beta_{1v} + \beta_{2v}$$

One can see immediately that this model can be led back to the model already deduced above: $c_2 + \beta_{2c} = v_1 + \alpha_1 + \beta_{1v}$.

3. This equation could also be reached directly. Let us remind ourselves once again of the model:

$$\begin{array}{l} \text{I} \quad \boxed{c_1 + v_1 + \alpha_1} + \beta_{1c} + \beta_{1v} \\ \text{II} \quad \boxed{c_2 + v_2 + \alpha_2} + \beta_{2c} + \beta_{2v} \end{array}$$

In the upper row, $(c_1 + \beta_{1c})$, thanks to its natural form, which corresponds to a necessary economic function, can remain as it is; $((v_1 + \alpha_1) + \beta_{1v})$, on the other hand, must be exchanged. Exchanged against what? Against that part which cannot function in the second department as a result of its *inherent* material form. This is $(c_2 + \beta_{2c})$. This results in the following equation:

$$(c_2 + \beta_{2c}) = (v_1 + \alpha_1 + \beta_{1v})$$

or, to formulate it better:

$$(v_1 + \beta_{1v} + \alpha_1) = (c_2 + \beta_{2c})$$

* Or into the additional wages for the old workers, who in this case have to sustain a bigger amount of simple work by means of increasing the intensity of work, extending the hours of work or raising the standard of qualifications of workers and work.

In other words: *the entire new variable capital of the first department and the part of the surplus value of the same department which falls to unproductive consumption must be equal to the new constant capital of the second department.*

With this the situation in Dept I has taken on the following form:

The new additional amount β_{1c} has joined the constant capital c_1 directly, i.e. without leaving the bounds of Dept I. As a result, the *constant* capital has grown. It was previously c_1 , now it is $(c_1 + \beta_{1c})$. The variable capital came into existence through reproduction of the old variable capital v_1 , which can only function after first stripping off its material husk, which it does together with the 'consumable' surplus value, while $(v_1 + \alpha_1)$ and c_2 change places.

Moreover, additional variable capital appeared through exchange with Dept II. In this way the variable capital rose from v_1 to $(v_1 + \beta_{1v})$. The part of the surplus value which is destined for 'consumption', after assuming a corresponding form, i.e. after it has wandered through the fields and meadows of the second department, is excluded from the reproduction process: all it has done is reproduce the capitalists of the first department [i.e. maintains capitalist consumption at the previous level, Ed.]. Thus, the *new* circulation begins in Dept I with an enlarged constant and an enlarged variable capital.

The same process is carried out in the second department. The constant capital here has indeed reproduced itself according to its value, but must still change its form. Apart from this, the additional value β_{2c} joined up with it, similarly after completing the change of its material husk. In this way, the *constant* capital grew from c_2 to $(c_2 + \beta_{2c})$, and the *variable* capital from v_2 to $(v_2 + \beta_{2v})$, in which process neither part of the new variable capital had any need of a masquerade.* The surplus value was finally removed from the reproduction process in that part which went to 'consumption', without undertaking a change in its form, by limiting itself to the reproduction of the officers of capital in the second department. In this way the *new* circulation begins here too with a raised constant and a raised variable capital.

* Basically a masquerade takes place, but it happens within the framework of acts of exchange within the second department.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

In the following cycle the capital of the starting stage is reproduced again, the unproductively consumed part of the surplus value grows – *for the first time** – the part of the latter which is to be accumulated will grow even more and so on.

In other words, the following grow: the constant capital of society, the consumption of the workers, the consumption of the capitalists (everything taken in values). In this connexion we will not make any further analysis of the relation in which this growth of the various above-listed values proceeds. This question needs to be treated separately. Here we must mention, even if only briefly, the following circumstances: along with the growth of production, the market of this production grows too, the market of means of production expands, and the consumer demand grows also (since, taken in absolute terms, the capitalists' consumption grows as well as that of the workers). In other words, here the possibility is given of, on the one hand, an equilibrium between the various parts of the total social production and, on the other, an equilibrium between production and consumption. In this process the equilibrium between production and consumption is for its part conditioned by the *production equilibrium*, i.e. the equilibrium between the various parts of the functioning capital and its various branches.

In the above analysis we neglect *at first* a series of highly important, specifically capitalist moments, e.g. *money-circulation*. That would be absolutely inadmissible if we were to continue to stay on this most abstract level of analysis. The error of Ricardo's school, and of Say's too, consisted precisely in the fact that they raised to a dogma the thesis that product was exchanged against product, while money played the role of a 'medium' in this transaction, and *only* of a 'medium', but not 'an essential and necessary form of existence of the commodity which must manifest itself as exchange value, as general social labour'. †

This resulted in a series of the most serious mistakes, it resulted further in the denial of the existence of *contradictions* within capitalism, finally a direct apology for the capitalist system, an apology which attempts – to use a Marxist word – to 'reason away' the crises, the over-production, the mass misery and so on.

[* What Bukharin is saying here is $\Delta\beta_{1c} > \Delta\alpha_1$ and $\Delta\beta_{1v} > \Delta\alpha_1$.]

† Marx, *Theories of Surplus Value*, Vol. II, p. 501.

'It must never be forgotten, that in capitalist production what matters is not the immediate use value but the exchange value, and in particular, the expansion of the surplus value.*' But since the movement of capital also shows up a phase of this movement in which capital appears as money capital, it must, of course, never be *neglected*. However, that does not in the least mean that it is inadmissible to leave out the money question *provisionally*, as we have done in our previous exposition, analysing the reproduction process from the viewpoint of the replacement and increase of *value* as well as that of the replacement and change of the *material form* of the elements of capital. *If* this analysis had proved that a reproduction or an expanded reproduction was completely impossible, it would only have been properly impossible after the introduction of the money moment. *If*, on the other hand, this analysis showed, as happened in the course of our expositions, *in which way* an expanded reproduction can take place, then a *further* analysis is required which must represent a more concrete level of theoretical abstraction. We shall also avail ourselves of this method because Comrade *Rosa Luxemburg* brings now one 'critical' argument to the fore, now the other in her critique of the Marxist theory of accumulation, her 'critique' being presented at one time in connexion with the money moment, at another without it – and from time to time with both in an amazing 'organic tangle'.

Let us first turn to Rosa Luxemburg's *most abstract* method of argument. This appears all the more justified to us when we read the following, which she herself wrote.

The flaw in Marx's analysis is, in our opinion, the misguided formulation of the problem as a mere question of 'the sources of money', whereas the real issue is the effective demand, the use made of goods, not the source of the money which is paid for them. As to money as a means of circulation: when considering the reproductive process as a whole, we must assume that capitalist society must always dispose of money, or a substitute, in just that quantity that is needed for its process of circulation. What has to be explained is the great social transaction of exchange caused by real economic needs. While it is important to remember that capitalist surplus value must invariably pass through the money stage before it can be accumulated, we must never-

* *ibid.*, p. 495.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

theless try to track down the economic demand for the surplus product, quite apart from the puzzle where the money comes from. As Marx himself says in another passage:

'The money on one side in that case calls forth expanded reproduction on the other, because the possibility for it exists without the money. For money in itself is not an element of actual reproduction.*'

Thus, with the 'critic's' approval, we shall provisionally leave the money question to one side.

To the extent that Comrade Luxemburg operates within this framework in her critique, her argument takes the following lines: models are purely paper operations. They neglect the most important question, namely, *to whose advantage* accumulation takes place, *who* is the consumer for the surplus value which is to be accumulated, *where* the excess can be deposited. She herself is of the opinion that such consumers do not and cannot exist within the framework of the capitalist system. This leads her to the conclusion that capitalism is unworkable without a 'non-capitalist environment'. The 'third person' of our populists, Sismondi, Malthus and Co., has to aid 'abstract capitalism' in the difficult task of the realization of the surplus value, which for capitalism in concrete form means imperialistic policies. The main root of imperialism resides in this.

But we shall not anticipate anything, rather, we shall take a careful look at Comrade Luxemburg's critical analysis.

Here we shall reproduce the following passage in *Accumulation of Capital* unabridged, which represents one of those central passages of the work which unite the basic critical thought of the author to a certain degree in a focal point. (The object of Rosa Luxemburg's investigation here is the models of the second volume of *Capital*.†) Let us listen to the author of *Accumulation*:

According to Marx's assumption in the first volume of *Capital*, the capitalized part of the surplus value comes from the very beginning in the form of additional means of production and means of subsistence of the workers ($\beta_{1c} + \beta_{1v}$ and $\beta_{2c} + \beta_{2v}$ in our formulae, N. B.). Both

* Luxemburg, *The Accumulation of Capital*, p. 155; *Capital*, Vol. II, p. 494.

† We have replaced the arithmetical examples with algebraic ones, since arithmetic has an arithmetical logic which from time to time leads to complications which in no way stem from the essence of the subject and which can only obscure the basic questions.

serve continually to increase production in Depts I and II. Going by Marx's premises for the model it is impossible to discover (! N. B.) *for whom* (my emphasis, N. B.) this progressive rise in production takes place. Of course (this 'of course' is really quite funny! N. B.) society's consumption rises parallel with its production; the capitalists' consumption rises . . . , the workers' consumption rises too. . . . Yet – apart from anything else (? N. B.) – at any rate, growing consumption of the capitalist class cannot be seen as the aim of accumulation; on the contrary, to the extent that this consumption takes place and grows, no accumulation can take place; the personal consumption of the capitalists falls under the categories of simple reproduction. The question is rather: for whom do the capitalists produce, if and to the extent that they themselves do not consume, but 'abstain', i.e. accumulate? Still less can the maintenance of an ever larger army of workers be the aim of uninterrupted capital accumulation. The workers' consumption in capitalist society is a result of accumulation, never its aim and premise, otherwise the fundamental principles of capitalist production would have to be stood on their head. And in any case, the workers can always consume only that part of the product which corresponds to their variable capital, not an iota more. So who keeps on realizing the growing surplus value? The model answers: the capitalists and they alone. But what do they do with their growing surplus value? The model answers: they use it for still further expansion of their production. Thus, the capitalists are fanatics of expansion of production for the sake of expansion of production. They have machines built so that they can have more new machines built. But the result of this process is not capital accumulation, but growing production of means of production with no aim at all, and it belongs to the boldness and pleasure in paradoxes of Tugan-Baranovsky to assume that this tireless carousel in empty air could be a faithful theoretical representation of capitalist reality and a real consequence of Marx's teaching.*

This passage contains and 'accumulates' such an abundance of errors and contradictions (no less so for being dialectical) that it is a matter of urgent necessity to analyse it.

Point I. To start with, is there any justification for posing the question from the point of view of subjective *aim* (even if it is the subjective aim of a class)? What is such *teleology* doing in social science? It is clear that even the formulation of the question is methodologically incorrect, in as much as we are dealing with a formulation that is to be taken seriously and not with a sort of

* My translation, R. W. See also Luxemburg, *op. cit.*, pp. 334-5.]

metaphorical cliché. In fact, let us take a look at one law, for instance the economic law of the falling rate of profit, which is also recognized by Comrade Rosa Luxemburg. 'Whom', i.e. whose interests, does this fall serve? The question is obviously absurd. It should not even be posed, since the concept of aim excludes it from the very first. The individual capitalist does indeed try to make a differential profit (and gets it from time to time), others receive it, and the result is that we have before us a *social* fact: the fall in the rate of profit. By abandoning the conceptual exactitude of Marx's analysis, Comrade Luxemburg leaves the rails of Marxist methodology.

Point II. After Comrade Rosa Luxemburg has asked the question 'for whom?' and answered it negatively ('for no one'), she immediately remarks, and only by the way, as if it were of no importance: Of course, in this process the capitalists' consumption expands as well as that of the workers. It escapes Rosa Luxemburg that this statement in fact contains the answer to the question of who benefits from the expansion of production; for her question, subjectively formulated and therefore a pointless question, from the standpoint of an analysis of the objective connexions of capitalist production, only becomes meaningful when formulated objectively. But if it is posed like this, it becomes: Every growing social system, in whatever historico-economic wrapping it may appear, whatever contradictions it may develop, and in whatever way its leaders may be motivated in their economic activity, presupposes a completely objective (*even if also indirect*) connexion between consumption and production, where the appearance of the *growth of consumption* as a result of the *growth of production*, as the other side of this growth of production, forms the *fundamental pre-condition for the growth of the social system as a whole*. Rosa Luxemburg unconsciously affirms the question formulated by her precisely by indicating the growth of the social consumption.

Point III. But that does not in the least deter her, at the end of the quoted excerpt, from convicting Marx's models of Tugan-Baranovskyism, whose real essence consists of the separation of production from consumption and the complete isolation of the former ('an aimlessly expanding production of means of production', etc.).

Point IV. After Comrade Luxemburg has admitted the appear-

ance of the growth of the consumption of the 'total-capitalist' as a result of accumulation, she immediately attempts to *diminish* the theoretical value of this fact. She writes: 'In so far as consumption takes place and grows, no accumulation takes place', etc. Such sophistry is in fact vastly removed from any dialectic, for it is immediately apparent to everyone that the growth of consumption *cannot take place* as a continuous, uninterrupted phenomenon *without corresponding accumulation*. Comrade Luxemburg's mistake is quite elementary. It stems from the confusion of a *statistical* amount with a *process*. In fact, let us assume that we had a certain surplus value of the amount S: s_1 corresponds to the consumed part of S, s_2 to the accumulated, so that $S = s_1 + s_2$. It follows that, in as much as we are dealing with a *given constant* S, s_2 must be smaller the larger s_1 becomes, and vice versa. S will be the limit of the growth of s_1 , and O the corresponding limit of the fall of s_2 . In this, for the moment (i.e. for the given and constant amount S) 'favourable', case we return to simple reproduction, and have thus not moved an inch. (Since this point can never be reached in the competition struggle, what we actually arrive at is a regressive movement, and so a decline.) If, on the other hand, the rate of accumulation grows and capital rises progressively, the *total amount* of the newly produced surplus value increases with each turnover, which only creates the possibility of a steady and uninterrupted rise of the consumption part under the assumption of proportional increase in that part of the surplus value, in other words, the *consumption part of the surplus value is a function of accumulation*. It is meaningless to divide these two things from each other, doubly so in respect of the process of reproduction.

The problem, however, can be illumined from another side. For if we are dealing, *not with the objective results* of accumulation, but with what motivates the *capitalists* (which, as we have seen, by no means always means the same thing), then we have before us the other side of accumulation: the capitalists accumulate, so that they can continually accumulate more and more. For the specific point of the capitalists' 'motivating reasons' lies precisely in the fact that accumulation is an *end in itself* for the capitalists. Looked at from this point of view, the question about the *aim of accumulation* ('at any rate, the consumption of the capitalists cannot be seen as the aim of accumulation') is simply superfluous.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

Point V. Rosa Luxemburg's statements about the rising consumption of the workers are equally unsuccessful. 'Still less can the maintenance of an ever larger army of workers be the aim of uninterrupted capital accumulation.' What a splendid truth! Now (from the point of view of capitalist motivations) the 'maintenance of an ever larger army of workers' can indeed be the aim of accumulation, and indeed often *is*. That is by no means hard to understand. Capitalism accumulates in order to accumulate further. *To this end* it must convert a part of the capital accumulated in *one* turnover into variable capital in the *next* turnover, into additional functioning living labour-power. The result is an even larger surplus value for it. 'The worker's consumption in capitalist society is a result of accumulation, never . . . its premise,' otherwise the fundamental principles of capitalism would be stood on their head. This is the terrifying prospect raised by Comrade Luxemburg. And yet it is 'never' true. The consumption of the workers is – and that has been settled since the appearance of the first volume of *Capital* – nothing other than the *production of labour-power*. The production of labour-power constitutes without a doubt the premise for the production of material values, of surplus value, of capital, and the production of *additional* labour-power is the pre-condition for the growth of accumulation. Thus, here too, we are dealing with a 'complete misunderstanding'.

'In any case,' exclaims Comrade Luxemburg, now with an undertone of despair, 'the workers can consume only that part of the product which corresponds to their variable capital (what does this "*their capital*" mean? It should read: "*their income*", which is equal to the variable capital, N. B.), not an iota more.' In this, Rosa Luxemburg is clearly thinking of the original labour force, of the original value of labour-power, and therefore of the original amount of the variable capital. But to accept such an assumption means to exclude expanded reproduction *from the very beginning*. If, however, one has excluded expanded reproduction *from the start* in one's logical proof, it naturally becomes easy to let it disappear at the end of it, for here one is dealing with the simple reproduction of a simple logical error. And yet in the last analysis the matter is extremely simple. *The employment of additional workers produces an additional demand*, which realizes precisely that part of the surplus value which is to be accumulated,

to be exact, that part which must of necessity convert itself into functioning, additional variable capital. That is why Comrade Rosa Luxemburg's critique fails in this case too, while Marx is completely and unconditionally correct.

Point VI. But – *horribile dictu!* – in such a case the capitalists would be ‘fanatics of expansion of production for the sake of expansion of production’, and the entire ‘carousel’ would be ‘not capital accumulation, *but* growing production of means of production with no aim at all’. (My emphasis, N. B.)

Let us now examine both these arguments, although superficial consideration has already revealed their rhetorical character sufficiently clearly.

In connexion with the *last* ‘critical’ attacks of Rosa Luxemburg, let us here remind ourselves of a passage from Marx's *Theories of Surplus Value*:

The industrial capitalist . . . as personified capital *produces for the sake of production, he wants to accumulate wealth for the sake of the accumulation of wealth.* (My emphasis, N. B.) In so far as he is a mere functionary of capital, that is, an agent of capitalist production, what matters to him is exchange value and the increase of exchange value, not use value and its increase. What he is concerned with is the increase of abstract wealth, the rising appropriation of the labour of others. He is dominated by the same absolute drive to enrich himself as the miser, except that *he does not satisfy it in the illusory form of building up a treasure of gold and silver, but in the creation of capital, which is real production.* (My emphasis, N. B.) If the labourer's over-production is *production for others*, the production of the normal capitalist, of the industrial capitalist as he ought to be, *is production for the sake of production.* . . . In spite of all his prodigality he remains, like the miser, essentially avaricious . . . the industrial capitalist becomes more or less unable to fulfil his function as soon as he personifies the enjoyment of wealth, as soon as he wants the accumulation of pleasures instead of the pleasure of accumulation. He is therefore also a *producer of over-production, production for others.**

And if Comrade Rosa Luxemburg, intimidated by the ‘fanatics of production’ and frightening others with them, is then all eyes and exclaims: ‘And that is supposed to be a real consequence of

* Marx, *Theories of Surplus Value*, Vol. I, Chapter IV (Productive and Unproductive Labour), pp. 273–4.

Marx's teaching!', we answer that that is by no means a 'consequence', but that it in fact represents an integral part of that teaching, a detail of it, which the practised hand of the great master himself has already sketched in. In general terms, there are three possibilities for the analysis of the motivating grounds of the capitalists, namely, that the capitalist either sets himself the goal of consumption, or that of enrichment in the 'illusory form' of money, or lastly that he is motivated by the passionate urge for enrichment in the form of 'capital accumulation, which is real production'. Since Rosa Luxemburg excludes the first and the third possibility, the only possibility at her disposal is that of the 'illusory form'. But with this Rosa Luxemburg changes the 'normal capitalist' into a medieval money changer and usurer, into a Pushkinite 'covetous knight', at the very best into a money capitalist.

There is as little doubt that this results quite logically from Rosa Luxemburg's arguments as there is in the fact that these arguments which she uses do not in any way correspond to objective reality.

'The result of this process is *not* capital accumulation, but growing production of means of production with no aim at all,' says Rosa Luxemburg. Now, firstly, there is here a certain misrepresentation of the subject matter, since suddenly and inexplicably the *entire production of means of consumption has disappeared*, the consumption on which, in the last analysis, the production of means of production is also dependent; in other words, Comrade Rosa Luxemburg has first tidied Marx up, trimmed his beard and put on him the glasses of the Professor and Minister Tugan-Baranovsky, so that she can then brand Marx's sentences with Tugan-Baranovskyism that much more easily. If, from the very beginning, one secretly discards the difference between Marx and Tugan and then explains emphatically that there is no difference at all between the two, one may indeed succeed in taking certain people in with it. And secondly, what justification does Rosa Luxemburg have for counterposing accumulation to expanding reproduction? It seems that such mysticism can only be comprehended by the author of *Accumulation*.

The *subjective* meaning of expanded reproduction, its meaning from the standpoint of the captains of capitalist production, con-

sists in the productive form of enrichment; but that does not in the least entail a denial of the *objective consequences* of these subjective tendencies, which consist in the satisfaction of the growing needs of the social totality, irrespective of the antagonistic character of the latter. For that is, as has been mentioned above, the fundamental condition of social development, independent of the concrete, historical exterior in which the given society manifests itself. Marx writes:

Besides, as we have seen (Book II, Part III), continuous circulation takes place between constant capital and constant capital (even regardless of accelerated accumulation). It is at first independent of individual consumption because it never enters the latter. But this consumption definitely limits it nevertheless, since constant capital is never produced for its own sake, but solely because more of it is needed in spheres of production whose products go into individual consumption.*

This passage leads Comrade Rosa Luxemburg to explain triumphantly: 'This passage shows that the Tugan-Baranovskyan idea of production for the sake of production was entirely foreign to Marx.' Our analysis has shown that *il y a fagot et fagot*. All that is left for Rosa Luxemburg to do is to construct a new 'contradiction' in Marx, a contradiction between the third volume and the *Theories of Surplus Value*, as she has already discovered a contradiction between the second and third volume, and bourgeois science long before her a 'more significant contradiction' between the first and the third volume. We would then have an accumulation of contradictions which would in fact overcome poor Marx with horror. But fortunately for him this 'accumulation' has an even more 'illusory form' than the accumulation of capital as envisaged by Luxemburg. We hope we have thoroughly exhausted the fundamental arguments of Comrade Rosa Luxemburg as far as they are developed in the *Accumulation of Capital*.

In her *Anti-Critique* Comrade Rosa Luxemburg touches on the same problem at the same or, better, at *almost* the same level of theoretical abstraction. We shall also review her proof here. Let us listen to our 'critic':

Let us imagine that all goods produced in capitalist society were stacked up in a big pile at some place, to be used by society as a whole.

* *Capital*, Vol. III, pp. 299-300.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

We will then see how this mass of goods is naturally divided into several big portions of different kinds and destinations.*

Immediately afterwards, Comrade Luxemburg divides her 'heap' into the following two parts: first, 'means of subsistence in the broadest sense of the word', secondly, 'new means of production to replace those used up'. (Incidentally, any source for 'additional constant capital' disappears if we are dealing only with 'replacement of used' means of production. But that is only by the way.)

On the basis of this Rosa Luxemburg can now distinguish three further parts in the above-mentioned commodity heap, specifically;

(a) one part to replace the constant capital;

(b) one part which, on one hand, replaces the variable capital and, on the other, contains that rate of surplus value which is consumed unproductively; and lastly,

(c) that part of the surplus value which is subject to accumulation. (Incidentally, it is immediately apparent that this division of the latter is quite inadequate and can only be applied to the 'great heap' *idealiter*, i.e. by the process of abstraction.)

Further, Rosa Luxemburg poses the question as to who the *purchasers* are for each of these three parts. As regards the first and second part of her 'great heap', Rosa Luxemburg solves the question very simply, and immediately turns to the question of the third part, i.e. to the rate of surplus value which is to be capitalized. Here we are obliged to reproduce her incomparable argumentation, keeping to the text as far as is possible:

In our assumed total stock of commodities of capitalist society we must accordingly find a third portion, which is neither destined for the renewal of *used* (my emphasis, N. B.) means of production, nor for the maintenance of workers (? ! ! N. B.) and capitalists. . . . It will be a portion of commodities, which . . . (contains) the profit destined for capitalization and accumulation. What sort of commodities are they and who in society *needs them* (my emphasis, N. B.)?

And:

Here we have come to the nucleus of the problem of accumulation and we must investigate all attempts at solution. Could it really be the *workers* who take this latter portion of the social stock of commodities?

* Luxemburg, *Anti-Critique*, p. 51.

But the workers have no means beyond the wages which they receive from their employers. . . .*

Could the *capitalists themselves* perhaps be the customers for that latter portion of goods by extending their *own* private consumption? . . . But if the capitalists were to spend the total surplus value like water, nothing would come of accumulation . . . †

And the conclusion:

‘Who could then be the buyer and consumer of that portion of commodities, whose sale is only the beginning of accumulation? *So far we have seen, it can be neither the workers nor the capitalists.*’ ‡

So the other possibility:

‘But are there not all sorts of strata in society, like *civil servants, military, clerics, academics and artists* which can neither be counted among the workers nor the employers?’ §

But these strata ‘do not have any independent sources of purchasing power, but are included as parasites in the consumption of the two major classes, workers and capitalists’ .||

After enumerating all these possibilities, the author of *Accumulation* is suddenly struck by the sobering thought, which, however, she pushes away again as fast as possible:

In the end the solution of the problem is quite simple. Perhaps we are acting like the rider who is desperately looking for the nag he is sitting on. The capitalists are perhaps mutual customers for the remainders of the commodities, not to spend them carelessly but to use them for the expansion of production, *for accumulation*. Then what else is accumulation but the extension of capitalists’ production? Only (what is this ‘only’ needed for? N. B.) those goods, to fulfil this purpose, must not consist in luxury articles for the private consumption of the capitalist, but in various means of production (new constant capital) and provisions for the workers.

All right, but such solution only *pushes the problem* from this moment to the next. After we have assumed that accumulation has started and that the increased production throws an even bigger amount of commodities on to the market the following year, the same question arises again: where do we *then* (emphasis by the author) find the consumers for this even greater amount of commodities? Will we answer: well,

* *ibid.*, p. 55. (Emphasized here and farther along by us, N. B.)

† *ibid.*, p. 55.

‡ *ibid.*, p. 56.

§ *loc. cit.*

|| *loc. cit.*

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

this growing amount of goods will again be exchanged among the capitalists to extend production again, and so forth year after year? Then we have the *roundabout* that revolves around itself in empty air. That is not capitalist accumulation, i.e. amassing money capital, but its contrary (! ! ! N. B.): producing commodities for the sake of it; from the standpoint of capital an utter absurdity. *If the capitalists as a class are the only customers for the total amount of commodities*, apart from the share they have to part with to maintain the workers – if they must always buy the commodities with their own money (oh dear! N. B.) then for the capitalist class amassing profit, accumulation, cannot possibly take place.*

All this now leads to a climactic, decisive conclusion, which already announces the transition to a new theme:

[So] they must find *many other buyers* who receive their means of purchase from an *independent source*, and do not get it out of the pocket of the capitalist. . . . They have to be consumers, who receive their means of purchase on the basis of commodity exchange, i.e. also production of goods, but *taking place outside the capitalist commodity production*.†

Let us now also examine, stone for stone, this logical construction of Comrade Luxemburg:

1. THE CHARACTERISTIC OF THE THIRD PART OF THE 'COMMODITY HEAP'

Here we must seriously examine the following, at first sight, insignificant fact: in her definition of the notorious 'third part' Rosa Luxemburg maintains that it is 'intended neither for the renewal of *used* means of production *nor for the maintenance of the workers*', etc. Why are *used*, and only *used*, means of production mentioned here, but not means of production as a *whole*? Since, in as much as the surplus value which is to be capitalized consists of means of production, these means of production are *additional* means of production. They are not 'new' because they take the place of the old ones (the *first* part of the commodity heap fulfils this function), but because they play the role of a new *additional capital*, which is added to its original quantity. But

* *loc. cit.*, pp. 56–7.

† *ibid.*, p. 57.

what is the situation with the workers? Is it true, as Rosa Luxemburg claims, that none of the 'third part' is used for the maintenance of the workers? It is *not* true. It is correct that not even an atom of value replaces 'used' variable capital. But is there no, can there be no, 'new', i.e. *additional*, variable capital, in the same way as there was an *additional* constant capital? It is *a priori* clear that, in as much as one admits an additional constant capital, one must also admit a growth (however small it may be) in the variable capital. But the elements of this additional variable capital have, *secretly and from the outset*, disappeared from the commodity heap. Comrade Luxemburg exploits this situation to make quick capital without regard to her denial of accumulation.

2. THE WORKERS AS POSSIBLE CONSUMERS

Comrade Luxemburg is making this capital precisely with the analysis of the question of the workers as possible consumers. According to Rosa Luxemburg, there is no question of the workers being consumers of the 'surplus', because, as is well known, they live in poverty and their purchasing power is limited by their wage. Paraphrasing a well-known anecdote, the reply to this is: I understand that the workers live in bad conditions, I also understand that their purchasing power is limited by their wage, but only Comrade Luxemburg's disciples can understand that the workers are not even consumers for a single atom of those things which contain the part of the surplus value which is to be capitalized. In fact, *what sort of workers* are we talking about? '*Above all*', what does the word 'worker' mean? If we are dealing with old workers with old labour-power, etc., and an old wage for their labour, then such premises contain *a priori* a negative answer. The constancy of the variable capital presupposes a constancy of demand on the side of the workers, the lack of additional workers, in one word the maintenance of all previous conditions regarding living labour-power. Normally, however – i.e. unless the whole of that part of the surplus value which is to be capitalized is turned into constant capital – that *also presupposes the lack of accumulation*. Thus this point, where Comrade Luxemburg's error is in complete harmony with the error of the previous point, turns out to be basically a tautology. In reality, things are such that the

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

capitalists *employ additional workers*, who then produce the *additional demand*.

3. THE CAPITALISTS AS POSSIBLE CONSUMERS

At this point Comrade Rosa Luxemburg's proof must evoke complete astonishment. She herself has completely brought out of equilibrium the analysis of the conditions of social equilibrium. How does she formulate the problem?

She asks (we allow ourselves the liberty of introducing the relevant passages once again):

'Could the capitalists themselves perhaps be the customers by extending their own private consumption?'

And she answers: 'If the capitalists were to spend the total surplus value like water, nothing would come of accumulation.'

In other words, she asks: If the capitalists consume everything individually and accumulate nothing, then how is accumulation possible?

And answers: Accumulation is impossible, for one must accumulate if one is to accumulate.

Naturally, Comrade Luxemburg is not unaware that in our case the capitalists' demand must be a *productive* demand. She is content, however, with the most tasteless and crude tautology, bordering on naïveté, for the sole purpose of avoiding a correct formulation of the question. Here, too, from the very beginning she confuses the real problem with inadmissible premises. No wonder that the answer too is inadmissible. In reality, the capitalists' demand is an additional one, precisely because they do accumulate. It should never be forgotten that, including the value-elements of the additional capital, the material elements partly *belong* to the capitalists from the beginning. *Ergo*, we are dealing with a demand of the capitalists for that which they already possess, thus we are dealing with an exchange *within* the class of capitalists. One can only understand what it means to be 'one's own purchaser' when one has understood this. As regards the class of capitalists, buying means only mutual trading within this class.

But we have by no means completely dealt with the matter. The value-elements of the additional capitals (of the constant as well as the variable) are in the hands of the capitalists from the start.

And the material elements? Yes and no. The process of production resulted in the appearance of means of production on the one hand, and means of consumption on the other, in the hands of the capitalists. Means of production may figure *in natura* in the next production-cycle (as in any process of production one may take), but the same cannot be said of means of consumption. The process of production consists of a dynamic relationship between means of production and living labour-power, but not between means of production and *means of consumption*. The production of labour-power, on the other hand, is a consumption-process of the working class, a process which has the peculiarity of taking place outside the factories, outside the capitalist sphere of command, and of consisting in the mere transferral of already available values (means of consumption values).

All this finds its expression in the simple, fundamental and elementary fact that the exchange acts which are essential for reproduction include not only exchange between the capitalists of both departments, as soon as the capitalists appear as direct buyers and sellers, but also transactions between capitalists and workers.

If we take, for example, the problem of realizing the surplus value which is destined for accumulation, we have:

$$\begin{array}{l} \text{I} \dots \beta_{1c} + \beta_{1v} \\ \text{II} \dots \beta_{2c} + \beta_{2v} \end{array}$$

How does the matter proceed concretely? The main condition, as we have seen, is given by the equation $\beta_{2c} = \beta_{1v}$, in which certain parts of this equation must change their places. We would then have the sum of the means of production and means of consumption in the first department, with the latter sum being equal, according to its value, to the necessary additional variable capital. We would have the same in the second department too. However, one should not confuse the social *product* and its material form with the social productive *capital* and its material form. The *product* consists of means of production and means of consumption. The *capital* consists, in its productive form, of means of production and living labour-power.

This capital, so far as its value is concerned, is equal to the value of the social labour-power . . . ; in other words, it is equal to the sum of the

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

wages paid for this labour-power. *So far as its substance is concerned, it consists of the labour-power in action*, i.e. of the living labour set in motion by this capital value.* (My emphasis, N. B.)

As a result, there must be acts of exchange in which the means of production (owned by the capitalists) change into living labour-power. On the other hand (and here we are forced to anticipate our argument a little), as a result of the social structure, the capitalists cannot dispose of the means of production directly, *in natura*. This results in additional acts of exchange between the workers and the capitalists.

Thus we receive:

Capitalists I, who advance the sum of money β_{1v} , to the *additional workers I* (employ additional workers).

Additional workers I use this sum, the whole sum, to buy means of subsistence from *capitalists II*. Since $\beta_{1v} = \beta_{2c}$, the entire part amounting to β_{2c} disappears to capitalists II. But there appears an amount of money equalling this in value.†

With this money, *capitalists II* buy means of production from *capitalists I*. Thus capitalists II possess an additional constant capital in the appropriate form of means of production, while with capitalists I, on the other hand, β_{1v} disappears in the means of production, but then the *sum of money* advanced by them at the beginning of the process of production *returns*.

Let us give capitalists I the label of KI, and workers I the label of PI; the corresponding labels in Dept II are KII and PII. The chain of all acts of buying and selling, looked at from the viewpoint of the contracting parties concerned, but not from the viewpoint of the values, takes on the following schematic form:

KI-PI-KII-KI (the links of the chain are: KI-PI, PI-KII, KII-KI).

In this way, all material elements find their places, while the money returns to its owners after it has played the role of a means of circulation and has mediated the correct division of the material elements of capital.

* *Capital*, Vol. II; XX; II, pp. 399-400.

† To be precise, a much smaller amount of money is needed here, since the *same* sum of money initiates a whole number of purchases. In the *given* logical context this is of no importance. In a different logical context this circumstance is of extreme importance. More about that later on.

We assumed that the money is advanced by capitalists I. But we can also assume that it comes from the pockets of capitalists II. In this case, we arrive at the following series: KII buy means of production from KI, advancing the sum of $\beta_{2c} = \beta_{1v}$, for them; KI employ additional workers PI; the additional workers PI buy means of consumption from KII; the money returns to its original place; the material elements of capital are taken in a corresponding relationship.

The chain of the acts of buying and selling will then be: KII-KI-PI-KII (the links of the chain are: KII-KI, KI-PI, PI-KII).

Let us now return to our question. It is clear that the capitalists *can* – and also *do* – manifest an additional demand, partly *directly* (for means of production), partly taken figuratively, *by way of the workers* (demand for use articles) by advancing money to them.

The result is now obvious. The *capitalists themselves* buy the additional means of production, the additional *workers, who receive money from the capitalists* who buy the labour-power of these additional workers, buy the additional means of consumption. Comrade Rosa Luxemburg, however, demonstrating her pitiable tautology, concludes: ‘So far we have seen: it can be neither the workers nor the capitalists’.*

4. But now comes the best. After Rosa Luxemburg has examined, amongst other things, a series of peripheral possibilities and triumphantly ‘refuted’ them, she comes quite close to a correct formulation of the question. She poses the question (right at the end!) as to whether there could be a demand on the part of the capitalists, and indeed not an individual one, but a productive demand. As we have seen, in this question she proceeds from the quite correct premise that the object of the demand must consist of means of production and the workers’ means of consumption. But what happens now? After she has come very close to the solution of the problem, she suddenly breaks out into the exclamation already cited by us: ‘this is all very well, but such a solution pushes the difficulties from this factor to the next’. Excuse me, Comrade Luxemburg, if this is ‘all very well’ (this ‘all very well’ is a forced admission, since she cannot bring forward *one single* argument against the fact that it is ‘all very well’), i.e. buyers

* *Anti-Critique*, p. 56.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

have been *found*, we ask: Wherein lies the 'difficulty' which must be 'pushed to the next factor'?

Perhaps in the fact that in the next moment selling presupposes buyers, and buyers will again be found? The difficulty consisted in the very fact that the buyers had suddenly disappeared from the scene. But after they had been fortunately found again and the difficulty had shown itself to be a fictitious, 'ideal' difficulty, i.e. a difficulty of Rosa's in the analysis of reproduction, but not a difficulty of the process of reproduction itself, one is forced to ask: What more does one want? Rosa Luxemburg tries to withdraw herself from this tricky business by nimbly climbing on to a carousel. This vehicle of rotation is supposed to lend style to her flight.

The carousel argument clearly relies on two moments: (1) the repetition of the 'difficulty'; and (2) on the fact that 'from the standpoint of capital [it] makes complete nonsense'.

As far as the repetition of the 'difficulty' is concerned, we have already answered it. But there can be no objection, either from a capitalist or any other point of view, that the process manifests a cyclical character. The word 'carousel' and similar comparisons with a fair on their own have absolutely no possibility of proving anything.

Let us re-examine, however, the argument of the 'pointlessness', since it is presented here in a far more crass and somewhat evasive form.

A 'carousel'. *Bon*. 'That is then', writes Rosa Luxemburg, as we have already seen, 'not capitalist accumulation, i.e. amassing money capital, but its contrary: producing commodities for the sake of it, from the standpoint of capital an utter absurdity.'

Once again, we have before us a real bouquet of mistakes and contradictions.

Firstly. As is well known, money is opposed to commodity, and its commodity form is opposed to money capital. As a result, as far as Rosa is concerned we are simply dealing with the simple reproduction of a Jewish anecdote. 'Have you hurt yourself?' 'Oh no, quite the opposite.' *Industrial* capital, on the other hand, which 'incorporates a real reproduction', unites in its circulation *all three phases of this circulation*. ('The actual circuit of industrial capital in its continuity is . . . not alone the unity of the processes

of circulation and production, but also the unity of all its three circuits.)*

Secondly. By admitting that this is 'all very well', i.e. that buyers have been *found* and production can begin once again, Rosa Luxemburg herself, however she may qualify this process of factual, expanded (and clearly not socialist) reproduction, has *admitted* that it has passed through its *money phase*. (We have already demonstrated concretely how this happens above.)

Thirdly. Comrade Luxemburg, however, is by no means satisfied with this. She is not content, because she has an absolutely atrocious conception of capitalist accumulation. For she *identifies* the accumulation of the total social capital with the accumulation of money capital! If one could only *suspect* that from her first work, *The Accumulation of Capital*, and on the basis of it – as we have done above – reach such a conclusion, she now draws this conclusion herself in the *Anti-Critique*, and indeed *expressis verbis*. She is of the opinion that the aim of the capitalists is incorporated in *money* as an end in itself. If money constitutes *merely* a phase in the movement of 'real production', there can be no talk at all of a capitalist accumulation.

Marx portrays this process more exactly:

'Commodities are thus sold not for the purpose of buying others, but in order to replace their commodity-form by their money-form. From being the mere means of effecting the circulation of commodities, this change of form becomes the end and aim. . . . The money becomes petrified into a hoard, and the seller becomes a hoarder of money.'†

And at a different place:

'Whenever these hoards are strikingly above their average level, it is, with some exception, an indication of stagnation in the circulation of commodities, of an interruption in the even flow of their metamorphoses.'‡ Are these processes valid as a sort of model of expanded capitalist reproduction?

Finally, we shall quote from one more passage, which completely destroys Rosa Luxemburg's arguments:

In the face of the habitual mode of life of the old feudal nobility, which as Hegel rightly says, 'consists in consuming what is in hand',

* *Capital*, Vol. II, IV, p. 106.

† *ibid.*, Vol. I (III, 3a), p. 130.

‡ *ibid.*, p. 145.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

and more especially displays itself in the luxury of personal retainers, it was extremely important for bourgeois economy to promulgate the doctrine that accumulation of capital is the first duty of every citizen, and to preach without ceasing that a man cannot accumulate if he eats up all his revenue, instead of spending a good part of it in the acquisition of additional productive labourers, who bring in more than they cost. On the other hand the economists had to contend against the popular prejudice (hear, hear, you Luxemburgian comrades, N. B.) that *confuses capitalist production with hoarding*. . . . Exclusion of money from circulation would also *exclude absolutely its self-expansion as capital*, while accumulation of a hoard in the shape of commodities would be sheer tomfoolery.*

And: 'Accumulation for accumulation's sake, production for production's sake: by this formula classical economy expressed the historical mission of the bourgeoisie.'†

It is easy – Comrade Rosa Luxemburg's supporters will answer – the author of *Accumulation* is in no way confusing the accumulation of sums of money with the accumulation of capital. Now, one of the two: either we are of the opinion that in the process of accumulation the addition of additional capital to the earlier capital is only possible in money-form, so that this form can be immediately replaced by the form of *productive capital*, or we *deny* this, despite all common sense.

If we admit this, the following will also be immediately clear. In each given moment, the total surplus value destined for accumulation appears in *various* forms: in the form of commodity, money, functioning means of production and labour-power. Therefore, surplus value in money-form should never be *identified* with the total surplus value. The entire capitalist class, taken as a whole, *can* realize its total profit under the conditions laid down by us. But this process is one which takes place by stages. Thus, the surplus value of any capitalist, and that of the capitalist of any branch of production, and also as a result that of the entire capitalist class, passes through the money-phase in its development. According to Rosa Luxemburg, on the other hand, it must be deduced that the profit destined for accumulation is no longer valid as accumulated profit if it is shorn of its money-clothing. And then the supporters of Comrade Rosa Luxemburg try to

* *Capital*, pp. 588–9.

† *ibid.*, p. 595.

NIKOLAI BUKHARIN

explain the methods and ways of the parthenogenesis of this part of capital!

But the funniest thing in the whole of this talmudic sophistry comes with the following piquante situation. Let us assume that the entire profit destined for accumulation consisted of gold, in accordance with the partly obscure, partly extremely ambiguous wishes of Comrade Rosa Luxemburg. Each individual capitalist, like the capitalists as a whole, would have their respective product (i.e. means of production and means of consumption) realized *simultaneously*. This happens thanks to the exclusive possibility, which makes Rosa Luxemburg so happy, of a market abroad. Very good! But what next? Unless we want to insist on making our capitalists hoarders and misers, etc., we must let them convert the gold into productive capital. Now they want to buy additional means of production. But where do they get them (since they themselves have sold them)? So they buy them back from abroad. Further, they try to employ workers. They succeed. But there are no provisions for the workers. Now, they procure means of consumption for themselves from abroad. And so the story starts all over again: first the capitalists sell their commodities abroad, then they buy the same commodities back.* Thus, each time the question of 'accumulation' is solved in the same way.

If that isn't a roundabout and a farce, what is?

We should by now have dealt with the question of accumulation in its most abstract formulation. We saw that Rosa Luxemburg began with the exclusion of the money question, and then, in retreat, found herself obliged to support herself *solely and exclusively* on the very moment which she had at first rejected. In this point, too, we have revealed the essence of the error of the author of *Accumulation*. In the interests of the completeness of the proof, however, and for the sake of the satisfaction which we hope to give the Luxemburgians, we shall devote a special chapter to the question of the role of money in the process of reproduction.

* We note in passing that in the second case the abroad would have to be a different abroad.

2. MONEY AND EXPANDED REPRODUCTION

So far we have demonstrated that Comrade Rosa Luxemburg began with a funeral oration on money and its importance in the analysis of the total social production and ended with a cheer for it, at the very moment when she began to run out of arguments to ensure the welfare of her conception .

It turns out that this is the real reason, for Marx's models are only 'real' and 'conclusive' because the money-form of capital is hardly considered in them. The author of *Accumulation* makes fun of these models, '. . . into which we have with pen and paper arbitrarily written rows and rows of numbers, with which mathematical operations run faultlessly and in which money capital is entirely neglected'.*

Let us see to what extent we are pledged to the loss of 'sovereignty' if we – naturally, with the help of pen and paper – give 'money capital' its due respect.

In the process of social reproduction each individual capital, each atom of it, and as a result the total social capital too, must pass through the money phase in the course of its development, i.e. periodically assume the form of money capital, which, despite its 'illusory character', is as essential for the movement of industrial capital as is the productive form of the latter, incorporating 'real production'.

In this connexion, we must pose and answer the following questions:

1. that of the original source of money;
2. that of the amount of money in circulation in relation to the process of social reproduction; and
3. that of the accumulation of money capital.

Re 1. Like any commodity, money is also a product of labour, i.e. it has to be produced. If, to simplify the analysis, we disregard the difference between gold money and the gold material of money, the production of money corresponds to a certain branch

* *Anti-Critique*, p. 74.

of production, the gold industry. That money does not fall from heaven, but must be produced in our earthly vale of tears, is in itself as little mysterious as the fact that iron ore is produced in the mining industry, rye in farming and machines in the machine industry. Seen like this there is no difference *in principle* between the question about the origin of the money possessions of the entire capitalist class and the question about the origin of their possession of means of production. The historically conditioned social characteristics of money do not in any way involve the negation of money as a product of production.

In order that it may play the part of money, gold must of course enter the market at some point or other. This point is to be found at the source of production of the metal at which place gold is bartered, as the immediate product of labour, for some other product of equal value. From that moment it always represents the realized price of some commodity.*

Accordingly, if we look at the movement of the total social capital from the standpoint of the material form, i.e. of the material proportions which are essential for the mutual replacement of the material elements ('of the material change' within the 'social productive organism') and of the material links mediating this replacement, we reach the conclusion that the capitalist system is exposed to the pressure of the social necessity of the *production* of money in exactly the same way as it is to the production of the material elements of productive capital. Thus, the reproduction of money as a component part of the process is essential from the standpoint of the specific-historical form of capital, even if, from the standpoint of production alone, it does not belong to 'real production'. In no circumstances, however, should it be forgotten that, to a certain extent, the commodity pre-existed money.

We have already seen from the most elementary expression of value, $X \text{ commodity } A = Y \text{ commodity } B$, that the object in which the magnitude of the value of another object is represented, appears to have the equivalent form independently of this relation as a social property given to it by nature. We followed up this false appearance to its final establishment, which is complete as soon as the universal equivalent form becomes identified with the *bodily form of a particular*

* *Capital*, Vol. I, p. 109.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

commodity (my emphasis, N. B.) and thus crystallized into the money-form. What appears to happen is, not that gold becomes money, in consequence of all other commodities expressing their values in it, but on the contrary, that all other commodities express their values in gold, because it is money.*

The division of the pure commodity function of gold from its money function finds its main and fundamental expression in the fact that the product of the gold-mining industry appears on the one hand as a raw material for industrial ends, on the other hand is converted into money and functions in the quite specific form of a general commodity-equivalent.

The production of money material, therefore, forms a component part of the social reproduction in its totality, and the figure of the gold producer appears no more mysterious than the figure of the foundry owner, the polish manufacturer or the 'chicken king'. To the question, 'but whence does the money come into the country?' there can only be (as the readers know, we are still thinking of an abstract and isolated capitalist society) an extremely elementary and simple answer: *from the gold-mining industry*.

Re 2. Even if in capitalism money as such† forms a socially necessary moment of the process of reproduction, that does not mean that it cannot play a quite specific role in the course of this process. This specific role consists in the fact that it is not an element of 'real reproduction', and remains accordingly continually *in the sphere of circulation*. Money flows ceaselessly from one pocket to the other, leads a nomadic life similar to the gypsies among the civilized peoples of Europe. The idea is completely absurd that each and every new increase in the *commodity value* must be accompanied by a *similar* value-increase, hidden in a mysterious golden shroud. Just as, in spiritualist institutions, one and the same medium can 'serve' successive hundreds of idiots, the medium of the gold unit can serve successively any number of commodity operations.

So far as money circulates, be it as a means of purchase or as a means of payment – no matter in which of the two spheres and independently

* *Capital*, Vol. I, p. 92.

† 'Bullion may or may not be money, just as paper may or may not be a bank-note.' Marx quotes Overstones (*Capital*, Vol. III, I, p. 424).

of its function of realizing revenue or capital – the quantity of its circulating mass comes under the laws developed previously in discussing the simple circulation of commodities. . . . [English edition, Chapter III, 2b]. The velocity of circulation, hence the number of repetitions of the same function as means of purchase and means of payment by the same pieces of money in a given term, the mass of simultaneous purchase and sales, or payments, the sum of the prices of the circulating commodities, and finally the balance of payments to be settled in the same period, determine in either case the mass of circulating money, of currency. Whether money so employed represents capital or revenue for the payer or receiver, is immaterial and in no way alters the matter. Its mass is simply determined by its function as a medium of purchase and payment.*

One must differentiate between *the increase in the amount of the circulating money*, an increase which is nonetheless in no way equivalent to the growth of reproduction, and the *accumulation of money capital*, as a specific form of capital, which has *its own particular function and its own movement*. The entire amount of surplus value which is repeatedly produced must never be identified with the newly increased sum of money, since the process of realization has no need of such a sum; equally, the *accumulation of capital* must never be confused with *the accumulation of money capital*.

‘As for the . . . portion of profit, which is not intended to be consumed as revenue, *it is converted into money capital only when it is not immediately able to find a place for investment in the expansion of business in the productive sphere in which it has been made.*’† (My emphasis, N. B.)

In the second part of the third volume of *Capital* (Chapters 30, 31 and 32: ‘Money-Capital and Real Capital’) Marx also gives a detailed analysis of the *relation* between accumulation of money capital and the accumulation of real capital. He reaches the following general conclusion:

This process (accumulation of loan capital, N. B.) is very different from an actual transformation into capital; it is merely the accumulation of money in a form in which it can be transformed into capital.

* *Capital*, Vol. III, p. 436.

† *ibid.*, p. 495. We are not dealing here with a *technical* impossibility, but with a saturation of the relevant branch of production with capital or with an insufficient disposable portion of capital.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

But this accumulation can reflect, as we have shown, events which are greatly different from actual accumulation. As long as actual accumulation is continually expanding, this extended accumulation of money capital may be partly its result, partly the result of circumstances which accompany it, but are quite different from it, and, finally, even partly the result of impediments to actual accumulation.*

Ergo: Additional money, newly produced surplus value, which is destined for accumulation, accumulation of money capital – all these amounts on no account overlap each other.

Having stated this in advance, let us now turn to the investigation of the thought process of Comrade Rosa Luxemburg. We shall not at first deal with the *essence* of her arguments, since they are extremely confused, and the basis of her errors can only be revealed in the process of the analysis of her individual critical remarks. Thus, we begin with a counter-attack, which we intend to lead on her dispersed front from various directions, and for our part we shall summarize all fundamental objections.

In a polemic against Mr S. Bulgakov,† whom she accuses of following Marx ‘slavishly’ (what a sin!), the author of *Accumulation* formulates Bulgakov’s position as follows:

‘His’ solution of the question has not progressed one iota from Marx’s analysis. It can be reduced to the following three extremely simple sentences: (1) Question: How much money is necessary to realize the capitalized surplus value? Answer: As much as is necessary according to the general law of commodity circulation. (2) Question: Where do the capitalists get this money to realize the capitalized surplus value? Answer: They must have it. (3) Question: Whence does the money come into the country? Answer: From the gold producers.

Then follows the sarcastic comment:

‘A method of explanation which is more suspicious than fascinating in its extraordinary simplicity.’‡

But, since nothing is done with mere sarcasm, Comrade Rosa

* *loc. cit.*

[† Sergei Nikolaevich Bulgakov (1871–1944). A student in a seminary but came under the influence of Marxism and broke with the Church. Then studied in Moscow, Berlin, London and Paris. Taught economics at the universities of Kiev and Moscow. Later in life returned to the Church and in 1918 was ordained a priest. Expelled from the Soviet Union in 1923 and lived in Paris until his death in July 1944.]

‡ Luxemburg, *Accumulation*, pp. 270–71. [See p. 301, London edn.]

Luxemburg attempts to operate with arguments, furnishing passages taken from Bulgakov with cheap interruptions and exclamation marks. She makes the poor 'gold producer' the centre of her attack.

Is it not possible, writes Bulgakov, quoted by Rosa Luxemburg, for the gold producer to purchase II's *entire* (my emphasis, N. B.) accumulated surplus value and pay for it with gold, which II will immediately use to buy means of production from I and to expand the variable capital, i.e. to purchase the additional labour-power? In this way, the gold producer acts as a real foreign market.

Yet that is a completely absurd premise. To assume that means to make the expansion of social production dependent on the expansion of the production of gold. (Bravo!) This premises a production of gold which completely fails to correspond with reality. . . . The entire production of gold has to immediately take on vast proportions. (Bravo!) . . . It is sufficient to point to one fact, which on its own destroys this premise. This fact is – the development of credit, which accompanies the development of the capitalist economy. (Bravo!) . . . In this way, the hypothesis stands in direct and open contradiction to the facts and must be rejected.*

Whereupon Rosa says:

Bravissimo! Beautiful! But in saying this Bulgakov himself has also rejected his only previous explanation of the question as to how and by whom the capitalized surplus value is realized. At any event, in his self-refutation he has only explained in more detail what Marx has already said in one word, when he called the hypothesis of the gold producer who swallows up the *entire* (my emphasis, N. B.) social surplus value 'trite'.†

Now, what did Marx consider 'trite' and what has Bulgakov (who in this case too follows Marx 'slavishly') really 'rejected'? Answer: the hypothesis that the gold producer directly buys up the *entire* accumulated surplus value of Dept II (this is as precisely formulated by Bulgakov, in contradistinction to Rosa Luxemburg). Must this hypothesis be rejected? Of course it must, because the assumption of such a hypertrophy of gold production, even in the hypothetical case of the existence of an abstract capitalism,

* S. Bulgakov, *On the Markets of Capitalist Production* (Moscow, 1897), p. 132, cited by Luxemburg, *op. cit.*, pp. 271–2. [See p. 301, London edn.]

† *ibid.*, p. 272. [See pp. 302–3, London edn.]

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

is inadmissible. The accumulated surplus value is obliged to pass through the money phase in its movement, yet it is not realized at once, but bit by bit, not as a compact heap of commodities to which is counterposed a compact heap of money, but by way of innumerable commercial operations, in which one and the same money unit successively realizes, out of the amount of commodity proportions, one proportion after the other; each individual portion, according to its value, is equal to this money unit.

If each money unit were converted only once; if there were no credit; if it were impossible to increase the speed of the conversion; if there were no cancellations of mutual obligations; if the production of gold were completely identical with the production of money; if there were no store of money which had arisen historically; if a premium on gold coins, etc., were inconceivable and if with all this a pure gold circulation were to be assumed, then this very 'trite' hypothesis would correspond to reality, production and its expansion would be dependent on the production of gold and the production of gold would take on vast dimensions. By the side of Rosa Luxemburg's commodity heap there would rise up a gigantic mountain of gold, vaulting higher and higher.

Hence, the triteness consists in the fact that the speed of conversion is neglected, the existence of credit ignored, etc.; in other words, *what is trite is the conception of a heap of gold which is supposed to be adequate for a heap of commodities.* On the other hand, *nothing is more trite* than the premise that the additional money comes from the gold producer, and it is *equally trite* that this money mediates the additional acts of exchange, in as much as the saving in means of circulation and the increase in the speed of conversion fails to compensate for and cover the increased need for money.

Thus, Comrade Rosa Luxemburg has failed to dispose of the matter with a few ironic exclamations in agreement. In *this* connexion the truth is not on her side. Therefore, it is not surprising that she alters the question immediately after her 'refutation' of Bulgakov and, in place of the money question, sets the notorious riddle of 'for whom', a puzzle whose solution we have given in the first chapter.

Nonetheless, yet another argument can be found in Comrade Rosa Luxemburg's arsenal concerning the solution of this ques-

tion. It is true that she presents it in a different place, but in approximately the same logical connexion. Rosa Luxemburg writes:

Either one considers the total social product (of capitalist economy) simply as a mass of commodities of a certain value, as a 'commodity-mash' and, under conditions of accumulation, sees only a growth of this undifferentiated commodity-mash and the amount of its value. Then, all there is left to do is to affirm that a corresponding sum of money is needed for the circulation of this amount of value, that this sum of money must grow if the amount of value grows – in case the acceleration of transaction and its economization fail to compensate for the increase in value. And we can answer a final question, where, in the last analysis, does all the money come from, with Marx: from the gold mines. That *too* is a point of view, namely the point of view of simple commodity circulation. But in that case one does not need to introduce concepts like constant and variable capital and surplus value, which belong not to simple commodity circulation, but to capital circulation and social reproduction, and there is no need to ask the question: Where does the money come from to realize the social surplus value, in particular (1) under simple reproduction, (2) under expanded reproduction? From the standpoint of simple commodity and money circulation such questions are meaningless and pointless. But once one has asked the question and initiated the investigation on the lines of capital circulation and social reproduction one cannot look for the answer in the realms of simple commodity circulation and then – since the problem does not exist *here* and cannot be answered – retrospectively explain that the problem has been answered long ago, it does not exist at all.*

There lies in this tirade, which is supposed to have a formally convincing effect and appear methodically thought out, a stupendous theoretical mistake, namely the following: Comrade Rosa Luxemburg, who is always appealing to the specifically Historical, Special, Peculiar, etc., overlooks precisely the special peculiarities of money and its role. Let us remember our formulae of social reproduction on an expanded scale:

$$\text{I} \dots c_1 + v_1 + \alpha_1 + \beta_{1c} + \beta_{1v}$$

$$\text{II} \dots c_2 + v_2 + \alpha_2 + \beta_{2c} + \beta_{2v}$$

What rules do we get from the standpoint of the movement of

* Luxemburg, *Accumulation*, pp. 135–6. [See p. 164, London edn.]

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

the total social capital? We had a series of equations, which all came down to the equation:

$$v_1 + \alpha_1 + \beta_{1v} = c_2 + \beta_{2c}$$

As far as we are dealing with elements of 'real reproduction' and presupposing an economic equilibrium, the mutual interdependence of the various branches of production gains its expression in the counterposition of the amounts of commodities (and, at the same time, values) produced on both sides. The above equations follow from this.

Let us now assume that we had a *third* row, which corresponded to the production of gold, and also of money material or money. Would there be the *same type* of equations for this case too? The question could only be answered in the affirmative if the premise were given that the 'heap' of gold was opposed to the 'heap' of commodities and vice versa. However, this premise does *not* prevail, for the movement of money is *different* from the movement of the commodity, the social demand for money is of a *different kind* than the demand for any commodity, and in the 'process of material change', money plays a quite *specific* role. In our formulae of social reproduction, which proceed from the basis of 'real reproduction', $(v_1 + \alpha_1)$ exhibits a demand for c_2 , and c_2 , conversely, for $(v_1 + \alpha_1)$, β_{1v} exhibits a demand for β_{2c} and vice versa; hence, altogether $(v_1 + \alpha_1 + \beta_{1v})$ exhibits a demand for $(c_2 + \beta_{2c})$, and it in turn for $(v_1 + \alpha_1 + \beta_{1v})$; the demand for *money* is of a *different type*. It is arrant nonsense to assert that here one is completing the transition to the standpoint of simple commodity circulation, which is *distinct* from the standpoint of the movement of capital. Here we take note of the specific factor which distinguishes the movement of money in the process of the reproduction of the total social capital from the movement of any materially determined form of commodity. Nobody – not even Marx – can be made responsible for the fact that the social necessity of money, hence also the demand for it, is determined, not by the fact that it must replace an increase of something in the field of *production*, but by the functional role which money plays in a very specific sphere, in the sphere of circulation.* Everything else follows from this special role of money. Thus, we read:

* The accusations which Rosa Luxemburg makes against Marx here (why, she says, ask complicated questions if one expects a relatively simple

To reduce the difference between circulation as circulation of revenue and circulation of capital into a difference between currency and capital is therefore altogether wrong. This mode of expression is in Tooke's case due to his simply assuming the standpoint of a banker issuing his own bank-notes. . . . His notes . . . cost him nothing . . . they (the bank-notes, N. B.) bring him money. . . . They differ from his capital, however. . . . That is why there is a special distinction for him between currency and capital, which, however, has nothing to do with the definition of these terms as such, least of all with that made by Tooke.

*The distinct attribute – whether it serves as the money form of revenue or of capital – changes nothing in the character of money as a medium of circulation: it retains this character no matter which of the two functions it performs.** (My emphasis, N. B.)

Thus also, this 'axiomatic' argument of Comrade Rosa Luxemburg is untenable.

Let us now turn to the main points in Rosa Luxemburg's argumentation, which no longer lie in the direction of the question of 'for whom' the accumulated surplus value is produced, but in the new direction: *How is accumulation*, which is *accumulation of money capital* according to Comrade Rosa Luxemburg's doctrine, *possible?*

For the sake of accuracy and clarity, and in order to avoid being accused in the future of having falsely attributed absurdities to Comrade Rosa Luxemburg, let us first cite the most important passages from her book concerning the question.

We ask the readers' indulgence for the necessarily somewhat long excerpts.

Let us first remind ourselves of a passage which we have already quoted. It reads:

If the capitalists as a class are the only customers for the total amount of commodities, apart from the share they have to part with to maintain the workers – if they must always buy the commodities with

answer?) as in other places, often stem from a misunderstanding of the character of the argument in the second volume. In the first instance, Marx was writing for his own purposes, made various statements, provisional notes and sketches to help him understand various questions and so on. *This* is what Rosa Luxemburg completely neglects, especially when she starts playing with words.

* *Capital*, Vol. III, pp. 435–6.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

their own money, then amassing profit, accumulation for the capitalist class cannot possibly take place.*

The author of the *Accumulation* illustrates this topic most explicitly and concentratedly in the following passage:

To accumulate capital does not mean to produce higher and higher mountains of commodities, but to convert more and more commodities into money capital. Between the accumulation of surplus value in commodities and the use of this surplus value to expand production there always lies a decisive leap, the *salto mortale* of commodity production, as Marx calls it: *selling for money*. Is this perhaps only valid for the individual capitalist, but not for the entire class, for society as a whole? Definitely not. . . . No, the accumulation of profit as money profit is just such a specific and quite essential characteristic of capitalist production, and is as valid for the class as it is for the individual employer. Marx himself also emphasizes, precisely with the observation of the accumulation of gross capital, '. . . with the accumulation of gross capital . . . the formation of new money capital which accompanies actual accumulation and *necessitates* it under capitalist production . . .' (*Capital*, Vol. II, p. 507. Emphasis by R. L.) . . . Capitalist A† sells his commodities to B, and so receives surplus value in money from B. The latter sells his commodities to A and receives the money back from A, which converts his surplus value into money. Both sell their commodities to C and so also receive a sum of money for their surplus value from the same C. But where does the latter get his money from? From A and B. According to our premise there are no other sources for the realization of surplus value, i.e. no other commodity consumers. *But can new money capital be formed in this way to enrich A, B and C? . . .* Exploitation is complete, the possibility of enrichment, of accumulation has come. But exchange, *the realization of the increased surplus value in increased new money capital*, has to take place in order for possibility to become reality. Notice that we do not ask here, (!) as Marx often does in the second volume of *Capital*: where does the money for the circulation of surplus value come from? to answer finally: from the gold-miner. We ask rather: (!) how does *new money capital* come into the *pockets of the capitalists*, since (apart from the workers) they are the only ones who can consume each other's commodities? *Here money capital wanders continuously out of one pocket into the other.*

* *Anti-Critique*, p. 57.

† In Rosa Luxemburg's example, Capitalist A produces coal, B machines, C provisions: let 'these three capitalists form the entirety of capitalist employers'.

But wait; perhaps such questions are putting us on quite the wrong track? *Perhaps* profit accumulation does take place in this ceaseless wandering from one capitalist's pocket into the other, in the *successive realization* of private profits, where the aggregate amount of money capital does not even have to grow, because (? N. B.) such a thing as the 'aggregate profit' of all capitalists does not exist outside of obscure theory?

But – oh dear – such an assumption would simply lead us to throw the third volume of Marx's *Capital* into the fire. For the doctrine of *average profit* (emphasis by R. L.). . . . Gross capitalist profit is, in fact, a much more material economic amount than, for instance, the total sum of paid wages at any given time. . . . So the problem remains: *gross social capital continually realizes an aggregate profit in money form, which must continually grow for gross accumulation to take place. Now, how can the amount grow if its component parts are always circulating from one pocket to another?*

It would appear that – as we have assumed up until now – at least the aggregate amount of commodities which contain the profit can grow in this way, and the only difficulty lies in supplying the money, which is perhaps only a technical question of money circulation. But only *apparently* (emphasis by R. L.), superficially. The aggregate amount of commodities will not increase, expansion of production cannot take place, because in capitalist production the essential *pre-condition for this is conversion into money, the universal realization of profit*. The sale of increasing amounts of commodities, and the realization of profit, from *A* to *B*, *B* to *C* and *C* back again to *A* and *B* can only take place *if at least one of them can in the end find a market outside the closed circle*. If this does not happen the roundabout will grind to a halt after only a few turns.*

This is Comrade Rosa Luxemburg's proof. Despite their confusion, these arguments have a certain fixed, logical axis. It is: capital accumulation is impossible, since it would have to be accumulation of money capital by the total capitalist, while Marx's models assume that money is continually wandering from one pocket into another, which cannot provide a basis for the realization of the entire surplus value.

Here, too, let us examine Comrade Rosa Luxemburg's argumentation, by following her thought processes step by step and carefully considering her reasons. And we shall make every effort

* *Anti-Critique*, pp. 71–3. (All emphasis by me, unless stated differently, N. B.)

to take into consideration every semi-important logical link in the chain.

I. Definition of Accumulation

According to Rosa Luxemburg, accumulation consists, not in the production of ever higher mountains of *commodities*, but in the conversion of an ever larger amount of commodities into 'money capital', i.e. in the production of ever higher 'mountains of *gold*'. Since, however, Rosa Luxemburg in no way denies the fact that expanded production means an ever greater amount of commodity values (hence also an even greater amount of use values, i.e. products *in natura*), the whole process of social reproduction, according to her, takes on the character of the parallel production of, on the one hand, a mountain of commodities and, on the other, a mountain of gold, with the accumulation of a gold mountain representing precisely the real essence of the capitalist process of production. This conception lies at the bottom of all her following considerations and also appears, amongst other things, in the definition of accumulation as *accumulation of money capital*. Under no circumstances should the accumulation of capital be confused with the purely functional role of the latter (the money phase of capital circulation). Still less, as we have seen above, should one confuse the accumulation of capital with the accumulation of its *detached* functional form, i.e. with the accumulation of money capital in the real sense of the word, of interest-bearing capital ('moneyed capital in the English sense'). The fact that the movement of the total social capital is *accompanied* by an accumulation of money capital (as Marx correctly stresses), in no way means that the accumulation of capital is *equivalent* to the accumulation of money capital, that it is *identical* with the latter. The *salto mortale* is valid for *every* capitalist, since every capitalist must market his commodity in some way or another in order to convert the redeemed money into the material form of *productive* capital. But if the *salto mortale* is a matter of essential importance for any *capitalist at all* – indeed, is an unconditional necessity – it follows that it is also a matter of essential importance and is unconditionally necessary for *all capitalists*, i.e. for the total capitalist, for capitalist society as a whole. But this in no way means that the total capitalist realizes

his surplus value *in one transaction* by exchanging the commodity heap against a heap of gold of equivalent value in one stroke. This ('Rosaist') idea is absurd.

II. *Machinations of capitalists A, B and C*

Rosa Luxemburg is dealing here with three branches of production, which are supposed to symbolize the social production as a whole, specifically with the production of coal (*A*), machines (*B*) and the means of consumption (*C*). Further, a certain amount of ready money is assumed; the capitalists put this into circulation alternately, and then 'fish it out' of circulation again. Now, how is accumulation, i.e. the formation of new money capital in their (the capitalists') hands, possible here? – Rosa Luxemburg formulates her question. She answers: It is impossible. *Ergo*, accumulation is also impossible. After all we have already explained, it is henceforth easy to refute this naïve sophism.

If one *excludes the production of gold from the very beginning* – under conditions of (absolutely essential) abstraction from the external market – then, of course, the additional gold will not fall from heaven. A child can see that. After the capital turnover, exactly the same amount of money will be available as before the said turnover. This gold cum money 'helped' the productive capital to attain a new material division of the elements into a direction which enables a new circulation to begin on a new, expanded basis. What follows from this? It follows that a *real* accumulation is possible *without* accumulation in the 'illusory form' of money, i.e. *without* the 'formation of new money capital', as Rosa Luxemburg expresses it. *Nota bene*: here, *each* of the capitalists has made precisely that *salto mortale* of which Rosa Luxemburg speaks. Hence, this *salto mortale*, which is in fact a *sine qua non* of capitalist production, was completed by *all* capitalists, and also by the total capitalist, i.e. by the capitalist class as a whole.

But since Rosa Luxemburg is obviously not satisfied with this, it must (this follows with unrelenting logic from her whole argument) be assumed that by *money capital she understands, not the money-form of capital, which assumes industrial capital in movement, but money capital as moneyed capital, which is of course*

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

accumulated as money and only as money. But that means a *reductio ad absurdum* of her whole position.

Naturally, it is definitely not absolutely necessary for the amount of money in circulation to remain constant. The latter is only possible if the growth of the amount of commodities, according to their value, is compensated for by savings in means of circulation (speed of turnover, credit, etc.). If such compensation does *not* pertain, the additional money flows precisely from that which Comrade Rosa Luxemburg hates so unjustifiably – from the *production of gold*. Therefore, her question, ‘How does new money capital reach the pockets of the capitalists?’ is not difficult to answer. It reaches their hands because *c*, *v* and *s* of the gold producer must be exchanged against means of production and labour-power (and, through the workers, against means of consumption). In any case, this ‘new money capital’ was in her ‘total pocket’ from the start, since our gold producer is a member of the capitalist class, thanks to divine and human provision. (We note in passing that the gold producer, according to Comrade Luxemburg’s point of view, is at the same time both a stupid and an unnatural being, since he is continually rejecting the gold form of his product.) Perhaps we can find the explanation for Comrade Rosa Luxemburg’s antipathy towards him here? The ‘new money capital’ originates here, thus, however much the author of *Accumulation* may dislike it, from the production of gold. If, on the other hand, no gold production exists, then the question posed by Rosa Luxemburg (not the one posed by Marx but: ‘We rather ask: How does new money capital come into the pockets of the capitalists?’) is *simply meaningless*, since *there is no* ‘new’ ‘money capital’, and therefore none can ‘come in’ either.

III. Accumulation of Capital and ‘Average Profit’

Comrade Luxemburg does indeed come very close to a correct solution of the problem here, but, at the decisive moment, like a rubber ball bouncing back, she leaps away from it in fright. We have already become acquainted above with her formulation of the question about the partial realizations. The question was not only posed absurdly, but answered even more absurdly. In fact,

let us once again present that critical passage, where Rosa Luxemburg completes her *own* logical *salto mortale*.

Question: 'Perhaps profit accumulation does take place . . . in the successive realization of private profits, where the aggregate amount of money capital does not even have to grow, because such a thing as the "aggregate profit" of all capitalists does not exist outside of obscure theory?'

Answer: 'No, as the "average profit" forms the centre of the third volume of *Capital*, the "doctrine . . . of average profit" gives concrete meaning to the theory of value in the first volume,' etc., etc.

We have here a real *embarras de richesses* of inaccuracies and mistakes.

Firstly, Rosa Luxemburg confuses *realization* with *accumulation*. Realization means conversion from commodity form into money form, nothing more. Thus realization is a pre-condition of accumulation.

Secondly, one cannot speak of a realization of profit, since profit itself is a result of realization. Surplus value, on the other hand, undergoes realization.

Thirdly, accumulation is *confused* with the growth of money capital. Real accumulated surplus value, which is already present in the form of *productive* capital, is seen, to a certain extent, no longer as an element of accumulation, although precisely this forms a component part of real accumulation.

Fourthly, the question about the 'total amount of money capital' is formulated obscurely. The following cases are possible:

The amount of money decreases (if the savings in means of circulation appear more important than the increase in commodity values, even this case is *possible*); the amount of money remains the same (the increase in the amount of commodity values is compensated for by the savings in means of circulation); the amount of money increases, but by no means to the same extent as the value of the total amount of commodities grows (the 'normal' case); the amount of money increases to exactly the same extent as the value of the amount of commodities grows. This last case represents that absurd case which forms the basis of Luxemburg's theory. If Rosa Luxemburg had formulated this

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

point precisely, the absurdity of her proof would have been patently obvious.

Fifthly, Rosa Luxemburg quite *arbitrarily* combines the absolutely correct view about the gradual character of realization with the absolutely *idiotic* view which denies the reality of the total profit of the capitalists. Rosa Luxemburg 'thought', alias 'discovered', this connexion in order to be able to meet future arguments of future opponents that much more easily. But, precisely by doing this, she has closed off the way to a proper solution of the problem.

'The total profit of the capitalists' is an objectively real amount. But that in no way means that one must imagine it as a simultaneously existing heap of gold. Comrade Rosa Luxemburg completely fails to understand this. Materially, at any given moment, it consists not only of gold, not even *predominantly* of gold, since accumulation consists precisely in the addition of profit to capital, which must put on its real working clothes, i.e. assume the form of productive capital, in which way alone the essence of the matter, i.e. *the process of increasing value*, is ensured. In pure form, i.e. taken in units of calculation, it exists as an amount of money. Its amount, however, is important for the *objective laws* of the movement of society.

We shall illustrate this with an example which Comrade Rosa Luxemburg, in her heavy-handed way, intended to exploit for herself. According to Rosa Luxemburg, the doctrine of average profit stands at the centre of the 'most important discoveries of Marx's economic theory'. Brilliant! However, as every economist knows, the average profit itself is a derived figure, since it is determined from the *rate of average profit*. (Let us note in passing that this is the 'centre' of the above-mentioned discoveries, not the average profit. That is characteristic of the accuracy of Rosa Luxemburg's economic formulation.) 'The profit accruing in accordance with this general rate of profit to any capital of a given magnitude, whatever its organic composition, is called the average profit.*'

The rate of profit, however, is an abstract amount, it is the fraction $\frac{s}{c+v}$, in which *s* means the social surplus value (cum the

* *Capital*, Vol. III, p. 156.

sum of profit) and $c + v$ the total social capital. Now, in what sense does this rate of profit have an objective character? It is objective in the sense of a social law, but not in the sense of an iron money chest against which one can crack one's skull. The same is true of total profit. It definitely does not have to assume *money-form* at all times, so to speak in all its parts, in order to be represented by this form or to play an objective role in the process of the movement of capital. But Rosa Luxemburg is quite incapable of grasping that.

IV. The Total Social Capital and the Total Profit

After Rosa Luxemburg has introduced the substantive arguments we have examined here, she finally strikes the balance. She writes:

'The problem remains: gross social capital continually realizes an aggregate profit in money form, which must continually grow for gross accumulation to take place. Now, how can the amount grow if its component parts are always circulating from one pocket to another?'

Now, it is also easy for us to strike the total balance of this total accumulation of mistakes which, it is true, continually wanders from side to side with Rosa Luxemburg but which nonetheless constantly increases in quantity, new additional inaccuracies, obliquenesses, indeed downright errors, being added on the way.

It is true that the total social capital continually yields a total profit. It is incorrect that the total profit, in as much as we are dealing with the form of the actual existence in a chronologically given moment, only exists in money-form.

It is true that the profit accrues to the capitalists in money-form, as realized surplus value. It is incorrect that this realization represents a unique act concerning the total surplus value.

It is true that the amount of circulating money *usually* grows. It is incorrect that the accumulation of capital necessarily presupposes an increase of money.

It is true that accumulation passes through the phase of the money-form of capital. It is incorrect that the accumulation of capital is an accumulation of money capital.

* *Anti-Critique*, p. 73.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

It is true that the accumulation of capital is generally accompanied by an accumulation of money capital. It is incorrect that the accumulation of capital is equal to or equivalent to the accumulation of money capital.

And so on and so forth.

V. The Last Carousel of Comrade Rosa Luxemburg

At the end, the author of *Accumulation* takes refuge in the notorious *carousel* which must 'grind to a halt', as she has already done occasionally in her precious proof in the question of 'for whom' expanded reproduction takes place. Why must it grind to a halt? Not only because of the fact that it is difficult to get money, but also because the amount of *commodities* will stop increasing, since the growth of the amount of commodities itself presupposes a 'generalized realization of profit' (it should read: 'of surplus value', N. B.). Here we must once again cite the relevant passage, since along with an attack she also demonstrates all the signs of a disorganized retreat. Rosa Luxemburg writes:

The sale of increasing amounts of commodities and the realization of profit from *A* to *B*, *B* to *C* and *C* back again to *A* and *B* can only take place if at least one of them can in the end find a market outside the closed circle. If this does not happen the roundabout will grind to a halt after only a few turns.*

There would definitely be no halt if the turnover speed of the growth of credit, etc., were to increase at the same speed as the amount of commodities, as we have seen. The necessary realization would take place with the help of the same amount of money. The money would circulate faster. That is all. However, there is another interesting question here. Rosa Luxemburg assumes that the problem could be solved, as far as she is concerned, if a capitalist had realized his surplus value outside the 'circle'. Now how is this?

In fact, let us assume that we had capitalists *A*, *B*, *C*, *D*, *E*, *F*, and so on; the surplus value destined for realization would be *a*, *b*, *c*, *d*, *e*, *f*, and so on respectively.

* *Anti-Critique*, pp. 65-6.

NIKOLAI BUKHARIN

We then have the series:

A . . . a
B . . . b
C . . . c
D . . . d
E . . . e
F . . . f
.
.
.

The total surplus value is then $a + b + c + d + e + f + \dots$ and so on.

Let us further assume that one of the capitalists, let us say *F*, has left the 'circle' and realized the amount *f* 'on the other side'. But the sum of the surplus value destined for realization is ($a + b + c + d + e + f + \dots$ and so on). Now, how can the capitalist realize this sum? (For Rosa says that they could, as soon as only *one* leaves the circle.)

If Rosa were to answer that it would be possible because *f* wanders from one pocket into the other, she would give up her *main position*. To answer differently would be impossible – there is no other answer. Here we are faced with the *line of retreat* along which the *flight* takes place. Against such a solution the entire line of proof of Comrade Luxemburg can be brought about, that the *individual* capitalist can realize his surplus value, the *class* of capitalist could not realize it, etc., etc.

But there is another side to that question. If the rate of conversion is not equal to the growth of the number of commodities, the additional money reaches the channels of circulation by means of the gold producer, where the product (also the additional product) possesses the natural form of gold. Thus the circle is broken, as long as such a break really becomes a necessity. But as we have seen above, and as follows from the reasons mentioned above, it is nonsense and nothing but nonsense to assume that the additional amount of money must be equal to the additional amount of commodities to be produced.

Ergo: Rosa Luxemburg's basic mistake is that she takes the total capitalist as an individual capitalist. She underrates this

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

total capitalist. Therefore, she does not understand that the process of realization occurs gradually. For the same reason she portrays the accumulation of capital as an accumulation of money capital.

From this – as we believe – results the manner in which she explains imperialism. Indeed, if the total capitalist is equated with the typical individual capitalist, the first of course cannot be his own consumer. Furthermore, if the amount of additional gold is equivalent to the value of the additional number of commodities, this gold can only come from abroad (as it is obviously nonsense to assume a *corresponding production of gold*). Finally, if all capitalist have to realize their surplus value at once (without it wandering from one pocket to another, which is strictly forbidden) they need ‘third persons’, etc.

In our first chapter we dealt with Luxemburg’s theory in the *most abstract* form of questioning. There we were not yet dealing with money. Rosa Luxemburg’s critical question is: ‘For whom?’ We have shown that this question can be answered quite satisfactorily.

In our second chapter we moved one step closer to concrete reality, by analysing the money question. Here Rosa Luxemburg is already asking who pays and what becomes possible by paying. We have also found a satisfactory solution to this question by showing her basic mistake as well as the individual errors in this second stage of our abstract analysis.

It is the intention of the following chapter to bring us yet another step closer to reality by analysing the *loss of equilibrium*, immanent in the moving capitalist system and resulting from the contradictions of capitalism, which we provisionally omitted.

3. THE GENERAL THEORY OF THE MARKET, AND CRISES!

Before we turn to the analysis of the contradictions of capitalism, we must briefly deal with the conclusion of our analysis of Rosa Luxemburg's position from the standpoint of the theory of the market. We have investigated the process of extended reproduction and of realization of surplus value as an unavoidable factor in this reproduction, and all in all we have reached a conclusion, formulated by Marx with classic clarity as follows: 'These limits of consumption are extended by the exertions of the reproduction process itself. On the one hand this increases the consumption of revenue on the part of labourers and capitalists, on the other hand, it is identical with an exertion of productive consumption.'*

One must be aware of the whole difference in the way that Marx and Rosa Luxemburg posed the question. According to *Marx*, accumulation is possible, realization is possible, expanded production is possible. However, these processes do not run smoothly, but complete themselves in contradictions, both those which reveal themselves in the permanent variations of the capitalist system, and the others which express themselves in violent convulsions. In the last analysis, the process of capitalist reproduction itself represents an expanded reproduction of capitalist contradictions. According to *Rosa Luxemburg*, the matter is quite different. According to her, both a realization of the surplus value and an accumulation and expanded reproduction are absolutely *impossible*, in so far as one is dealing with a purely capitalist society – to a certain extent, they are impossible from the very beginning, *a priori*. What, according to Marx, appears in the form of 'leaps' and spasms of the capitalist system, in the form of *explosions* of contradictions (crises of over-production), is held by Rosa, according to the nature of the matter, to be a

* *Capital*, Vol. III, p. 471. The reader should note that this quotation is from the third volume of *Capital* which, according to Rosa Luxemburg, Tugan-Baranovsky and many others, is supposed to contain elements opposing the formulae in Vol. II.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL
permanent manifestation at any given moment in the industrial cycle.

This viewpoint was refuted by Marx a long time ago

A distinction must be made here (writes Marx). When Adam Smith explains the fall in the rate of profit from an over-abundance of capital, an accumulation of capital, he is speaking of a *permanent* effect and this is wrong. As against this, the transitory over-abundance of capital, over-production and crises are something different. *Permanent crises do not exist.**

Let us also mention in passing the interesting fact that Comrade Lenin had already represented a completely identical standpoint several years before the publication of Marx's *Theories of Surplus Value*: 'I did not say anywhere that this contradiction (i.e. the contradiction between production and consumption, N. B.) should *regularly* produce a surplus-product.' In a footnote to this he says more precisely:

I stress *regularly* because the irregular production of a surplus-product (crises) is inevitable in capitalist society as a result of the disturbance in proportion between the various branches of industry. But a certain state of consumption is one of the elements of proportion.†

Consequently, it is quite permissible methodologically to examine the problem at first with the exclusion of crises, whereupon these too *must* be analysed.

Thus, we have seen that the 'limits of consumption' are expanded by production itself, which increases (1) the income of the capitalists, (2) the income of the working class (additional workers) and (3) the constant capital of society (means of production functioning as capital). We have already had the opportunity to convince ourselves that Rosa Luxemburg rejects this solution to the question as corresponding to the standpoint of Tugan-Baranovsky. Now, in itself, this argument is not exactly convincing. After all, Marx did say of the bourgeois economists that it could happen from time to time that 'a blind pig can find

* *Theories of Surplus Value*, Vol. II, p. 497. (My emphasis in last sentence, N. B.)

† Vladimir Ilyin, reply to Mr P. Nezhdanov, Lenin, *Collected Works*, Vol. IV, p. 161.

an acorn'. Since, however, Rosa Luxemburg's views on this point are shared by a fair number of people and since, moreover, we have not yet had a clear criticism of Tugan-Baranovsky's market theory, this seems to be the place for us to examine the theory of this economist. It seems to us to be all the more necessary to 'distance' ourselves from him, since Comrade Luxemburg's errors will also come to light that much more clearly in the process of such a 'distancing'; above all, however, our own position will be defined with more precision.

The main reason why Marx was able to clarify the question of the reproduction of the social capital was that he completely destroyed and tore to pieces the dogma that the [exchange] value of the product resolves itself into *income*, and *only* into income [i.e. wages, profits and rent], which had been dominant since the times of Adam Smith. Together, the reproduction of the constant capital and the production of *additional* constant capital form the most important part of the process of expanded reproduction. Moreover, this point is directly related to the *theory of the market*, for there appeared, alongside the *consumers' market* and to an increasing extent, the *market of means of production*, which corresponds to productive consumption, not to personal consumption. Similarly, this situation is also of decisive importance for the theory of the accumulation of capital, since the accumulation of capital presupposes an increase in the *constant* capital, in a progressive relation compared to the variable capital. And so on and so forth. This is why Marx, with justification, returned again and again to this theme, which Comrade Rosa Luxemburg completely fails to understand.

Herr Tugan-Baranovsky takes this completely correct thesis as his point of departure and begins to make it more 'profound'.

It follows unavoidably from the diagrammatic investigation of the capitalist economy as a social unit (he writes) that the extent of the market in the capitalist economy is in no way determined by the extent of social consumption. If the worker is replaced by the machine, there is, naturally, a regression in the social demand for means of consumption. This, however, is compensated for by a growth in the demand for means of production. Similarly, the conversion of the capitalist's income from a fund of personal consumption into capital leads to a decrease in the demand for means of consumption, whilst this is

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

compensated for by an increase in the demand for means of production. Generally speaking, *a proportioned distribution of the social production cannot initiate any sort of regression of consumer demand to the extent that the general supply of products on the market exceeds the demand for them.** (Tugan-Baranovsky's emphasis, N. B.)

This passage alone already contains implicitly all the logical contradictions of Tugan-Baranovsky's 'theory', its whole 'originality' and 'paradoxicality', the essence of which consists in the assertion that no necessary connexion is given between the consumers' market and social production.

The passage cited, however, passes over what is at first sight an irrelevant 'triviality', but one which is, nonetheless, crucial for the matter. Mr Tugan-Baranovsky makes the following series of assertions: the machine replaces the worker, the machine's consumption takes the place of human consumption – and the matter is settled. One compensates for the other, the balance is erected, and the emancipation of the fourth estate is replaced by an emancipation of the production of means of production, which has detached itself once and for all from the production of means of consumption. Even if it will not exactly contribute to raising the reputation of the deceased apologist of the bourgeoisie, it must nonetheless be established that Mr Tugan-Baranovsky has simply allowed himself a criminal liberty, for he has avoided the most important question of all. If a machine is employed, the result is *an expansion of the production of products which are produced with the help of this machine*. What happens to these products? What is the relation of the value of the machine employed to the value of these products? In other words, and looked at from the standpoint of the market: what is the relation between the market of means of production and the consumer

* M. J. Tugan-Baranovsky, *Periodic Industrial Crises*, 4th edn. (published by the Literary Cooperative Society of the Smolensk Government-Committee, Smolensk, 1923), p. 205 (in Russian). Moreover, this edition is provided with a preface by Comrade W. Smuschkov which demonstrates a universal ignorance and according to which Marxists reject the thesis that capitalist production 'creates its own market', that Marx had given 'no legal (!) and detailed (!) thorough doctrine of crises' and so on. It seems that we are witnessing the beginning of a spread of amateur theoreticians who think that their achievements need only be guided by the conviction that boldness alone can move mountains.

market? Tugan gives us no answer to the first two questions. He simply suppresses the fundamental question; as a result, it is not surprising that he reaches the 'paradoxical conclusion', about which, *nota bene*, he is inordinately proud:* since there is a market of means of production, production is independent from the consumer market.

Let us try to get to the heart of the matter. The structure of the market can be investigated from two completely different directions.

Firstly. Let us take the social capital in its commodity-form, the 'commodity-mash' of Comrade Rosa Luxemburg. Objectively, this commodity-mash splits up into two large departments, means of production on the one hand, and means of consumption on the other.

Thus, we are dealing here with a *co-existence* of various commodities and their respective branches of production. When considered like this, the necessary technical-economic connexion between the various branches of production appears as hidden, veiled and invisible. The reason for this is immediately obvious. For the means of production here are *not those* means of production with the aid of which the co-existing means of consumption are produced. Our means of production will only be used for the production of means of consumption at the *next* capital turnover. The same is true of the means of consumption, for their corresponding means of production have already been used and are therefore not present on the market; their value (in this connexion it is irrelevant whether it is their full value, or only part of it) has gone over to the means of consumption and been incorporated in them. Thus, our commodity-mash and the market seen from this side can not only not illuminate the question of the necessary connexion between the various branches of production, they can only *obscure* it.

Secondly. The second point of view proceeds from the investigation of the mutual connexion of the various branches of production. From this point of view, we are dealing with a relationship in which there exists a series of mutually related branches of production. Each branch provides raw material for the other,

[* In German the phrase is '*nicht weniger stolz als der Neger auf sein Nasenring*', Trans.]

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

until, by way of a series of stages, we reach the finished product which is destined for immediate consumption.

Here, the entire productive apparatus of society is – completely consistent with reality – basically nothing other than an apparatus for the production of human means of consumption. However large they may be in themselves, the branches producing means of production appear as *preliminary stages of the production of means of consumption*. Developed production, including capitalist production, obscures this fact since, as Marx has already established accurately, the temporal succession of the individual branches (as stages of a process of the production of means of consumption which is essentially *unified*) is replaced by their spatial arrangement. The product is present simultaneously in various stages of its manufacture. Thus, we are not dealing with a development which can be traced from its origins, not with an *ab ovo*, as Marx puts it. The process is not such that first, for example, *only* ore, coal or cotton is obtained, then *only* machines, then *only* yarn, and lastly *only* cloth, etc., is manufactured. No, all these branches function simultaneously. Nevertheless, this situation in no way negates the existence of a quite specific dependency relationship between them, i.e. of the mutual dependence of the various branches which produce means of production and those which produce means of consumption.

Consequently, it is absolutely *inadmissible* in the question of the market to be content with the first point of view, i.e. to investigate the market independently of the mutual connexions of the various branches of production. Mr Tugan-Baranovsky, on the other hand, has basically formulated the question precisely in the first way, despite all his ‘models’. We shall attempt to demonstrate this in more detail, although Mr Tugan-Baranovsky has made such an idiotic mess that it would need a special treatise to refute it systematically.

Let us take a closer look at the problem. At any time, certain quantities of means of production and consumption are present on the market. With respect to their values, there is a *relative* increase in the share of means of production, and a relative decrease in the share of means of consumption. There is no doubt about this. Similarly, there is no doubt that an *ever greater share of the total social labour devolves upon the production of means of*

production. Mr Tugan-Baranovsky is only plagiarizing Marx when he pompously spins these truths out. His 'deepening' of Marx's thoughts, on the other hand, is quite another matter, and it is this which represents the 'original' side of Tugan-Baranovsky's opinions.

Thus, in respect to its *value* the share of means of production manifests a relative increase. What does that mean? It means that – expressed in *products* – there is a huge increase in *means of consumption*. The higher the organic composition of capital and the productivity of social labour, the greater is the amount of consumption products which are placed upon the market. Moreover, the value of the individual unit of the product *falls*. Let us turn to the above-cited passage from Tugan (to the example of the employment of machines); in this case we are not only dealing with the fact that the meat-eating worker has disappeared and has been replaced by the coal-consuming machine, but also with the fact (which is not only no less important, it is even more important) that large commodity-amounts of those products which are produced with the help of the new machine are placed upon the market. At all events, that already leads us *beyond the frame of reference of the question as first posed*. Tugan does not understand this. He writes:

Nevertheless, there is no surplus product, since in this case the demand for means of production completely replaces the demand for means of consumption. It is a fact that this machine needs a certain economic expenditure in order to be able to work, just like the worker. For example, if the worker is supplanted by the machine in the production of a certain product, there is a decrease in the social demand for means of consumption for the working class; on the other hand, there is an increase in the demand for machines themselves and for everything necessary for their work (such as heating material, lubrication, etc.). As a total result, there is no contraction of the commodity market. All that is changed is the type of commodities demanded by the market. In this way, it is possible for the social wealth (which is expressed in the amount of products at the disposal of society) to increase when the social income falls.* (Tugan-Baranovsky's emphasis, N. B.)

We have already mentioned that the introduction of a machine into the production of 'a certain product' must be followed by a

[* *op. cit.*, p. 205.]

growth in the quantity of this 'certain product'; Mr Tugan-Baranovsky, however, does not want to know anything about this. There is, however, one more point which must be mentioned. Our Marx-critic admits that the demand for fuel, lubricating oil, etc., increases. But we ask Mr Tugan-Baranovsky: Where does this increased amount of fuel, lubricating oil, etc., come from? This blessing has not descended from heaven! And if not, he is clearly assuming an expansion of production in this branch of production (and, in connexion with this, in others too), thus additional workers, i.e. additional demand for means of consumption, including a 'certain product', in so far as there was something hidden behind this 'certain product' which belonged to the means of consumption of the working class.

What is our result? A quite different one from that of Mr Tugan-Baranovsky. A careful analysis has shown that (1) the increase in means of production calls forth a growth in the amount of means of consumption; (2) simultaneously, this increase creates a new demand for these means of consumption and that, as a result (3) a specific level of the production of means of production corresponds to a quite specific level of the production of means of consumption; in other words, the market of means of production is connected with the market of means of consumption. Thus, in the last analysis, we arrive at the opposite of that which Mr Tugan claims with such aplomb to be the most amazing discovery of the 'latest' political economy. From the standpoint of the question as first formulated, what happens in various branches of industry in the *following* capital turnovers is irrelevant in the analysis of the market. At best, only those capital turnovers directly related to the given one will be investigated – and then very one-sidedly, so that one is depriving oneself of the possibility of comprehending the 'objective meaning' of the process of production.

In fact, if one looks at the problem from this point of view, and only from this point of view, one can only arrive at a conclusion *à la* Tugan-Baranovsky anyway. Let us assume that we had built a magnificent machine shop in the iron foundry industry. There is a huge increase in the consumption of coal and iron. Is this the end of the affair? Not in the least. As long as we are moving in the direction of an analysis of only this preliminary stage of the process, we can in fact fall prey to the illusion that the machine

industry consumes coal and iron, whilst the mining industry consumes machines, so that the whole 'work' is carried on in an autarchic, closed circle. Things look different as soon as we become conscious of the productive relation of the individual branches of production. The machine industry manufactures an increasing amount of machines. What does that mean? It means that, for example, in the textile industry, even with a smaller number of workers, a much '*greater*' amount of cotton and other raw materials is processed and thus a significantly *greater* amount of the finished product, i.e. linen, an object of direct consumption, is produced. This extraordinary increase in the *amount* of commodities is accompanied by an increase (although by no means a proportional one) of their value, since the value of the finished means of consumption represents not only the labour expended in these branches of industry which produce means of consumption, but also the value of the raw materials, machines, etc., which is automatically transferred to them.

Mr Tugan-Baranovsky's belief that one can cram any amount of labour and means into the production of means of production, as if it were a bottomless vat, and that everything then develops smoothly, since there is no dependency relationship between the consumer market and the process of social reproduction under the capitalist regime, is therefore quite absurd. ('No regression of consumer demand, whatever form it may take, is capable of causing a surplus of general supply.')

Tugan's absurd belief reaches its culminating point in a mad utopia which he dishes up to his honoured readership quite brazenly; indeed, he is obviously proud of it. Here is the notorious passage:

But will not this relative replacement of human consumption by productive consumption of means of production result in the creation of a surplus product for which there is no room on the market? Of course not. It is a simple matter to construct a new model . . . and to show clearly that even the most comprehensive replacement of workers by machines could not in itself make any machine superfluous or valueless. Even if every worker except one had been replaced by machines, then one single worker would keep the entire colossus of machines in motion and with their help produce new machines and means of consumption for the capitalist class. The working class will

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

disappear. But that will not in the least hinder a realization of the products of capitalist industry. The capitalists will have at their disposal a large amount of means of consumption, while the entire social product of one year will be swallowed up in the following year by production and the capitalists' consumption. If the capitalists, however, wish to restrict their own consumption in their urge for accumulation, there is nothing to stop this. In this case, the production of means of consumption for the capitalists will be restricted so that a still greater share of the social product will consist of means of production destined for the further extension of production. For instance, coal and iron will be produced and used for the further extension of the production of coal and iron. The expanded production of coal and iron will in each following year consume the amounts of coal and iron produced in the preceding year and so on *ad infinitum* until the natural resources of the respective minerals are finally exhausted.*

Tugan-Baranovsky, sage and superman, decorates this charming fantasy with the following invigorating tirade: 'All this may sound strange, indeed, it may even appear to be utter nonsense. That may well be so. Truth is not always easy to grasp. But truth is still truth.'†

Let us take a closer look at this 'truth' of Tugan-Baranovsky, together with its para-logical reasoning.

In the case used by Tugan we are dealing with an immeasurably high organic composition of capital which is inconceivable in real life. But let us accept Tugan's assumption for the time being. What does it mean? It means a *still more measureless production of means of consumption (in products)*, which is so measureless that the 'capitalists' are naturally quite unable to consume this Mont Blanc of means of consumption.

It is precisely *this* which Tugan, in his naïveté, overlooks, because he does not see the technical-economic logic of the production process as a whole. According to him, the production of means of production appears as an autarchic, sovereign and independent sphere, with no connecting bridge whatsoever to the production of means of consumption. In fact, one of the two: *either* coal and iron are *only* produced for the production of coal and iron, *or* coal and iron are also produced for the manufacture

[* *op. cit.*, p. 212.]

† *loc. cit.*

of machines, maintenance of the railways, textile factories, breweries, power stations, etc.

In the first case, we are dealing with a part of the social production which by its very nature *has no connexion whatsoever with social consumption*. There is not the least difference between this example and, shall we say, the case in which, according to Bulgakov's work *The Philosophy of Economy* ('The World as Economy'), the mad Simeon Stolpnik believes himself to be a capitalist who owns the world, since it belongs to his economy. The cosmic 'metabolism' would then be simultaneous production, the idiot Simeon would exercise restraint on a global scale for the purposes of automatic 'accumulation' and the whole process would stand in the same relation to human consumption as the 'process of production' of coal and iron in Tugan-Baranovsky's example. It makes absolutely no difference to the matter that Tugan still keeps 'one worker' to accomplish this humbug, for if this 'one worker' were ordered by his clever bosses to produce coal and iron for coal and iron, this would have the same economic importance as if he were forced to spit at the ceiling all day long, or if neither he nor the products produced by him existed at all.

Things look different, however, if coal and iron are produced not only for the sake of expanding the production of coal and iron, but also to supply raw materials and fuel to the machine industry, to the branches of industry for semi-finished and finished commodities which flow out onto the consumer market. In this case, sooner or later the huge expansion of means of production would unavoidably lead to a huge increase in *the means of consumption placed on the market*. And if there were no demand for these means of consumption, there would take place an unavoidable and devastating collapse, in which precisely that connexion between production and consumption whose existence is denied by our 'paradoxical' Tugan would come into force with primitive violence.

Tugan builds up an entire system of further arguments around this cardinal point of confusion, which only increases the mess.

Let us examine, for example, one of his most important theses: '*Generally speaking, a proportioned distribution of the social production cannot initiate any sort of regression of consumer demand to the extent that the general supply of products on the*

market exceeds the demand for them.' Let us consider the matter. What does 'proportioned distribution of the social production' mean? Does it include a mutual relation between the production of means of production and the production of means of consumption, or not?

If the required proportionality is likewise a proportionality between the production of means of production and the production of means of consumption, if *this* proportionality is included, this means the existence of a *connexion* with the consumer market. *But it is then absurd to maintain* that no 'regression of consumer demand' can initiate an over-production and the creation of a surplus product, for the regression of consumer demand, its decrease relative to the supply of means of consumption, *means nothing other than the violation of the proportionality.* (We recall Lenin's words: 'But a certain state of consumption is one of the elements of proportion.') If this proportionality, however, is *not included*, the entire course of social reproduction as a whole remains a puzzle. For the production of means of production, which is *relatively* independent under the domination of capitalism because of the anarchical character of its market and production, is *by its very nature* connected to the production of means of consumption by a whole series of links in production; and so it must be.

'The proportioned division of the social production' therefore, means something quite different from that which can be read in Tugan-Baranovsky. He says that coal and iron are produced for the further production of coal and iron. What do the machine factories live on? Where do they get coal and iron from? Naturally, they receive coal and iron from the sources of the latter's production. Thus, there is a *connexion* between the production of coal and iron and the production of machines. Exactly the same connexion also exists between the production of machines and textiles, chemical products, etc. For abstract machines are not produced, not machines 'in themselves', not platonic 'ideas' of machines, but extremely concrete machines, which must serve quite concrete productive ends. In other words, the value-relations here are connected in a specific form, as Marx puts it. Or else, the proportionality of the social production represents a mutual relation between the parts of capitalist production such

that, along the entire front of the whole process of production, one branch of industry delivers an adequate amount of products to the other. From this point of view, it is obvious that a violation of proportionality can originate from the production of raw materials as well as the production of machines, from the production of half-finished goods as well as from the production of means of consumption.

Tugan-Baranovsky writes:

With a proportional division of the social production, no sort of regression of social consumption can initiate the creation of a surplus product. I consider the consistent regression in the share of popular consumption of the social product to be a basic tendency of capitalist development; nevertheless, in contradiction to Marx, this in no way hinders the process of the realization of the products of capitalist production.*

It can easily be seen that two completely different things are mixed in this tirade: the increase of the share (in values) of means of production and the disproportionality between production and consumption.

We shall analyse this really childish confusion immediately. But first, a further passage, which throws an unexpected light on Tugan's whole theoretical conception, will be quoted:

In capitalist economy (explains the super-clever Tugan, that connoisseur of commodity economy) about whose nature Marx was not completely clear, the capitalist class converts a considerably *larger* (our emphasis, N. B.) share of the social product into means of production than would be possible in a harmonious economy. With the existence of an association of producers, the goal of production would be the most complete satisfaction of social needs possible, which would completely exclude a state of affairs in which an expansion of production was not also accompanied by an expansion of social consumption. In capitalist society, however, it is the tendency of technological progress to replace human consumption (with the consumption?) of means of production to the disadvantage of social consumption.†

All that is utter nonsense. *It is not true* that the share of means of production grows faster in a capitalist economy than in an 'association of producers'. The exact opposite is true. Capitalism sets *objective limits* to the growth of this 'share', because when

* *op. cit.*, p. 213.

† *ibid.*, p. 212.

labour-power is cheap the capitalists do not have a sufficient incentive to introduce new machines. That is part of the ABC of the science of economics. Compared with all *earlier* social formations, capitalism provides, of course, an incomparable stimulus to technological progress and the increase of the share of means of production. Compared with the 'association of producers', however, capitalism is an economically reactionary system *precisely* because it sets *limits* to the development of the productive forces.

The increase of the 'share' (in values) is nothing other than the expression of the rise of the productivity of social labour. Thus, the said 'share' (converted into labour) will grow *even* faster under socialism and *for this very reason* will guarantee the gigantic growth and diversity of *use values*.

If accumulation were to take place more slowly, the development of *consumption* would also be impossible. Capitalism is not 'blamed' for developing the productive forces too quickly and replacing human labour with that of machines, but for the following (naturally, we are dealing here only with those questions which *directly* relate to our theme):

1. Capitalism develops the productive forces *insufficiently* and, as a result, also increases the share of means of production *insufficiently*.

2. Capitalism *distributes* these productive forces 'incorrectly' (unproductive consumption).

3. Capitalism has a *double budget* system of consumption (luxury production, capitalists' wastefulness, etc.).

Thus Tugan's assertion that the 'sin' of capitalism consists in the fact that human consumption is replaced by the consumption of machines, is absurd. The essence of the question is something quite different.

Let us now return to Tugan-Baranovsky's basic arguments.

After the comments we have already made, it cannot be difficult to expose Mr Tugan's naïve confusion. The fall of the share of social consumption in comparison to the share of means of production is a fact. But capitalism's 'difficulty' does *not* lie in *this* fact (which will be even more 'characteristic' for socialism). This difficulty lies in the fact that the anarchical structure of capitalism, in which production is not controlled, i.e. the lack of a social proportionality *as a whole*, and in which the incentives to promote

accumulation stimulate an ever increasing extension of the scale of production, is unavoidably heading towards situations in which production, driven beyond the *limits* of the required proportion, comes into conflict with *social consumption*. However, the diminution of this consumption *below* a certain level *does* represent a violation of the proportionality, *however much* social consumption declines.

Here we come across the theory of crises. But before we turn to this, we shall first attempt to summarize what we have said about Tugan; this will take place in the form of theoretical characterization. This is all the more necessary since Mr Tugan still has a certain *renommée*, although it would indeed be difficult to find a writer who – *sit venia verbo* – was as completely devoid of theoretical honour as this same gentleman, who began his career by flirting with the proletariat and ended it by worshipping the boots of the generals.

The '*maximes générales*' of Mr Tugan's theoretical aspirations consist in the crudest apology for the capitalist regime and the struggle against revolutionary Marxism. Everything else is subordinated to these *maximes*. Hence the absolutely unbearable eclecticism with which all the 'works' of the honourable professor abound.

In fact, in his fight with Marx's labour theory of value, he immediately adopts the standpoint of its 'reconciliation' with Böhm-Bawerk's marginal utility theory,* e.g. 'The greatest service of the new theory consists in the fact that it promises to put an end, once and for all, to the conflict over value by proceeding from *one* basic principle and giving a complete and exhaustive explanation of *all* manifestations of process of valuation.'†

As is well known, according to the teachings of the Austrian School the value of the means of production is determined by the

[* Eugen von Böhm-Bawerk (1851–1914). Austrian. Leader of the Austrian School at the latter end of the nineteenth century. Three times Finance Minister of the Austro-Hungarian Empire. Later held chair of Political Economy at Vienna University. Two major works are *Capital and Interest* and *The Positive Theory of Capital*. Wrote a rebuttal of Marxist economics in *Karl Marx and the Close of His System*.]

† Tugan-Baranovsky, *Basic Features of Political Economy*, 2nd edn. (Petersburg, 1911), p. 40.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

value of the means of consumption, and these by their marginal utility.* Tugan knows that too. In his *Basic Features* he writes:

The value of the means of production is determined by the marginal utility of this means of production below all objects produced with the help of the given means of production which manifest the least marginal utility.†

But now Herr Tugan receives a *new* apologetic 'commission'. He has to prove that there is no contradiction at all between production and consumption, and that no diminution of consumption *whatsoever* can disorganize capitalist production. 'Coal and iron are produced for – coal and iron.'

But excuse me: what happens in that case to the theory of value? The entire theory of value is built on the utility of the *use-objects*! According to Böhm-Bawerk, coal and iron are to a certain extent as yet immature linen, boots and grain! This is at the bottom of the theory which 'promises to put an end, once and for all, to the conflict over value'! Just try to explain the value of coal and iron which do not mature into *any kind of* articles of use! A child in swaddling-clothes can see that Tugan is developing two 'systems' of views which directly contradict each other. In as much as one can still talk of some kind of logic here, it would only be the logic of a theoretical swindle which welcomes all means once it comes to justifying His Majesty's capital.

To proceed. Mr Tugan needs to 'guarantee' the course of the social reproduction under capitalism, and he is ready, not only to recognize Marx's thesis about the *diminution of the share of social consumption*, but also simultaneously to make Marx more 'profound' and falsify him, by introducing the argument about the independence of the production of means of production from social consumption. He writes:

And the view that the extent of the market in capitalist economy is determined by the extent of social consumption could only take root in science because the economists never use the method of an investigation of capitalist economy as a whole.‡

[* Austrian School. Developed the marginal utility theory of value. Weiser and Menger, the two leading exponents. Bukharin wrote an analysis of this school in his *Economic Theory of the Leisure Class*.]

† *op. cit.*, p. 45.

‡ *Periodic Industrial Crises*, p. 205. 'I consider the steady decrease of the

Now, however, Mr Tugan suddenly receives *another* 'commission'. He is to prove that the matter is by no means so sad from the standpoint of the class struggle as the nasty 'Marxists' claim. And in the twinkling of an eye Mr Tugan manufactures an opposite theory, which is:

The increase in the productivity of social labour leads to a growth in the total sum of the social product (in terms of labour values, N. B.). This surplus product increases relative to the total sum of the social income. Hence, all social incomes can increase simultaneously at the cost of the diminution of the share of means of production.*

Thus, the share of means of production *falls* while the share of income rises. This truth is not understood because

the simultaneous increase of the shares of capitalists and workers in the social product (but not at the cost of diminution of the shares of any other social classes in the social product) must appear completely impossible to modern political economy, which has not progressed beyond Ricardo in this connexion. However, the only reason for this apparent impossibility is that modern science views the total product as consisting solely of means of consumption.†

In reality, however, Tugan holds that incomes (in labour units) grow at will *thanks to the productivity of labour* (!), *at the cost of the share of means of production!* So a ready-made explanation is always immediately available. Everything is delivered at will. At one time, the share of means of production increases because this is an expression of the productivity of labour. At another, the 'share' *decreases for the very same reason*. . . .

Of course, this clumsy apologetic dance of Tugan's has nothing in common with Marxism. It is unfortunate that Comrade Rosa Luxemburg *confuses* the conception of orthodox Marxism, the conception of Marx himself (in the second and third volumes of *Capital* as well as in *Theories of Surplus Value*) with Mr Tugan-

share of popular consumption to be a basic tendency of capitalist development' p. 213.

* *Basic Features of Political Economy*, p. 441. The context and the graphic additions show that we are dealing with labour values here. The reader will find more detailed material on this subject in our study devoted to the theory of distribution, 'An Economy Without Value', *Neue Zeit*, 1913-14, Vol. I.

† *Basic Features of Political Economy*, pp. 440-41.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

Baranovsky's apologetic position. Mr Tugan-Baranovsky was wrong about Marx's correct views in his criticism (and in his quite monstrous falsification); however, it does not in the least follow that Rosa Luxemburg's viewpoint is free from sin. Tugan is wrong, not because he considers realization to be possible, but because he tears away the necessary connexion between production and consumption. On the other hand, Rosa Luxemburg is wrong, not because she insists on this connexion, but because she considers realization to be impossible within the framework of capitalist society.

We must now turn to a general treatment of the problem of crises.

We have seen that Tugan's theory of the market and realization and Marx's theory are as different as day and night. Comrade Rosa Luxemburg, however, continually accuses the models of the second volume of *Capital* of leading to Tugan-Baranovsky's theory and contradicting the fundamental principles of the third volume of *Capital*. As when she writes:

. . . Lastly, the model contradicts the conception of the capitalist process as a whole and its course as laid down by Marx in the third volume of *Capital*. The basic idea behind this conception is the immanent contradiction between the limitless expansive capability of the productive force and the limited expansive capability of social consumption under capitalist distribution relations.*

And at another place: 'Neither does the consumptive power of society pose any limit to production . . . for the process of reproduction as portrayed in the model.†

And finally, a third passage:

The model certainly admits crises, but due exclusively to lack of proportionality in production, i.e. to lack of social control over the process of production. *On the other hand* (our emphasis, N. B.) it excludes the deep and fundamental contradiction between the ability of capitalist society to produce and its ability to consume, which stems from capital-accumulation, airs itself periodically in crises, and drives capital on to the continual expansion of its market.‡

* Luxemburg, *The Accumulation of Capital*, p. 266. [See p. 343, London edn.]

† *ibid.*, p. 268. [p. 345, London edn.]

‡ *ibid.*, p. 270. [pp. 346-7, London edn.]

NIKOLAI BUKHARIN

As we have already mentioned, we come here upon the problem of crises. We shall allow ourselves to make a few general preliminary theoretical observations by way of introduction which will set the question within its proper framework.

As is well known, the crises we are talking about here are *crises of over-production*.

Now, the following questions, which Marxism answers quite specifically, arise in this connexion:

I. PARTIAL OR GENERAL OVER-PRODUCTION

The question is whether a general over-production of commodities is possible, or only a partial one. The school of Ricardo and Say, proceeding from the premise of a simple exchange of commodity against commodity, denies the possibility of a general over-production. Marx demonstrates convincingly (in the second volume of *Capital* and in *Theories of Surplus Value*) the possibility of a general over-production. If we have, for example, an over-production of the most important means of consumption, it follows that there is also an over-production of means of production:

For . . . over-production of iron, etc., involves an exactly similar over-production of coal, as, say, the over-production of woven cloth does of yarn. . . . There cannot, therefore, be any question of the under-production of those articles whose over-production is implied because they enter as an element, raw material, auxiliary material or means of production into those articles . . . whose positive over-production is precisely the fact to be explained.*

Thus, one cannot (in the case before us) speak of an over-production of coal *in relation to iron*, etc., i.e. of relative over-production in one branch of production which, as Marx puts it, represents the 'preliminary stage' of a further branch of production where there is over-production. Still less can one speak of an under-production of coal in relation to iron, i.e. assert that too much iron has been produced because too little coal was produced, for an over-production of iron is impossible without a *corresponding* over-production of coal.

* *Theories of Surplus Value*, Vol. II, p. 530.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

The further analysis of the problem leads us right up to those questions which we have already elucidated in connexion with the criticism of Tugan-Baranovsky's theory.

In fact, if we were dealing with a market that had emancipated itself from consumption and with a closed circle of the production of means of production in which the one branch of production serves the other and vice versa, in other words, if we were faced with a strange system of production such as that depicted in Tugan's fiery fantasy, then a *general* over-production would be impossible. We would simply have a swing before us: over-production of iron would mean under-production of coal; conversely, a general over-production, i.e. a *simultaneous* over-production of *both* coal *and* iron, would be as impossible as it would be for both ends of a swing to rise at the same time. We reach entirely different conclusions if we abide by Marx's theory, the *correct* theory, instead of Tugan-Baranovsky's theory. We then receive a chain of related branches of production, which mutually offer each other markets, and which obey a certain order determined by the technical-economic continuity of the process of production as a whole. This chain, however, *ends* with the production of means of consumption which no longer enter in material form, i.e. as use values, directly into any process of production but into the process of personal consumption. (For the moment, we shall ignore the fact that, with the working class, the process of consumption is a *process of the production of labour-power*; this will be discussed later. In the case before us we are interested solely in the two departments of the process of production which are dealt with in Marx's models.) As a result, one can indeed envisage a situation in which we have before us an over-production in all links of the chain which expresses itself in an over-production of means of consumption, i.e. in an over-production in relation to the *consumer market*, which can be precisely the expression of a *general* over-production.

Criticizing Say, who explains that demand is limited only by production, Marx comments:

This is very wise. It is certainly *limited* (by production). There can be no demand for something which *cannot* be produced on request or which demand does not find ready on the market. But because demand is limited by production, it does not follow in the least that production

is or was limited by demand and that it can never exceed demand, especially demand at the market-price.*

2. RELATIVE AND ABSOLUTE OVER-PRODUCTION

Furthermore, one must be aware of the fact that one can only be dealing with a *relative* over-production, i.e. with an over-production in relation to 'effective' demand, demand backed by ability to pay, but not in relation to the absolute social need. This is left completely unanalysed in the complex of questions now before us.

What after all has over-production to do with absolute needs? It is only concerned with demand that is backed by ability to pay. It is not a question of absolute over-production – over-production as such in relation to the absolute need or the desire to possess commodities. In this sense there is neither partial nor general over-production; and the one is not opposed to the other.†

At another place Marx expresses the same thoughts, in a different though no less precise form: 'The excess of commodities is always relative; in other words it is an excess at particular prices. The prices at which the commodities are then absorbed are ruinous for the producer or merchant.'‡

3. OVER-PRODUCTION OF COMMODITIES OR OVER-PRODUCTION OF CAPITAL

Ricardo's adherents, unlike Ricardo himself, certainly *recognized* an over-production of capital, but firmly denied an over-production of commodities. It is, however, obvious that there can be no over-production of *capital* if there can be no over-production of *commodities*. For what does production of capital mean? The process of the production of capital is clearly nothing other than the process of capitalist production; in other words, of the production of commodities under conditions of *capitalist* production, not under conditions of simple commodity production. The production of capital is, therefore, a production of *capitalistically* produced commodities. Hence, an over-production of capital is

* *op. cit.*, Vol. III [Kautsky edn.] (Solution of Ricardo's School. b.). Once again the author of the 'Inquiry', p. 139, footnote.

† *op. cit.*, Vol. II, p. 506.

‡ *ibid.*, p. 505.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

also an over-production of commodities. To admit an over-production of capital and to deny an over-production of commodities is to show that 'thoughtlessness, which admits the existence and necessity of a particular phenomenon when it is called *A*, but denies it as soon as it is called *B*'.*

4. TEMPORARY AND CONSTANT OVER-PRODUCTION

From the standpoint of our entire criticism of Luxemburg's position and that of the Narodniks, Sismondists and other confusionists, this point represents a cardinal problem. In this question, too, Marx's position is quite unequivocal. We have already spoken of this at the beginning of the chapter (and also of Lenin's position on this point). We will therefore be content with a final quote. In his discussion of the problem of general over-production, Marx says that the standpoint of an *only partial* over-production is merely 'a poor way out. In the first place, if we consider only the nature of the commodity, there is nothing to prevent *all commodities* from being superabundant on the market. . . . We are here *only concerned with the factor of crisis*.'†

In other words: a conflict between production and consumption, or, which amounts to the same thing, a general over-production, is nothing other than a crisis. This position is basically different from that held by Rosa Luxemburg, according to which over-production must manifest itself at all times in a purely capitalist society, since an expanded reproduction is absolutely impossible.

Thus, one can only speak of a *relative* over-production. However, from the standpoint of the absolute satisfaction of needs under capitalism, we are always dealing with an *under-production*. Not only a partial, but also a *general* over-production is possible; precisely this contains the conflict between production and consumption. This over-production is an over-production of capital, *hence* also an over-production of commodities. But this over-production is not a permanent phenomenon which can always be observed; rather it is the expression of crises. 'There are no permanent crises' (Marx).

* *op cit.*, p. 499.

† *ibid.*, p. 504. (My emphasis on the last words, N. B.)

If we separate off the most important points which concern us, we receive the following theoretical configuration:

I. *The apostles of harmony* (Say and Co.) and the *apologists*: There is never a general over-production.

II. *The Sismondists, Narodniks, Rosa Luxemburg*: A general over-production must *always* be present.

III. *The orthodox Marxists*: A general over-production is *sometimes* unavoidable (*periodic* crises).

Or, in a different connexion:

I. *Tugan-Baranovsky, Hilferding et al.*: Crises stem from the disproportion between the individual branches of production. The factor of consumption plays no role in this.*

II. *Marx, Lenin and the orthodox Marxists*: Crises stem from the disproportion of social production. The factor of consumption, however, forms a component part of this disproportionality.

We must now analyse these basic concepts in more detail.

We have already cited one of Rosa Luxemburg's arguments against Marx's models, the argument concerning the connexion between production and consumption. Rosa Luxemburg is of the opinion that Marx's model 'certainly admits crises (!), but does so exclusively to a lack of proportionality in production, *i.e.* (my emphasis, N. B.) to lack of social control over the process of production'. She immediately continues: '*On the other hand* (my emphasis, N. B.), it excludes the deep and fundamental contradiction between the ability of capitalist society to produce and its ability to consume . . .' (see above). It is easily apparent that

* 'These models (Marx's models, N. B.), however, also demonstrate that in capitalist production reproduction can proceed without hindrance both on a simple and an expanded level, provided that these proportions are maintained. On the other hand, crisis can also occur in simple reproduction when the proportion is violated. . . Hence, *it does not follow that crisis must stem from the immanent under-consumption of the masses in capitalist production. . . Similarly, the possibility of a general over-production of commodities does not follow from the models in themselves; rather, every extension of production which can in any way follow from the available productive forces is shown to be possible.*' (Rudolf Hilferding, *Das Finanzkapital*, 2nd edn. (Vienna, 1920), p. 339. Our emphasis, N. B.) To be fair, we must note that even Mr Tugan admits a general over-production, although only 'as a peculiar expression of *partial* over-production, of unproportional distribution of social labour under relations of the money-economy' (*Periodic Industrial Crises*, p. 265).

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

Comrade Rosa Luxemburg is *opposing* control over production to the relation of production to consumption, hence also disproportionality of production to disproportionality between production and consumption. This conception leads her to countless mistakes and incredible confusion.

Let us imagine three socio-economic formations: the *collective-capitalist social order* (state capitalism), in which the capitalist class is united in a unified trust and we are dealing with an organized, though at the same time, from the standpoint of the classes, antagonistic economy; then, the 'classical' *capitalist society*, which Marx analyses; and finally *socialist society*. Let us follow (1) the manner of the course of expanded reproduction; thus, the factors which make an 'accumulation' possible (we give the word 'accumulation' quotation marks, because the designation 'accumulation' by its very nature presupposes only capitalist relations); (2) how, where and when crises can arise.

1. *State capitalism*. Is an accumulation possible here? Of course. The constant capital grows, because the capitalists' consumption grows. New branches of production, corresponding to new needs, are continually arising. Even though there are certain limits to it, the workers' consumption increases. Notwithstanding this 'under-consumption' of the masses, no crisis can arise, since mutual demand of all branches of production, and likewise consumer demand, that of the capitalists as well as of the workers, are given from the start. Instead of an 'anarchy of production' – a plan that is rational from the standpoint of *Capital*. If there is a 'miscalculation' in means of production, the surplus is stored, and a corresponding correction will be made in the following period of production. If, on the other hand, there has been a 'miscalculation' in means of consumption for the workers, this excess is used as 'fodder' by distributing it amongst the workers, or the respective portion of the product will be destroyed. Even in the case of a miscalculation in the production of luxury articles, the 'way out' is clear. Thus, *no* crisis of over-production can occur *here*. The capitalist's consumption constitutes the incentive for production and the plan of production. Hence, there is *no particularly* fast development of production (small number of capitalists).

2. '*Classical*' *capitalism*. We have already seen in the previous

chapters how accumulation is possible. In contrast to the case we have just dealt with, here there is an 'anarchy of production', a money connexion through the market, the form of the wage, etc. If we take an 'ideal average', the solution of the task takes place in the same way as in the first case. (Growth of the constant capital, growth – in values – of the consumption of workers and capitalists.) As opposed to the first case, the 'ideal average' is merely a certain tendency here, which manifests itself in the contradictory and blind course of economic processes. On the other hand, the form of the purchase or sale and the separation of sale from purchase (in contrast to exchange of product against product) is itself a condition of the disturbance of social reproduction. This has the following results:

Firstly, a proportionality between the branches of production cannot exist empirically. It takes effect merely as a tendency; in other words, by way of continual disturbances in the proportionality.

Secondly, these disturbances unavoidably bring about difficulties in the process of social reproduction, because the connexion between the branches of production is effected through money and market.

Thirdly, a disproportionality between production as a whole and social consumption can exist, as a result of the disproportionality between the production of means of consumption and the effective demand for means of consumption. (Demand here is not given *a priori* as a planned demand; the whole relation only results *post factum*.)

Fourthly, this disproportionality unavoidably brings about a disturbance in the process of social reproduction, as a result of the money and market connexion. (The surplus cannot be expended as 'fodder' for the workers here, as in the first case.)

Fifthly, this capitalism is continually promoting the tendency to develop production quickly on the one hand (existence of competition, which is lacking in the first case), and to depress the wage on the other (pressure of the reserve army). In other words: it is the tendency of capitalism to *push production beyond the limits of consumption*. For this kind of disproportionality only appears if an over-production of means of production has taken place and *manifested itself externally* as an over-production of means of

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

consumption. Everything can proceed relatively smoothly until this phenomenon occurs, since the 'surplus' wave of expansion bypasses those intermediary links in production, in which no conflict can as yet take place with personal consumption. On the other hand, this does not mean that an accumulation is impossible. For the point here is not *merely* that more is produced, but that more is *not* produced *in the relevant proportion*. In contrast to Rosa Luxemburg's assertion, it is not impossible to realize the surplus value. Under certain conditions, however, it does become impossible; we are then dealing with a crisis. '. . . that is, *reproduction on too large a scale*, which is the same as over-production pure and simple.'*

This is the situation in 'classical' capitalist society. We now turn to socialist society.

3. *Socialist society*. If we take the 'pure type' of socialist society, there are no crises; the share of means of production, however, will increase even faster than under capitalist rule, since the machine is introduced here under relations in which it would be meaningless in capitalism.

Precisely for that reason, however, the needs of the broad masses of the entire society are satisfied much better than in the cases of the previously mentioned socio-economic formations.

On this basis, it is now easy to estimate how far Comrade Rosa Luxemburg is from the truth. In dealing with an anti-Malthusian pamphlet, Marx writes:

The following is implied here: (1) *capitalist production*, in which the production of each individual sphere of production and its increase is not directly controlled and determined by the needs of society, but by the productive forces available to each individual capitalist independent of the needs of society. (2) It is implied that, nonetheless, production takes place *in such proportions*, as if capital were applied directly by society into the various spheres of production, according to its needs.

Under this implication (*contradictio in adjecto*), *over-production could not in fact take place* if capitalist production were absolutely socialist production.†

In other words: if there were a planned economy, there could be no crisis of over-production. Marx's thoughts are quite clear

* Marx, *Theories of Surplus Value*, Vol. II, p. 533.

† *op. cit.*, Vol. III, p. 137 [Kautsky edn.].

here: the overcoming of anarchy, i.e. planning, is not *opposed* to the liquidation of the contradiction between production and consumption as a *particular* factor; it is portrayed as containing this liquidation. In Rosa Luxemburg, however, we find – as can be seen from the passage cited above dealing with the models in the second volume of *Capital* – a ‘lack of proportionality in production, i.e. of social control over the process of production’ on the one hand, and ‘the deep and fundamental contradiction between the ability of capitalist society to produce and its ability to consume’ on the other. And Rosa Luxemburg claims that the models in the second volume admitted crises but due exclusively to lack of proportionality in production, i.e. to lack of social control over the process of production. Rosa Luxemburg directly *opposes* another factor to this one. As we have seen, her thoughts are formulated precisely. Following the sentence cited, she writes: ‘*On the other hand*, it (the model in the second volume, N. B.) excludes the deep and fundamental contradiction . . .’ etc. There can be no *more exact* formulation, no clearer expression, of a blatantly *incorrect* position.

It follows from Rosa Luxemburg’s viewpoint that crises will also occur in a planned economy, given the existence of ‘under-consumption of the masses’. In other words, according to Rosa Luxemburg, crises are obligatory for our hypothetical state-capitalist society. We, on the other hand, have demonstrated that there can be no crises.* But that is not so difficult to understand. In fact, where is the planlessness of the economy, its anarchy, expressed? In the fact that there is no proportionality between the individual *branches* of production and the scale of production and the scale of *personal* consumption. This is precisely why Marx speaks about the proportioned application of capital (1) ‘in the various spheres of production’, and (2) ‘according to its [society’s, Trans.] needs’. *Both* factors belong to the concept of the proportionality of social production. Or, to express it in more popular terms: let us assume that we had a complete proportionality in every branch of production, in the sense of their unilateral connexion in one direction: from means of production to means of

* The intelligent reader will not, of course, have forgotten that we are dealing with abstract ‘ideal types’ of social formations, and not with empirically given social orders.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

consumption. Let the entire social production be represented by the series: coal, iron, machines, cloth, so that the production of coal would correspond exactly to the amount which could be consumed by the production of iron, as much iron as would be needed by the production of machines, and so on through the entire chain of branches of production. Would we then have a guarantee against the occurrence of a crisis? No. For it can happen that more cloth is produced than is used and, as a result, also more machines, iron and coal than is necessary. In other words: *the disproportionality of the entire social production consists, not only in the disproportionality between the branches of production, but also in the disproportionality between production and personal consumption.* Or, to use Lenin's words:

... 'The consumer power of society' and the 'proportional relation of the various branches of production' – these are not conditions that are isolated, independent of, and unconnected with, each other. On the contrary, a definite condition of consumption is one of the elements of proportionality. In actual fact, the analysis of realization showed that the formation of a home market for capitalism owes less to articles of consumption than to means of production. From this it follows that Dept I of social production (the production of means of production) can and must develop more rapidly than Dept II (the production of articles of consumption). Obviously, it does not follow from this that the production of means of production can develop *in complete independence* of the production of articles of consumption and *outside of all connexion with it.**

Let us look at the same question from a somewhat different angle. We assumed a proportionality among the various branches of production, in *one* direction, from coal to cloth, as we expressed it. However, the opposite direction, from cloth to coal, is of equal importance for the course of social reproduction. Even cloth wants to be *sold*, so that it can be replaced by a machine, etc. Let us once again present the formula for social reproduction: when the entire social production is divided into two, i.e. divided into the production of means of production and the production of means of consumption, the concrete-material parts of the product

* V. I. Lenin, 'A Note on the Question of the Market Theory', *Collected Works* (Foreign Language Printing House, Moscow), Vol. 4, pp. 58-9 (emphasis in original).

must *mutually exchange places* in a specific relationship. But the proceedings are not limited to the mere migration of products from the upper floor (production of means of production) to the lower (production of means of consumption). Rather, there must also be a migration from the lower floor to the upper one, and moreover, in a specific and strictly defined relationship.

Here, we must mention our formulae once again:

$$\begin{array}{l} \text{I} \quad \boxed{c_1 + v_1 + \alpha_1} + \beta_{1c} + \boxed{\beta_{1v}} \\ \text{II} \quad \boxed{c_2} + v_2 + \alpha_2 + \boxed{\beta_{2c}} + \beta_{2v} \end{array}$$

From this, as we know, follows the basic condition of the process of reproduction, which is expressed in the equation:

$$c_2 + \beta_{2c} = v_1 + \alpha_1 + \beta_{1v}$$

or, which amounts to the same thing:

$$v_1 + \beta_{1v} = c_2 + \beta_{2c} - \alpha_1$$

Thus, if $c_2 + \beta_{2c} - \alpha_1 > v_1 + \beta_{1v}$, in other words, will be greater than the future variable capital in the production of means of production, we are dealing with an over-production of means of consumption. However, the entire mechanism of reproduction also has another side to it, which is much more directly related to the problem before us. It is this: we have seen from the analysis of social reproduction that the replacement of the concrete-material elements takes place in various ways. Means of production take their places by means of acts of exchange *between the capitalists*. Means of consumption, on the other hand, in as much as they represent an element of the variable capital, are directed to their places through acts of the purchase of labour-power by the capitalists and the purchase of means of consumption *by the workers*. Reproduction is impossible without this. Reproduction is inconceivable in the absence of those acts in which the worker sells his labour-power and buys means of consumption. The models in the second volume of *Capital* do not exclude these acts of purchase (as may seem to be the case if one pays attention to Rosa Luxemburg's explanations); on the contrary, they explicitly *presuppose* them.

Therefore:

Firstly, a correct proportion between the workers' means of

consumption and the other parts of the total social product is an essential requirement for the smooth running of social reproduction.

Secondly, the amount of the value of the entire labour power, or the sum of the wages paid to all workers, including the additional workers of the new productive cycle, must be equal to the value of the workers' means of consumption. Let us give this amount the symbol V ; we then receive:

$$V = (v_1 + \beta_{1v}) + (v_2 + \beta_{2v})$$

This equality, however, is not a reflection of a pre-established harmony. This harmony does not exist in reality, due to the contradictory tendencies of capitalism (the tendency to increase production, but decrease wages), which arise spontaneously. Thus, the dynamic of capitalism leads to:

$$V < (v_1 + \beta_{1v}) + (v_2 + \beta_{2v})$$

in other words, to a disproportionality between production and consumption. It is obvious that, in the production of means of production, for instance, the level of the wage is not determined by a calculation of the values which will be produced in the production of means of consumption for the workers. Similarly, the extent of this production is determined by the level of demand, which simply cannot be calculated. Consequently, one should not differentiate between the disproportionality of the masses' production and consumption, and the *general disproportionality of the process of production*.

It must be noted here that this conclusion becomes much more important if one visualizes the entire mechanism of the process of reproduction in its totality.

Apologetic economists denied crises, amongst other things, on account of a 'metaphysical equilibrium between buyers and sellers', consumers and producers. Marx comments:

Thus nothing is more absurd as a means of denying crises than the assertion that the consumers (buyers) and producers (sellers) are identical in capitalist production. They are entirely different categories. In so far as the reproduction process takes place, this identity can be asserted only for one out of 3,000 producers, namely the capitalist. On the other hand, it is equally wrong to say that the consumers are

producers. The landlord does not produce (rent), and yet he consumes. The same applies to all monied interests.*

In other words, Marx is indicating the *special* role of the *worker* in the circulation process. The workers do not buy means of production, although they consume them productively, for they do not consume them for themselves. *The workers sell a commodity, but not the one which they produce in the factories.* What has all this to do with reproduction?

Firstly, we must be aware that capitalist circulation differs from simple commodity circulation in that, amongst other things, *labour-power*, containing use value and exchange value, figures in the commodities circulating on the market. But that means that, seen socially, i.e. from the point of view of social reproduction as a whole, labour-power is produced *as a commodity* in capitalist society.

On the other hand, we know that the 'real' form of capital, its productive form, seen from the concrete-material point of view, not from that of its value, represents a relation of means of production with *living labour-power*, not, however, with means of consumption. In this respect, means of consumption appear, to a certain extent, as a mediating link. In their natural state they cannot form a component part of functioning productive capital; their value must inevitably be converted into the value of labour-power, whose natural form corresponds to the natural form of means of production. Thus, means of production and *labour-power* are the forms of productive capital. At the same time, this corresponds, in the circulation process, to the movement of labour-power on the *commodity market*. But what does it correspond to in the sphere of production of the given commodity? We have seen that the production of means of consumption for the workers is the *indirect* production of labour-power or, to be more exact, the precondition of this production. It is, however, the *process of personal consumption* which constitutes the *direct* process of the production of labour-power. Seen from the social point of view, the process of the working class's consumption is *the process of the production* of labour-power. It follows without further ado that the disproportionality between production and consumption also represents a disproportionality of production

* *Theories of Surplus Value*, Vol. II, p. 519.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

in a more direct and exact form, namely, in the form of a disproportionality *between the production of means of consumption and the production of labour-power.*

When analysing crises, one does not normally take the time to examine the fact that labour-power is also a commodity. And this despite the fact that, as we have already explained, we are dealing with a specific characteristic of *capitalist* exchange and the *capitalist* mode of production. Once labour-power has entered into commodity circulation, the contradictions inherent in commodity production must also appear here in a complicated form. The contradiction between the use value of the commodity and its exchange value appears here in the shape of the contradiction between the production of surplus value, which strives for boundless expansion, and the limited purchasing power of the masses, who are realizing the value of their labour-power. This contradiction finds its solution in crises.

Let us now return to the main thread of the argument. At the end of the theoretical part of his treatise on crises, Mr Tugan-Baranovsky writes:

If production were organized according to a plan, the market would possess a complete *knowledge* of demand, and the *power* to make a proportioned division of production, to transfer labour and capital freely from one branch of industry to another, and thus the supply of commodities could never exceed demand, however much consumption might fall.*

This statement is absolutely correct, although one must criticize the terminology ('market', 'commodity', etc., in organized production). It is unfortunate for Tugan-Baranovsky that this correct statement stands in complete contradiction to his entire theory. It would appear to be useful to analyse him critically, since such an analysis will allow a still more specific conception of the solution to the problem.

According to Tugan-Baranovsky, *knowledge of demand* belongs to the concept of planned production. What does this mean?

Demand is by no means a simple concept. It covers demand for coal, demand for machines, demand for iron, etc., in a word, demand for *means of production*. It also includes demand for

* *Periodic Industrial Crisis*, pp. 281-2.

bread, demand for textiles, demand for *means of consumption*. To the extent that we are dealing with an antagonistic (class) social order, 'knowledge of demand' presupposes not only knowledge of the demand for means of production, but also knowledge of consumer demand from workers and capitalists. There will be no crisis. Amongst other reasons, it will not take place because the mutual *dependence of production and consumption* is known and given; thus, there takes place precisely what Tugan-Baranovsky denies theoretically, once this learned man constructs a market theory with the aid of ill-digested fragments of Marx's analysis. Tugan's error, however, illuminates the statement that the 'level of consumption' is an element in the proportionality of products even more brilliantly. In fact, let us take a somewhat closer look at the structure of the mutual relation of the various branches of production.

Below a series of branches of production, the production of 'provisions, clothing and housing' stands closest to consumption. Each of these sub-divisions falls into a huge number of further independent branches of production. Related to this series of branches of production, there is a series of means of production industries, which fall, horizontally and vertically, into countless branches of production, according both to their relation in the manufacture of their products to various means of consumption, and also to the mutual connexions of the means of production. Tugan-Baranovsky reaches the paradoxical conclusion that 'production is independent of consumption', but only because he analyses the connexion in only one sphere: in the sphere of the mutual connexions of the various industries in the area of the production of means of production. Firstly, he overlooks the proportions between the production of means of production and the production of means of consumption (we have already dealt with that); secondly, he completely avoids the question of the *proportions between the various branches of production in the production of means of consumption*, which seems particularly strange from an adherent of the marginal utility theory. When all these connexions are taken into consideration, the following result seems entirely plausible:

A change in consumer demand will inevitably change (1) the proportions between the individual branches of production in the

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

production of means of consumption, and (2) as a result of the connexion between the two fundamental branches of social production, the proportions between the various branches of production in the production of means of production. In other words, a change in the consumer budget of society inevitably leads to a restructuring among the different spheres of social labour. The fact that this change is caused by a change in production does not alter the matter itself.

That proves that the 'element of consumption' is not an independent factor (an error committed by Tugan and Rosa Luxemburg, even though they both arrive at diametrically opposite conclusions), but one element of the total proportionality or disproportionality of social production.

After what we have already said, it is no longer difficult to expose the methodological roots of Rosa Luxemburg's error. The organism of capitalist production is a 'unity of contradictions'. The apologists only see the unity. 'Thus the apologists', wrote Marx, 'consist in the falsification of the simplest economic relations, and particularly in clinging to the concept of unity in the face of contradiction.'*

In another place Marx gives a splendid summary of these apologetic exercises, again in connexion with the theory of crises. He writes:

Sale and purchase are separate (in reality, N. B.), commodity from money, use value from exchange value. But it is assumed (by bourgeois scholars, N. B.) that this division does not take place but exchange trade. Consumption and production are separate; there are producers who do not consume as much as they produce, and there are consumers who do not produce. But it is assumed that production and consumption are identical. The capitalist produces directly to increase his profit for the sake of the exchange value, not for consumption. It is assumed that he produces directly and exclusively for pleasure. Assuming that the existing contradictions of bourgeois production – which indeed balance out, a process of adjustment which appears at the same time as crisis, forced composition of the factors, divided, indifferent towards each other, yet belonging together – so these contradictions cannot be exploited. In every branch of industry every individual capitalist

* *Theories of Surplus Value*, Vol. II, p. 500.

NIKOLAI BUKHARIN

produces in relation to his capital, regardless of the needs of society. . . . It is assumed that he produces as if he produced by order of society.*

Comrade Rosa Luxemburg very clearly sees this mistake of the apologists. But there are other mistakes. Not only the contradictions, but also the unity, has to be seen. This unity is fully manifested during the crises, while according to Rosa Luxemburg this unity is altogether impossible. In other words: Rosa Luxemburg seeks for superficial, formally logical contradictions in capitalism, which are not dynamic, do not adjust to each other, are not elements of a contradictory unity, but patently deny this unity. But in reality we find dialectic contradictions of a whole, periodically adjusting to each other, constantly reproducing, to blow up the entire capitalist system at a certain stage of development, i.e. destroying the previous unity with the system itself.

* *op. cit.*, Vol. III, p. 140, footnote.

4. THE ECONOMIC ROOTS OF IMPERIALISM

So far, our critique has shown that Comrade Luxemburg was wrong in every stage of her analysis of the process of reproduction; not only in her treatment of the abstract preconditions (i.e. the process of extended reproduction abstracted from the money factor) but also in her successive concretization of the problem (even under the conditions of an abstract capitalist society in general), i.e. taking into account the money factor and the analysis of crises. We thus have to turn to an even more concrete investigation, i.e. go beyond the frame of an abstract capitalist society and illuminate the problem of the relation of the economic circle of capitalism to its non-capitalist periphery. Yet first we have to pay attention to the methodological deductions which Rosa Luxemburg arrived at as a result of her assertions. The analysis of these 'deductions' will simplify the question we have just indicated. We give the floor to Rosa Luxemburg:

There is no doubt that the explanation for the economic roots of imperialism must be deduced from the laws of capital accumulation, since, according to common empirical knowledge, imperialism as a whole is nothing but a specific method of accumulation. But how is that possible, if one does not question (!) Marx's assumptions in the second volume of *Capital* which are constructed for a society in which capitalist production is the only form, where the entire population consists solely of capitalists and wage labourers?

However one defines the inner economic mechanisms of imperialism, one thing is obvious and common knowledge; the expansion of the rule of capital from the old capitalist countries to new areas, and the economic and political competition of those countries for the new parts of the world. But Marx assumes, as we have seen in the second volume of *Capital*, that the whole world is one capitalist nation, that all other forms of economy and society have already disappeared. How can one explain imperialism in a society where there is no longer any space for it?

It was at this point I believed I had to start my critique (i.e. not on the question, but on Marx, N. B.). The theoretical assumption of a

society of capitalists and workers only – which is legitimate for certain aims of investigation (as in the first volume of *Capital*, the analysis of individual capital and its practice of exploitations in the factory) – *does not seem adequate when we deal with the accumulation of gross social capital.* (My emphasis, N. B.) As this represents the real historical process of capitalist development, it seems impossible to me to understand it if one abstracts it from all (?! N. B.) conditions of historical reality. Capital accumulation as the historical process develops in an environment of various pre-capitalist formations, in a constant political struggle and in reciprocal economic relations. How can one capture this process in a bloodless theoretical fiction, which declares this whole context, the struggle and the relations to be non-existent.*

This quotation, as one can see, represents on the one hand a certain theoretical résumé, on the other hand it gives the key to unlock further problems; it shows much more moral indignation than logical persuasive power. We could well say that we are faced here with an example of a certain basic lack of understanding of Marx's abstract theoretical method – its meaning, its limitations and (at the same time) its correctness. However, a closer analysis of this point *now* will enable us to understand more easily some of her subsequent arguments. Thus let us investigate the sentences quoted from Rosa Luxemburg.

First. To start with, Rosa Luxemburg's assumption, according to which in the first volume of *Capital* the 'individual capital' (!), i.e. the individual unit of capital, the individual factory and the individual capitalist, is analysed, is wrong. In Marx we find nothing of that sort. In as far as he does use such *examples*, the capitalist appears as the incarnation of capital. Essentially, the objective 'social' method of looking at economic phenomena is no less characteristic for the first volume than for all the other volumes of *Capital*. The first volume deals with the production of *social capital*, the second with the *circulation* of the social capital, the third with the 'total process', i.e. the total movement of the *social capital*.

Second. It follows from that that the distinction of methods of investigation, as recommended by Rosa Luxemburg, is totally unacceptable. Indeed, Rosa Luxemburg herself puts the question of *reproduction* at the centre. But once this question is raised, the

* Luxemburg, *Anti-Critique*, pp. 61–2.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

question of *production* is raised as well, for reproduction beyond or without production is absurd. If the process of accumulation, and consequently the process of extended reproduction, cannot be analysed outside the context of the non-capitalist milieu, it is ridiculous to believe that one could leave this context out of consideration when analysing the process of the production of capital. The 'total process' would look nice, if out of the process of production the entire non-capitalist economic sphere would be eliminated, while in the process of circulation values are taken into account which originate from just this sphere. Such a detachment of production from circulation radically contradicts the concept of reproduction.

Third. The above is confirmed by further conclusions from the author of the *Accumulation*. Accumulation, she says, is a real historical process and one should not abstract from all the historical conditions of this process. But nobody suggests abstracting from all the historical conditions. To leave all historical conditions out of consideration means also to abstract from the capitalist mode of production, as is actually done by the bourgeois political economists. But it is another matter to abstract from the non-capitalist 'third persons'. Let us suppose that the capitalist textile industry sells its goods to small producers. If these small producers buy, they have to sell. Let us assume further that they sell cotton, i.e. raw material for the textile industry. Does it not seem obvious, then, that if we are not allowed to abstract from the small producers, as Rosa Luxemburg suggests, then we are not allowed to use this abstraction in the investigation of production? If one has to sell woven cloth to the small producers in the 'real process', one also has to buy cotton from them in order to produce woven cloth. So either one must not abstract from the 'third persons', in which case neither must one do it in the analysis of capital production, or one is allowed to, in which case one can also do it in the analysis of the process of accumulation. The dualism of the method leads to an absurdity, as we have shown.

Fourth. Such an abstraction is totally justified. Of course, not only does capitalist accumulation detached from production take place in the midst of a non-capitalist milieu, but the whole mechanism of capitalist production is constantly and in many different ways concretely linked to the non-capitalist milieu. Yet

this is by no means an argument against such an abstraction.* One has to know that the abstract theory is a 'key' to the knowledge of reality and one has to know how to handle it. 'In reality' we see that value and price are never equal, supply and demand are not congruent, the working class does not receive the full value of its labour-power, etc., etc. Nevertheless, the abstraction of the theory allows us to move closer to the solution of the most concrete problems, as long as those using these abstractions are conscious of the fact, that between the abstractions and their applications to empirical reality there are a whole lot of logical steps, which under no circumstances may be omitted.

Fifth. What has just been said already contains the answer to the 'tricky' question raised with several variations by Rosa Luxemburg, as to how one can explain colonial robbery in a society in which there is no room for colonies. In other words: how can one explain things which are excluded *a priori* from an analysis? Such an undertaking equals the attempt to answer the well-known 'philosophical' question of the smell of the 'unsmelled' rose.

Is the argumentation of our critic convincing in this point at least? Not in the slightest.

Indeed, to explain the mutual relation between capitalist and non-capitalist milieu, one has of course to include this non-capitalist milieu in the investigation. Marx did not raise this problem in *Capital*. To find a solution we have to move even closer to the concrete. Any analysis of the relation between the capitalist world and the 'third persons' has to be more concrete than the theoretical constructions of *Capital*.

That again does not at all contradict the statement that the abstract theory of Marx also indicates a solution to this problem. (We will see later on how he does this.) Furthermore, it is no argument in favour of the dependability of an explanation of concrete reality and the constant empirical co-existence of capitalists and 'third persons', nor of capitalist expansion with the aid

* Mentioned as an aside, Rosa Luxemburg claims in her *Anti-Critique* that Marx never deals with an 'isolated' capitalist society, but indicates the real tendency of capitalism towards universal rule. This confrontation is logically inadmissible. Also the statement that Marx never deals with an 'isolated society' is factually wrong. We remind ourselves of the following: 'To simplify the question, we abstract from external trade and investigate a secluded nation' (*Theories of Surplus Value*, Vol. II, p. 244).

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

of incorrect *theoretical arguments*, like the statement of the impossibility of accumulation without the existence of a non-capitalist milieu.

Here we get to the heart of the matter. But first Comrade Luxemburg has an unexpected surprise for us. She claims that if one refuses her theory of the impossibility of accumulation in a pure capitalist sphere, one is not allowed to talk about *any* relation between capitalism and third persons whatsoever. This she documents by using the not all that appropriate form of observations on foreign trade (not appropriate, we mean, since the term foreign trade does not necessarily indicate a difference in the mode of production).

Comrade Rosa Luxemburg writes:

A picture of reproduction like the above (she is talking about Bulgakov, N. B.) in fact has no room for foreign commerce. If capitalism forms a 'closed circle' in every country from the very beginning (!? N. B.), if, chasing its tail like a puppy and in complete 'self sufficiency', it is able of itself to create an unlimited market for its products and can spur itself on to ever greater expansion, then every capitalist country as such must also be a closed and self-sufficient economic whole. In but a single aspect would foreign commerce appear reasonable: to compensate by imports from abroad for certain deficiencies due to the soil and the climate, i.e. the import of raw materials or food-stuffs from sheer necessity. . . . International traffic of commodities does not here seem to flow from the character of the mode of production but from the natural conditions of the countries concerned. This theory at any rate has not been borrowed from Marx but from the economic experts of the German bourgeoisie.*

If one accordingly leaves the *natural condition of the international division of labour* out of consideration (how can that happen without sinning against the Holy Ghost of the 'concrete historical process'?) the 'external trade' (better: exchange with the non-

* Luxemburg, *Accumulation*, pp. 234-5. Footnote: as far as the last sentence is concerned, which contains an incorrect confrontation, we have to mention the following by Marx: 'Different communities find different means of production and different means of subsistence in their natural environment. Their way of production, way of living and products are thus different. It is this natural difference which causes the exchange of the products . . .' (*Capital*, Vol. I, p. 316).

capitalist milieu) remains inexplicable. This is a thesis of Rosa Luxemburg. This thesis is meant to have destructive force. But as is commonly known, nothing is eaten as hot as it is cooked. Let us investigate Rosa Luxemburg's 'crushing' proof. First, we again have to remove the confusion created by the author of the *Accumulation* because of her inability to adopt a correct attitude towards the methodological question of the relation between the abstract theoretical and the concrete historical. An 'isolated', 'abstract', 'purely capitalist' society has never and nowhere existed and could nowhere exist – everyone knows that. Therefore, when Rosa Luxemburg writes: 'When capitalism forms this "closed cycle" in every country at the very beginning of its development', etc. – then she completely misses the point, as nobody claimed that capitalism has anywhere, or even in 'every country' and especially 'at the very beginning of its development', fried in its own fat, practised celibacy and had no sinful intercourse with non-capitalist producers. On the contrary, it has *everywhere* and *all the time* extended its influence into the non-capitalist periphery, has constantly raped them for its greater glory.

What is all the fuss about? Why introduce all these 'ifs', which have no value, as everyone sees? But what is the real cause of capitalist expansion?

Firstly, it lies in the difficulties which result, if not from an absolute and constant over-production, then nonetheless from crises, including all their consequences.

Secondly (incomparably more important, as it is a permanent factor), it rests in the possibility of acquiring a larger profit from the outside.

As regards the first cause, it hardly needs lengthy explanations. If we have for instance a temporary over-production (crisis) with the simultaneous existence of an 'additional' market, the stream of commodities will of course rush to the latter, an additional expansion of the market will follow on the basis of new economic contexts, etc. Obviously, this will not in the least shake the thesis of the possibility of accumulation in a purely capitalist society. If there was no additional market, that fact alone could not destroy the foundations of the existence of capitalism. The same would still be quite 'conceivable'. But if such a market exists, the

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

concrete development necessarily leads towards the least resistance; without that it is quite inconceivable.

As far as the second cause is concerned, things here are already more complicated, and so we are forced to investigate this question more closely – although Marx has already dealt with it explicitly. One wonders at Rosa Luxemburg overlooking that.

Say, in his annotations to Ricardo's translation by Constancio, makes only one correct statement on *foreign commerce*. Profit can only be made through swindle, the one wins, while the other loses. Loss and profit balance out within *one* country, but not among different countries. And even looking at Ricardo's theory – Say does not realize – (from the point of view of this theory, N. B.) three work days of one country can be exchanged for one of another. The law of value is here essentially modified. Or, as within one country qualified complicated labour relates to unqualified simple labour, thus could the work days of different countries relate. *In this case the richer country exploits the poorer*, even if the latter gains through the exchange, as John Stuart Mill too has laid out in *Some Unsettled Question*, etc.*

So, even when the 'poorer' country gains from the exchange, the 'richer' country has a surplus profit.

Marx formulates the same idea even more accurately in *Capital*:

Capitals invested in *foreign trade* can yield a *higher rate of profit*, because in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries. In so far as the labour of the more advanced country is here realized as labour of a higher specific weight, the rate of profit rises, because labour which has not been paid as being of a higher quality is sold as such. The same may obtain in relation to the country to which commodities are exported and to that from which commodities are imported; namely, the latter may offer more materialized labour *in kind* than it receives, and yet thereby receive commodities cheaper than it could produce them. Just as a manufacturer who employs a new invention before it becomes generally used under-sells his competitors and yet sells his commodity above its individual value, that is, realizes the specifically higher productiveness of the labour he employs as surplus-labour. *He thus secures a surplus-profit*. As

* *Theories of Surplus Value*, Vol. III, pp. 279–80. (My emphasis in last sentence, N. B.)

concerns capitals invested in colonies, etc., on the other hand, they may yield higher rates of profit for the simple reason that the rate of profit *is higher* there due to backward development, *and likewise the exploitation of labour, because of the use of slaves, coolies, etc.* Why should these higher rates of profit, realized by capitals invested in certain lines and sent home by them, not enter into the equalization of the general rate of profit and thus tend, *pro tanto*, to raise it, unless it is the monopolies that stand in the way?*

Finally, to quote a passage which is also mentioned by Rosa Luxemburg where, strangely enough, she does not realize that this quote radically contradicts her theory. Yet in this case it is not about commodities, but capital, not about the export of commodities, but of capital. But as we have already shown in the case of the analysis of reproduction, this difference is immaterial, especially from the standpoint of the question before us. (It is material from other points of view, but that is not important at the moment.)

What does Marx say about export of capital:

‘If capital is sent abroad, this is not done because it absolutely could not be applied at home, but *because it can be employed at a higher rate of profit* in a foreign country.’†

Consequently: (1) if it is an occasional exchange trade capital gains a *surplus profit*, using all means, including deceit, violence and robbery; (2) if foreign exchange becomes a regular occurrence, the country with a *higher* structure inevitably gains a *surplus profit* [because of the productivity differential, Ed.]; (3) if capital is exported, that too happens in order to gain *additional profit*.

One has to wonder that Comrade Rosa Luxemburg, having so accurately posed the problem of profit as a specific category of capitalist society, remains deaf and blind towards this problem at other places in her work, and especially there where that problem should have been *stressed*. Has not the saying – profit, profit and profit again form the ‘goal’ and ‘driving force’ of capitalism – become a commonplace? How can one then *neglect* the question of the amount of profit when analysing the movement of commodities and capital from one country to another?

* *ibid.*, pp. 232–3.

† *ibid.*, p. 251. (Also quoted in my work, *World Economy and Imperialism* where this question is dealt with explicitly, N. B.)

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

We see that the strict critic of Marx in this question has overlooked one of Marx's most essential sentences. Therefore Rosa Luxemburg claims wrongly to have solved the problem according to the spirit of Marx's system. This is just not true. Her solution contradicts the 'letter' as well as the 'spirit' of Marx's teaching. In this point, she has – quite unnoticed by herself – slipped down to the petty-bourgeois conception of the populists.

Here we face one of the most important and interesting general questions, which is essential from the point of view of judging Rosa Luxemburg's theory.

The reader will have noticed how strangely Rosa Luxemburg formulates the question of the economic roots of capital expansion. As she overlooks the factor of the search for *larger profits*, she reduces everything to the bare formula of the *possibility of realization*. Why does capital need a non-capitalist milieu? To realize the surplus value that cannot be realized within the capitalist economic sphere. In this way, the problem of realization is separated from the problem of larger profits, thus from the question of the *exploitation* of non-capitalist economic forms. A strange theoretical contradiction: Rosa Luxemburg, wanting to be ultra-revolutionary and giving indeed a brilliant and masterful description of colonial exploitation, offers a theory that, as far as the theoretical nucleus of the matter is concerned, obscures and weakens capitalist reality. Comrade Luxemburg describes this reality excellently. She composes an extremely lucid picture of the merciless destruction of the 'third persons' to add to the glory of capitalist civilization. She sums up this side of accumulation with the following words:

Its predominant methods are colonial policy, an international loan system – a policy of spheres of interest – and war. Force, fraud, oppression, looting are openly displayed without any attempt at concealment, and it requires an effort to discover within this tangle of political violence and contests of power the stern laws of the economic process.*

Splendid! What a pity, though, that Comrade Rosa Luxemburg does not search for the 'stern laws of the economic process' where they can be found.

Indeed, which *basic* tendency do we assume for the exchange

* Luxemburg, *Accumulation* [p. 452, London edn.].

relationship between capitalist and non-capitalist sphere, if we come down from the 'heights' of the abstraction of *Capital* and incorporate the 'third persons' in our analysis? There can only be one answer: the tendency to absorb non-capitalist spheres, to make them disappear.

What is this process *linked to*? Of course, to the *exploitation* of these forms by capital. This exploitation again is connected with *gaining increased profits* – that is the 'soul' and the 'driving force' of capitalist economy. Increased profit, exploitation, destruction and decay form the links of the real relation between the capitalist sphere and the non-capitalist milieu, in so far as we wish to stress the basic, essential and common mechanism of this relation. In this reside 'the stern laws of the economic process'.

And for Rosa Luxemburg?

Well, there the 'stern laws' – unfortunately – do not fit the stormy and powerful reality. Instead of stressing *the exploitation, the surplus profit et al.*, Rosa Luxemburg stresses the bare formula of *realization*. Of course, additional profit is impossible without realization. The gaining of extra profit means realization. Yet the essential economic fact is that we are not faced with *any* realization, but the realization of *extra profit*. That is the specific point of the phenomenon of capital expansion. Whoever does not understand this, will – whether he wants to or not – gloss over the faults of reality. He will therefore not be able to explain the real *facts*, however much he may stress them while describing the matter. Rosa Luxemburg exhibits such a paradox.

Let us take a closer look at the matter.

How does the author of the *Accumulation* describe the mechanisms of the exchange relation between capitalist and non-capitalist milieu? As follows: the capitalists are not able to realize the surplus value, which is to be accumulated within the capitalist sphere, since it cannot be bought by either the workers or the capitalists. This part of the value is sold to the 'third persons'. The capitalists deliver means of production and consumption, receive money and use it to buy raw materials from the 'third persons'. So the capitalists can accumulate and produce, the 'third persons' can produce. They have exchanged equivalents. The realization, i.e. the conversion of a natural material form of a certain amount of value, has taken place. What happens now? The same again –

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

to our surprise. The capitalists, with the help of the workers, produce an even bigger surplus value. But also the 'third persons', receiving an equivalent, can extend their production and increase demand. They have voluntarily once again fulfilled their duty to capitalism. Both sides are quite content now. 'The wolves have eaten, the sheep are unhurt.' Realizers and 'third persons' both feel quite well. So the same perpetuates, *an extremely peaceful game*, i.e. a very strange exchange of mutual 'services', quite in accordance with the apostles of harmony like Bastiat & Co.*: the capitalist renders a 'service' to the other side by delivering means of production and consumption, while the 'third persons' pay back equivalently by strongly supporting this slightly 'risky' business of realization. This idyllic 'roundabout' – to use one of Rosa Luxemburg's favourite expressions – keeps spinning around and around. This pleasant picture nevertheless inspires neither anger nor doubt in the learned critic of Marx formulae.†

The following example may show what sort of a net of contradictions Rosa Luxemburg entangled herself in concerning Marx's theory and the 'real historical process'.

As is commonly known, capital was already conducting ravening colonial policies at a very early stage of its development. It had any amount of 'third persons' at its disposal: peasants, small craftsmen, etc. What need was there to wander to distant lands? Rosa Luxemburg herself rejects the natural 'reason' (overseas products of a different nature, etc.). Or perhaps for realization? But they had a whole ocean of third persons at their disposal at home. Once again: what drives those odd capitalist madcaps to foreign countries? Resting on the ground of her own theory, Rosa Luxemburg cannot possibly answer this question.

So foreign trade remains inexplicable, not from the standpoint of Marx and his orthodox pupils, but *from the point of view of Rosa Luxemburg*.

The author of the *Accumulation* makes similar mistakes on a

* Frederic Bastiat (1801–51). French political economist, born at Bayonne. Wrote various works against protectionism, and was considered to be the foremost spokesman of free trade in his lifetime. Also wrote anti-socialist works.]

† This question is dealt with in the extremely interesting and well written article by Comrade Kritzman, 'On Accumulation of Capital and Third Persons', *Wjestnik Sozialisticheskoi Akademii*, 5, Moscow, 1923 (in Russian).

different subject. We have already seen how the question of markets and driving forces urging for additional markets is incorrectly posed, just as she poses the question of the *labour markets* incorrectly.

Everyone knows the fact, the 'gross' empirical fact of the hunt for colonial labour power. What is this hunt based on? Why does capital want 'yellow labour'? Perhaps it is lacking in other labour power or could not exist without additional colonial labour, as the one 'at home' does not suffice?

Not at all! The reason is simply that in hunting for maximum profits it looks for *cheaper* labour and, at the same time, the *highest rate of exploitation*. *This difference in the remuneration of labour, which is functionally related to profit, is the true reason for the hunt.*

Rosa Luxemburg sees that quite differently. Let us give her the word once more, so that we can prove later on how dangerous it is for anyone who wants to stay a revolutionary in the field of theory to 'criticize' Marx:

Hitherto we have considered accumulation solely with regard to surplus value and constant capital. The third element of accumulation is variable capital which increases with progressive accumulation. . . . One of the fundamental conditions of accumulation is therefore to supply a living labour. . . . This supply can be increased under favourable conditions – but only up to a certain point – by longer hours and more intensive work. Both these methods of increasing supply, however, do not enlarge the variable capital or do so only to a small extent (e.g. payment for overtime). Moreover, they are confined to definite and rather narrow limits which they cannot exceed owing to both natural and social causes. The increasing growth of variable capital which accompanies accumulation must therefore become manifest in ever greater numbers of employed labour. Where can this additional labour be found?*

After raising this question and examining Marx's solution (Marx was envisaging an abstract solution here, too), Rosa Luxemburg arrives at the result that this solution was obviously unsatisfactory. . . .

If natural propagation (of the working class) were the only foundation for the development of capital, accumulation, in its periodical swings

* Luxemburg, *Accumulation* [pp. 359–60, London edn.].

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

from overstrain to exhaustion, could not continue, nor could the productive sphere expand by leaps and bounds, and accumulation itself would become impossible.*

Marx . . . ignores, however . . . the very process . . . of incessant transition from non-capitalist to capitalist conditions of a labour power that is cast off by pre-capitalist, not capitalist modes of production in their progressive breakdown and disintegration. Besides the decay of European peasants and artisans we must here also mention the disintegration of the most varied primitive forms of production and of social organizations in non-European countries.

Since capitalist production . . . can no more confine itself to the natural resources and productive forces of the temperate zone that it can manage with white labour alone.†

. . . capitalist production cannot manage without labour-power from other social organizations.‡

These observations, coy at first sight, conclude in reality in a denial of the most essential points of Marx's economic theory and unavoidably end up in opportunistic conclusions.

Let us try once more to clear this mass of contradictions contained in the quotations.

First we have to point out a confusion that – by the way – is characteristic of Comrade Rosa Luxemburg's entire book. Here, too, she confuses the concrete with the abstract. Concretely, the mass of the additional labour force comes from the countryside, from the non-capitalist sphere of economy. But that really should be no reason for Rosa Luxemburg to borrow arguments from the bourgeois Franz Oppenheimer,§ who believed himself to be dealing the 'deadly blow' to the dragon Marx by pointing out this fact. The problem lies in the following: what relation exists between accumulation and labour force in an abstract capitalist society? Marx answers: as a result of the relatively faster growth of constant compared with variable capital, there develops necessarily a *reserve army*, that becomes either larger or smaller according to the fluctuations of the industrial situation. As the

* Luxemburg, *Accumulation* [p. 361].

† *ibid.* [p. 362].

‡ *ibid.* [p. 364].

[§ Franz Oppenheimer (1864–1943). German economist and sociologist. Began career in medical profession, receiving M.D. at Berlin University in 1885. Changed career later and studied at Keil. In 1919 became Professor of Economics at Frankfurt. Left Germany in 1933.]

mechanism of capitalism knows how to secure a market (even though without that sweet 'harmony'), so it can dispose of the masses of labour force by ensuring augmentation on the one hand and by forming the reserve army on the other.

Such is the situation in a 'purely' capitalist society. In *concrete* society, things are, of course, not as simple as that. The more important the specific weight of the 'non-capitalist' mode of economy, the more substantial the 'corrections' of this analysis have to be. It is accordingly pointless to try to refute Marx's theory by referring to the fact of introducing additional labour from the non-capitalist milieu.

Let us take a close look at another assertion, Rosa's main postulate. Basically, it leads to the statement that capitalism is *impossible* without the labour force from the non-capitalist sphere, and that accumulation is just as *impossible* without this labour force as realization is without the 'third persons'. The realizing 'third persons' receive theoretical support from the exploited *former* 'third persons', who after losing their quality as such have now become agents of capitalist production.

So, according to Marx, in a purely capitalist society a labour surplus (a reserve army) is unavoidable, so is the misery of the working class, and a contradiction between the masses' production and consumption, etc.

But, according to Rosa, not a *surplus*, but a *shortage of labour* is unavoidable. This shortage becomes so dominant that even accumulation itself becomes impossible.

We leave out the question about the extent to which accumulation becomes impossible under such circumstances, although it is of major interest.

The following has to be noticed: *if* a labour shortage *develops*, wages would obviously climb. The greater the 'shortage', the *higher* the wages. That would be very nice for the working class. But in such a case allow us this 'cunning' question: what happens to the theory of increasing misery? Or is even Bernstein correct when he asserts that it has long been redundant? And how about the contradiction between consumption and production? Can it be annihilated after having fulfilled its task (not very explicitly by the way) to support the theory of realization or wither away as being 'no longer relevant'?

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

Comrade Rosa Luxemburg is so naïve that she does not even realize that her thesis of the 'impossibility' of capitalism without non-capitalist labour *destroys the foundations of her own theory*, as this thesis denies the 'misery of the masses', without which one cannot take a single step. Still more. The thesis does not only destroy Rosa's own theory, it radically contradicts the foundations of the correct revolutionary theory of Marx. She prettifies capitalism with her theory. It *denies* the immanent tendencies of capitalism, expressed in the impoverishment of the masses, in the growing class contradictions, in the disproportionality of production and consumption, etc.

Rosa Luxemburg wanted to be more revolutionary in her theory than Marx. But our assertions have demonstrated that her critical attitude towards Marx has led her to give a *moderated* picture of capitalism. Exploitation was replaced by tame realization. The same is repeated in this case. Wishing to substantiate the 'terribly revolutionary' conclusion that capitalism will decay without a colonial labour force has put her unwillingly into opposition to the revolutionary theory of capitalist development.

Such is the revenge of Marx's teaching, which does not forgive critical attacks on its unity.

So far, we have looked mainly at the *question of capitalist expansion in general*, including its economic roots. Now it is time to examine the question of the economic roots of *imperialism*.

In the preface to her work Comrade Rosa Luxemburg expresses the expectation that the *Accumulation of Capital* should 'apart from a merely theoretical interest . . . also have some importance for the practical struggle against imperialism'. Comrade Luxemburg believes that her investigation is closely related to the question of imperialism. That, of course, is right. The intentions of the author, as well as her later role in the class struggle, are *unambiguous*. Nevertheless, her work contains no solution to *this* question. The specific traits of a specific, historically demarcated epoch disappear behind general observations on the expansion of capital (which are not even correct – as we have seen).

It is characteristic that Rosa Luxemburg does not mention the 'treatment of the cartels and trusts' in more than one little footnote [p. 457, London edn.].

Rosa Luxemburg not only offers no solution to this question, she does not even *pose* it correctly, and so reaches a number of incorrect theoretical conclusions. For instance, she defines *imperialism* as follows: 'Imperialism is the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment.'^{*}

Here we are faced with a whole pile of various mistakes, which are by no means accidental, but on the contrary, all follow along the same line. Firstly, capital has always fought for 'remains' (a more than unprecise term). Secondly, it follows from this definition that a fight for territories that have *already* become capitalist is not imperialism, which is utterly wrong. Thirdly, it follows from the same definition that a fight for already 'occupied' territories is not imperialism either. Again, this factor of the definition is utterly wrong. The whole definition suffers from the basic fault that it treats the problem without any regard to the necessity of a specific characterization of capital as *finance capital*. Trade capitalism and mercantilism, industrial capitalism and liberalism, finance capital and imperialism – all these phases of capitalist development disappear or dissolve into 'capitalism as such'. The specific matter of *finance capitalist* conditions of production disappears, the conditions of monopolistic production, held together by the banks, disappears. However, can the specific 'political expression' of capitalism be understood without understanding the specific form of this capitalism? After all, politics are nothing but the means to expand the existing conditions of production. It is just this that Rosa Luxemburg does not understand, distinguish or even notice. She prefers to talk about things 'in general', without regard to the real, concrete, historical *peculiarities* of our epoch, which as such need a special analysis.

Here is a striking example to illuminate the untenability of Luxemburg's conception of imperialism. We mean the occupation of the Ruhr territory by the French [1923–4].

From Rosa Luxemburg's point of view this is not imperialism, since (1) the 'remains' are missing; (2) there is no 'non-capitalist milieu'; and (3) the Ruhr territory already had an imperialist owner before the occupation. In short, *all* symptoms of Rosa Luxemburg's characterization fail to apply in the given case.

^{*} *op. cit.* [p. 446].

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

On the other hand, Portugal's trade wars, for example, fall into the category of imperialism, or Spanish policies in America immediately after its discovery. The criterion of *certain conditions of production* disappears, the only criterion that allows us to understand the peculiarities of a historical epoch. Now we ask: is there any connexion between the general postulates of Rosa Luxemburg's theory and her false definition of imperialism? We believe – certainly.

Indeed, why should one annex *capitalist* territories? It does not help the realization, only 'third persons', only non-capitalist 'producers' can help the realization, supporting capitalism in its difficult task of realization. The annexation of territories, ruled by foreign capital, seems perverse from this point of view.

Rosa Luxemburg stresses just the non-capitalist character of the objects of imperialist operation. So she writes on militarism: 'Militarism . . . plays a decisive part . . . (as) a weapon in the competitive struggle between capitalist countries for areas of non-capitalist civilization.'*

So: 'non-capitalist civilization'! Capitalist areas are simply eliminated – against all reason. This elimination is due to the fact that Rosa Luxemburg has misunderstood the problem of realization, instead of dealing with the level and amount of profit. Strangely enough, imperialism has been defined in the same way by no less a man than Karl Kautsky. According to Kautsky, imperialism is the fight for additional agrarian territory (in spite of the fact that Kautsky thinks of the agrarian countries mainly as suppliers of raw materials). Kautsky, as well as Rosa, is unable to understand that the struggle of the big *monopoly* capitalist organizations cannot be contented with this aim. The destructive effect of imperialist operations is not only extended to the servile 'third persons', but also to capitalist territories; yes, even to the foreign territories of finance capital. The struggle has changed from a mere fight for the distribution of the agrarian countries into a *division of the world*.

Thus we arrive at the result: Rosa Luxemburg is unable to explain the process of accumulation as such. The process resulting from the *relation* of capitalist to non-capitalist spheres remains unexplained, and this means that Rosa Luxemburg is unable to

* *op. cit.* [p. 454].

explain the expansion of capital properly. Even less can she explain the specific symptoms of imperialism.

Finally a brief sketch of the latter problem should be given. That means answering the following questions:

1. What conditions the expansion of capital and what are its economic roots?

2. How can the extreme sharpening of the competitive struggle among capitalist states be explained?

3. How can the specific form of the struggle (use of violence, wars) be explained?

Let us try to answer the questions briefly.

1. *The expansion of capital* is conditioned by the movement of profit, its amount and rate, on which the amount depends. The movement of commodities and capital follows the law of the averaging out of the rate of profit. There is no doubt that this process must be seen from the standpoint of the reproduction of the total social capital. The formula of reproduction is

$$M - C \left\{ \frac{L}{mp} \dots P \dots C^1 - M^1 \right.$$

We are faced with three parts of the process. The change of the money-form of capital into the form of productive capital (money changes into means of production and labour force); the productive capital functions as such (the actual process of production – marked by the letter *P* – at the same time being the process of the production of surplus value) resulting in the change of the form of productive capital into the form of commodities; finally the change of the amount of commodities with an increased value into money, i.e. the change of the form of commodity of capital into its money-form. Clearly, the amount of profit can fluctuate according to the conditions of the first, second and third processes, which together form the entire cycle of capital.

If cheaper means of production and cheaper labour are available, the rate of profit climbs accordingly, and capital tries to exploit this situation. If there are other conditions connected to the position of industry, i.e. the geographical situation, conditions which increase the rate of profit, then capital moves in that direction. Finally, if we have more advantageous conditions to realize the amount of commodities, then again the profit rate

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

climbs, while capital increasingly orientates itself in that direction. As a result of that, the roots of capitalist expansion lie in the condition of buying as well as in the process of production itself, and finally in the conditions of selling. Three problems are generally related to that: the problem of the raw material markets and labour-power; the problem of new spheres for capital investment; lastly the problem of market. Non-capitalist economic forms, especially those far away from the centres of developed capitalism, are the main attraction, as they guarantee a maximum profit (even including high transport costs). The gaining of a colonial 'surplus profit' explains the *direction* of capitalist expansion. That does not mean that the struggle only goes or only can go in that direction. On the contrary, the further it develops (of course, under the condition that capitalism continues to exist) the more it will become a struggle for the capitalist centres as well. In this case, too, the movement of profit is the main reason (for example, the connexion of French iron with the Ruhr coal guarantees an enormous increase in profit).

2. The immense sharpening of competition among capitalist countries is explained by the adaption of free objects of capitalist exploitation in the three directions corresponding to the three parts of the general formula of reproduction. Here quantity turns into quality. This problem has been sufficiently illuminated by the existing literature.

3. The *specific forms* of the competitive struggle (the shifting of the stress from the struggle by means of lower prices to the method of increased pressure, finally war) result firstly from the monopolistic structure of modern capitalism, secondly from the fact that the importance of the struggle for raw materials and territories for capital export (where competition by means of lower prices is out of the question) has increased under the condition of monopolized property in these territories; thirdly from the fact that the market problem is different today, as it is no longer a competition of equal entrepreneurs, but the fight of gigantic 'state-capitalist trusts' supported by state power.

If different enterprises fight each other (for instance the coal trust and the iron trust), the tactic of lower prices is pointless. If combined enterprises fight, their methods necessarily become combined. But now modern capitalist states are, in economic

NIKOLAI BUKHARIN

terms, nothing but gigantic combined economic trusts. Furthermore, the problem of the struggle for a market for a similar product is essentially different under the rule of monopoly capital, which is forced to strive for exclusive ownership of a given market, its demarcation through tariff barriers and the subjection of its state organizations.

Accordingly, the *objective content* of capital expansion changes also – within certain limits. We saw that the *forms* of expansion changed towards a sharpening of the *methods of fighting*. Further we have seen that this again is caused by a change of the *forms of capital* itself. As war is nothing but ‘the continuation of politics with other means’, so is politics nothing but the *method of the reproduction of certain conditions of production*. So the modern expansion of capital differs from the previous in the fact that it *reproduces the new historical type of the conditions of production on an extended level, i.e. the type of the conditions of finance capitalism*. In this rests the basic constitutive characteristic of imperialism, which Rosa Luxemburg completely overlooked. What is the point of all this talk about imperialism, if one does not understand its specific historical characteristics? It means a misunderstanding of the demands of Marxist methodology as well as of the ‘concrete historical process’, which is so often called as a witness against the ‘soulless formulae’ in Marx’s *Capital*.

5. THE THEORY OF CAPITALIST COLLAPSE

As we have explained above, Rosa Luxemburg's incorrect theory of accumulation also leads to an incorrect theory of imperialism. And the latter leads to an incorrect *theory of capitalist collapse*. Rosa Luxemburg therefore attempts, arguing *e contrario*, to prove that she is right:

Capitalist accumulation becomes (objectively) limitless once capitalist production has built a sufficient market for itself. As production will still grow, i.e. the productive forces will develop without limit, even when all mankind is divided into capitalists and proletarians, as there is no end to the economic development of capitalism, the one specifically Marxist foundation crumbles. According to Marx, the rebellion of the workers, the class struggle, is only the ideological reflex of the objective historical necessity of socialism, resulting from the objective impossibility of capitalism in a certain economic stage. Of course, that does not mean to say that the historical process has to be, or even could be, exhausted to the very limit of this economic impossibility. The objective tendency of capitalist development in this direction is much sooner sufficient to produce such a social and political sharpening of contradictions in society, that they must terminate the dominant system. But these social and political contradictions are essentially only a product of the *economic* indefensibility of capitalism. As this becomes increasingly obvious, the sharpening of the situation continues.

If we assume, with the 'experts', the economic endlessness of capitalist accumulation, then the vital foundation on which socialism rests will disappear. We then flee into the mist of pre-Marxist systems and schools, which attempted to deduce socialism purely from the injustice and evils of today's world and from the revolutionary determination of the working classes.*

Rosa Luxemburg's model is extremely simple and, to a certain extent, illuminating. Capitalism is possible to the extent that it is 'impure', in other words, to the extent that a periphery of 'third

* Luxemburg, *Anti-Critique*, p. 76.

persons' exists alongside the 'capitalist productive' centre. The 'third persons' constitute a premise of the process of the realization of surplus value, hence also a necessary condition of the process of expanded reproduction. Nonetheless, the movement of capital is, according to its tendency, a movement towards 'pure' capitalism, as to a certain mathematical limit of development. If, according to this theory, the solution of the contradiction between the process of the production of surplus value and its realization takes place at the expense of the 'third persons', the solution cannot be repeated for ever, since the number of third persons is decreasing relatively. Here we come up against the *objective-economic limit* of capitalism as a specific, historically limited mode of production. Capitalism becomes an *economic impossibility*. This historical-economic necessity breaks through in the workers' revolution. With this, we are supposed to be faced with the 'strict outlines of economic laws' which form the basis of the gay assortment of socio-political social relationships, whose surface conceals the deeper driving forces of the historical process.

Though imperialism is the historical method for prolonging the career of capitalism, it is also a sure means of bringing it to a swift conclusion. This is not to say that capitalist development must be actually driven to this extreme: the mere tendency towards imperialism of itself takes forms which make the final phase of capitalism a period of catastrophe.

So much for the 'Theory of Capitalist Collapse' as developed by Rosa Luxemburg.

What makes this theory so attractive?

Its 'economic determinism' ('objective limits to capitalism', 'strict outlines of economic laws', etc.). Further, its (alleged) confirmation by empirical facts (sharpening of the situation as a result of the hunt for markets, periods of catastrophes, 'catastrophical character' of the whole imperialist epoch, etc.). Last – but not least – its 'revolutionary' character.

Nevertheless, Rosa Luxemburg's theory of capitalist collapse is simply false. It is wrong primarily as a *theory*, i.e. as a series of postulates which is not content with illustrating a number of extremely important social phenomena, but which tries to *explain* them as well.

We have already exposed the major points of the theoretical

weakness of Luxemburg's thought. The whole 'collapse' clearly rests on the impossibility of realization within the framework of a 'pure capitalism', i.e. on a false theory, as we have demonstrated. Apart from that, we have shown that Rosa Luxemburg's theory results in a constant and peaceful reproduction of the relations between the capitalist sphere and the 'third persons'. In short, we have proved that Rosa's replacement of *exploitation* through *realization* has to result in a peaceful character to the process, however revolutionary her 'conclusions' may turn out to be.

So Rosa's whole theoretical construction is full of internal contradictions. Meanwhile, we shall analyse the arguments of Rosa Luxemburg reproduced above, in order to augment the existing mistakes with a number of new ones which are characteristic of the formulation of the theory of collapse, and the *Anti-Critique* which is related to it.

We want to proceed from facts. It is a fact that imperialism means catastrophe, that we have entered into the period of the collapse of capitalism, no less. But it is also a fact that *the overwhelming majority of the world's population belongs to the 'third persons'*. It is essential to distinguish between two concepts: the rule of capital in general and the rule of capital in a narrower sense; in other words, the existence of a 'pure' and an 'almost pure' capitalism. There is no doubt that capitalism has everywhere become the dominant economic form, that it is the conductor in the concerto of economic forms. But it is equally beyond doubt that it is not the industrial and agricultural wage workers but the peasants who form the majority of today's world population. Out of the 1,700 million people populating our planet, 900 million (over half) live in Asia. 400 million of the 430 million Chinese and about 170 million of the 320 million Indians are peasants. If we include small craftsmen and other 'third persons', we end up with an enormous number. Asia, Africa and America contain gigantic masses of 'third persons'. Moreover, nearly 50 per cent of the population of Europe is rural – an indirect proof of how enormously large the reserves of 'third persons' still are.

Even if Rosa Luxemburg's theory were even approximately correct, the cause of revolution would be in a really poor position. For, given the existence of such a huge reservoir of 'third

persons', which exists in reality, there can be practically no talk of a collapse. Then we would say, *à la* Cunow*: capitalist expansion still has such a colossal field of activity at its disposal, in the form of the 'third persons', that only utopians can talk seriously about some kind of proletarian revolution. The reality is that the illusion of an imminent victory of socialism has collapsed, not that socialism from the epoch of the Second International has collapsed. The reality is that capitalism has not yet fulfilled its historical mission, and one can not yet anticipate the end of capitalist development.

Unfortunately, such a 'Cunowist' conclusion follows unavoidably from Rosa Luxemburg's theory. The fact that she draws completely opposite conclusions from all this merely proves her logical inconsistency.

In fact, Rosa seems to be aware of the awkwardness of her whole proof. She admits that it would be ridiculous to assert that capitalism must first throttle every 'third person'. She explicitly stresses that capitalism will be blown up 'much earlier'. In her opinion, 'the objective tendency of capitalist development towards this end' is sufficient. However, the 'objective tendency' towards this 'end' (!), etc., has always existed. The process has obviously to be extremely far advanced, the 'impossibility of realization' has to become valid, at least as an 'economic presentiment', to use a pictorial expression; the relation between the capitalist and the non-capitalist economic sphere must be *objectively* such that the 'third persons' in no case represent a *majority*.

In reality, *nothing* of all that is to be found. And yet the whole epoch is already showing the most *acute* sharpening of contradictions, the most *acute* and general tension, the most *acute* catastrophic character. And yet capitalism is *already* beginning to 'burst'. And yet the dictatorship of the proletariat has *already* become reality in the form of the Soviet Union. How can all these contradictions be explained?

Very simply. Certainly not because there are no longer enough 'third persons' but because these 'third persons', who bring capital a *surplus profit* (but capital 'absolutely' 'needs' a surplus

[* Heinrich Cunow. German Social Democrat. Associate of Rosa Luxemburg on the left of the SPD pre-1914. At the outbreak of war took up a patriotic position and rapidly evolved to the right.]

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

profit) have already been divided up amongst themselves by the big powers of *finance capital according to the law of monopoly*.

Comrade Rosa Luxemburg totally ignores the question of the movement of profit, of the specific character of the extra profit, of the specific forms of monopoly capitalism. The result of this sin of omission is that the true nature of imperialism escaped her. Hence her contradictions.

Capital *could* very easily exist without 'third persons'. But once 'third persons' are there, capital strives *necessarily* to eat them up, as such a meal brings in a surplus profit. There is still a *huge amount* of 'third persons'. The struggle waged for them (i.e. the struggle for surplus profit) has already reached a stage of acute *sharpening*, as they have already been divided *monopolistically* into colonies, spheres of influence, etc.

This is how things are in reality. To a certain extent, Rosa Luxemburg replied correctly to the objection of one of her critics, that capitalism would eventually collapse because of the 'fall in the rate of profit', when she replied to him:

How the dear man envisages this – whether the capitalist class will at a certain point commit mass suicide in despair at the low rate of profit, or whether it will somehow declare that business was so bad that it simply wasn't worth the trouble, whereupon it will hand the key to the proletariat? However, that may be, this comfort is unfortunately dispelled by a single sentence by Marx, namely in the statement that, 'large capitals will compensate for the fall in the rate of profit by mass production'. Thus there is still some time to pass before capitalism collapses because of the falling rate of profit, roughly until the sun burns out.*

Without doubt, all that is essentially correct. But Rosa Luxemburg does not notice, strangely enough, that her answer hits not only at the 'dear man' but also at . . . the author of the *Accumulation* herself.

We do not wish to play the part of a devil's advocate; nevertheless, we have to admit that the said 'dear man' could come up with the following reply:

It would be ridiculous to demand that the process should reach its logical conclusion. The objective tendency of capitalist development towards this end is quite sufficient. Long before the

* *Anti-Critique*, p. 76n.

'end', this tendency will sharpen the struggle for any possibility to gain an additional profit to such an extent, and will be accompanied by such a centralization of capital and sharpening of social relations, that the epoch of a low rate of profit will become the epoch of catastrophes.

Such an answer would only differ slightly from that of Rosa Luxemburg. For at the same time the rate of profit would be approximately nil, since the last 'third person', who would have postponed the terrible apocalyptic hour of the capitalist world, which would have brought an end to the realization of surplus value, would be beginning to disappear.

We have already mentioned the three factors which make Rosa Luxemburg's theory attractive. They were: its economic determinism, its 'objective limits' of capitalism, its (alleged) confirmation by the facts (period of catastrophes, etc.) and the 'revolutionary character' of her whole construction. We must now, as 'professional destroyers', admit that our criticism has left nothing from the three factors.

Let us take another look at the list and see what remains of all these factors.

Firstly, we saw that Rosa Luxemburg did not indicate any limits in the central question which could explain the collapse. In practical terms, the limit indicated by Rosa Luxemburg has not the slightest importance. Capitalism is already beginning to break up while three quarters of the world's population still remain in their capacity of 'third persons'. It is obvious that this explanation is completely contrived.

Secondly, the theory in no way corresponds to the facts. If catastrophes occur, Rosa Luxemburg's theory, as we have seen, is unable to explain them. The *fact* of the existence of immense numbers of 'third persons' contradicts Rosa's theory of collapse.

Thirdly, not only can one not draw any revolutionary conclusions from Rosa's theory but, on the contrary, conclusions that make revolution appear impossible for a long time.

All these arguments against the author of the *Accumulation* form only an addition to the main thrust of our criticism in the previous chapters. It was demonstrated that both the main line and the subsidiary lines of Rosa's proof are equally untenable theoretically. This happened to Rosa Luxemburg because she had

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

given up the standpoint of Marxist orthodoxy at precisely that part of Marx's analysis where the brilliance of the incomparable master has left us the most complete results of his genius.

Here we have to meet another of Rosa Luxemburg's arguments. We have already seen at the beginning of this chapter that Rosa Luxemburg had developed the following thoughts:

'If capitalist production forms a sufficient market for itself, then capitalist accumulation becomes (objectively) a limitless process.'

From this she now draws the conclusion: *hence* production can 'grow undisturbed', *hence* there are no limits to the economic development of capitalism, *hence* 'the one specifically Marxist pillar of socialism collapses'.

This chain of conclusions is logically untenable. That is because Rosa Luxemburg does not understand the dialectical character of social contradictions, the dialectical character of the social totality and the laws of its movement.

Capitalist society is a 'unity of contradictions'. The process of movement of capitalist society is a process of the continual reproduction of the capitalist contradictions. The process of *expanded reproduction* is a process of the *expanded reproduction* of these contradictions. If this is so, it is clear that these contradictions will blow up the entire capitalist system as a whole. We have reached the *limit* of capitalism. How acute the contradictions have to become to blow up the system is a question in itself. We have tried to give an analysis of this problem in another work.* The answer has to be looked for in the conditions of the reproduction of labour-power. If the explosion of the capitalist contradictions has led to a destruction of the economy and decline of the productive forces and, as a result of that the reproduction of labour force and so its functioning has become impossible from a certain point, then the social apparatus of production bursts apart, the barricades go up between the classes.

Even this general, schematic, 'purely theoretical' and hence conditional explanation of the collapse of capitalism postulates a

* N. Bukharin, *Economy of the Transformation Period*. The concept of production as production of capitalist contradictions has been extensively treated in our book, *Imperialism and World Economy* (St Petersburg, 1918). [English edition: Martin Lawrence Ltd., London.]

limit which is in a certain sense objective. The limit is given to a certain degree by the tension of capitalist contradictions.

Rosa Luxemburg makes things out to be much too simple: if realization in a purely capitalist society is impossible, the productive forces would keep on growing 'undisturbed'; if capitalism could theoretically exist without 'third persons' then that means that there are 'no limits' to 'economic development'.

We repeat: these confrontations, which are extremely characteristic for Rosa Luxemburg and her way of thinking, show the weak points of her proofs. One has only to look closer at these confrontations to realize how far away the author of the *Accumulation* is from a real solution to the problem, yes, even from a correct and methodologically logical way of posing the question.

Indeed, does the possibility of realization mean 'undisturbed' growth of the productive forces? Not at all. In Part 4 we have seen what confusions Rosa Luxemburg has caused. 'Undisturbed' growth means to her growth *without contradictions*, but even in 'pure capitalism' the whole development is full of contradictions. If there is no continual over-production, there is a periodic one. If there is no continual impossibility of realization, there are periodic crises instead. If there is no final solution to the contradictions, there is instead temporary postponement, hence a conditioned 'solution'. If there is no continual possibility for capitalism to exist, there is instead expanded reproduction. And so on and so forth.

In other words, 'disturbances' are by no means excluded, but are, on the contrary, 'imminent' for capitalism. They are 'done away with' periodically, but only to reappear stronger periodically. Its increasing size and growing intensity will unavoidably lead to the collapse of capitalist rule.

Capitalist development is a process of the expanded reproduction of all the basic contradictions of capitalism. Here, too, Rosa Luxemburg makes it too easy for herself. She deals with one contradiction between the conditions of the production of surplus value and the conditions of its realization, the contradiction between production and consumption under conditions of capitalism.*

* Mentioned on the side, no less a person than the father of revisionism, Eduard Bernstein, came to a similar conclusion, although from a different

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

This contradiction is not treated as a dialectical one, but as a superficial contradiction, from which the unavailability of collapse is deduced. But one must not start from *one* contradiction but from a number of them, which should be seen in their dialectical movement. We then receive a quite different picture from that designed by Rosa Luxemburg, even if it was done in a masterly fashion. The contradiction between production and consumption, the contradiction between different branches of production, the contradiction between industry and an agriculture limited by rent, the anarchy of the market and competition, wars as means of competition – all that is *reproduced on an expanded scale* in the course of capitalist development.

This movement is closely connected to the movement of profits, the major propellant of the capitalist economy.

Today we are able to watch the process of capitalist collapse not merely on the basis of abstract constructions and theoretical perspectives. The collapse of capitalism has started. The October Revolution is the most convincing and living expression of that. The revolutionization of the proletariat was doubtless connected

angle. He writes: 'What characterizes the modern mode of production above all is the great increase in the productive power of labour. The result is a no less increase in production – the production of masses of commodities. Where are these riches?

'Or, in order to go direct to the heart of the matter: where is the surplus product that the industrial wage earners produce above their own consumption limited by their wages? If the "capital magnates" had ten times as large stomachs as popular satire attributes to them . . . their consumption would only be a feather in the scale against the mass of the yearly national product. . . . Where then is the quantity of commodities which the magnates and their servants do not consume? If they do not go in one way or another to the proletarians they must be caught up by other classes. Either a relatively growing decrease in the number of capitalists and an increasing wealth in the proletariat, or a numerous middle class – these are the only alternatives which the continued increase of production allows.' (E. Bernstein, *Evolutionary Socialism* (New York, 1961), pp. 49–50.)

According to Bernstein, the solution is to be found in the 'middle classes'. If we remember that the revisionist especially stressed the ability to survive of small farming enterprises, the similarity becomes obvious. Certainly the 'ends', as well as the conclusions of Bernstein and Rosa Luxemburg, are diametrically contrary, but it remains characteristic that the starting point of the analysis, the way the question is posed and the estimation of the conditions of capitalist development are the same: the 'third persons' are the *sine qua non* of capitalism.

to the economic decline, this to the war, the war to the struggle for markets, raw materials and spheres of investment, in short with imperialist politics in general. The latter were nothing but the reproduction of the competitive struggle on a world-wide scale, where individual entrepreneurs or individual trusts were not the subjects of competition, but already consolidated 'state capitalist trusts'. These explosions of war include all major contradictions of the capitalist system that have already been mentioned. One can also categorize them differently if one conceives of them as a contradiction between the productive forces of the *world economy* and the 'nationally' limited methods of appropriation of the bourgeoisie separated by states, or as the contradiction between production socialized on the widest scale and private economic or 'national-bourgeois-economic' conditions of property. It would not be difficult to show through an extensive analysis that the collapse of capitalism sets free all contradictions of capitalism. It is its unfolded form *in actu*.

Theoretically, the possibility of a 'second round' of imperialist war is not to be excluded, but is really quite obvious, as Comrade Lenin has already stressed.

Along with all these contradictions in the system of world economy goes another major contradiction: that between the capitalist world and the new economic system of the Soviet Union. Through this the new conflict becomes even deeper, more acute and more destructive towards capitalism.

The biggest theoretical merits of Rosa Luxemburg are that she raised the question of the relation between the capitalist and the non-capitalist milieu. But she only raised it. She silently or almost silently evaded the specific questions concerning this extensive problem (the question of the character of exchange, structural variation, modifications in the law of value, extra profit, the increased accumulation at the expense of 'third persons', etc., etc.). But doubtless the mere question deserves great respect. Comrade Rosa Luxemburg did not gain less merit for stressing the question of *reproduction*. To stress the question of reproduction is today more necessary than ever – as we have proved on other occasions.*

* Bukharin, *World Economy and Imperialism*. Also *Economy of the Transitional Period*.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

But Rosa Luxemburg has overlooked the fact that *the extended reproduction of capitalist conditions at the same time is the extended reproduction of all capitalist contradictions*. Had she seen that clearly, she would not have bothered with the problem of the 'objective limits' of capitalism – that limit, that she believes to have found in the disappearance of the 'third persons', after ascribing to the 'third person' the role of the only 'realizers' of the surplus value produced by the wage slaves of capitalism.

Another of Rosa Luxemburg's extraordinary theoretical merits is that she raised the question of the historical necessity of imperialism. Opposed to the reformists, who had betrayed Marxism with open cynicism, and opposed to the quasi orthodox *à la* Kautsky, who was at that time already starting to stutter about the possibilities of an 'English style' reformed 'ideal capitalism', Rosa Luxemburg sharply raised the question of imperialism as the unavoidable 'immanent appearance' of capitalism at a certain stage of development. At any rate, she was not able to understand the problem theoretically as the specific problem of our time. She did not try to find the basis of imperialism in the hunt for larger monopoly profits and in the necessary movement of finance capital in that direction, but in the absolute impossibility of the existence of capitalism 'without third persons'.

Nevertheless, she has raised the question about the necessity of imperialism and in general answered it properly, although her answer was based on theoretically wrong arguments. Rosa Luxemburg's work rose high above the bungling efforts and the miserable chattering of the reformists of both directions, the open revisionists as well as the Kautskyans. It represents a daring theoretical attempt, it is the deed of a brilliant theoretical intellect. We do not have to mention especially that the historical part of the work has remained unsurpassed until today in its description of the history of the colonial conquests of capitalism.

CONCLUSION

We have come to the end of our observations, and we shall briefly mention the connexion between Rosa Luxemburg's *theoretical* mistakes and a number of her *practical-political* ones. The relation of correct and incorrect is identical in both sectors. In *theory*, the basic thesis of the 'necessity' of imperialism and of the collapse of capitalism proved to be correct. In *practice* the same applies to the basic thesis: to overthrow imperialism, one has to overthrow the capitalist system. But, as with the theoretical conclusions, so with the chain of arguments that were to justify the thesis of the necessity of imperialism, which showed itself to have many false links; thus a number of tactical opinions, which ought to have delivered the practical proof of the theory and changed the weapon of criticisms into the criticism of weapons, proved to be incorrect.

Capitalism will inevitably decay because of a lack of 'third persons'. In this lies its objective limit, which cannot be surpassed. Even if it decays 'long before' the 'third persons' have disappeared, then nevertheless in that lies the final cause of the decay of capitalism and its collapse. That is one of Rosa Luxemburg's basic logical postulates.

If that is so, it is obvious that the picture of capitalist collapse bears a much duller, more colourless, hypertrophically exaggerated 'industrial' character.

If that is so, then it is understandable that the problem of the 'third persons' as potential allies of the proletariat in the class struggle against the bourgeoisie is of no overwhelming importance. The dullness of the picture of the collapse corresponds to the seclusion of the forces which fight and overthrow imperialism.

From this follows consequently another reading of the postulates, as follows:

1. Incorrect position on the national question.
2. Underestimation and incorrect position on the colonial question.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

3. Underestimation and incorrect position on the peasant question.

We arrive at quite different results from our theoretical conceptions. Capitalism *develops* its internal contradictions; they, not the lack of 'third persons', finally cause its collapse, however many 'third persons' there may be, even three quarters of the world's population. If capitalism reproduces its contradictions to such an extent that a decline of the productive forces begins, which makes impossible the existence of the labour force and drives the working class to rebellion, undermining the power of the metropolitan countries, unchaining the forces of the colonial slaves and sharpening national antagonisms, then the contradictions of capitalism will split the bloc of the ruling classes with the peasantry, and allow the important section of the peasantry to turn against capitalist domination – obviously, in this situation, *tactics*, the slogans of the struggle and the attitude towards the problem of the 'allies' will turn out to be different. Then, the necessity of 'connecting proletarian revolutions with peasant wars', colonial revolts and national liberation movements comes to the forefront.

Leninism dealt with precisely this question with unusual consistency and theoretical rigour. Thus, in overcoming Rosa Luxemburg's mistakes, we are inevitably led back time and time again to the theoretical postulates and practical conclusions of our departed teacher.

APPENDIX I

Marx's Scheme of Expanded Reproduction

In this appendix we have first of all set out Marx's scheme of expanded reproduction. This is to enable the reader to follow through the process which Marx uses and lays out in Vol. II of *Capital*. Readers should not attempt to read too much significance into the actual numbers used. These are quite arbitrary and in no way relate to any actual situation, their use being purely illustrative.

We have taken the second scheme because it is obvious that Marx himself could see that his first attempt was faulty, this is why he went on to this second scheme. We have taken each step in the process and explained what is happening and why. We felt there was the need for such an explanation since many people find Marx's method somewhat difficult to follow on this point. We should remind readers of the conditions laid down for the scheme, i.e. a two-class, closed economy, a constant state of technology and a constant rate of surplus value.

Stage

- 1 Beginning of first cycle

$$\text{I } 5,000c + 1,000v$$

$$\text{II } 1,430c + 285v = 7,715 \text{ capital put into circulation}$$

Assuming that there is a rate of surplus value of 100 per cent, we then have the following:

- 2 I $5,000c + 1,000v + 1,000s$
II $1,430c + 285v + 285s = 9,000$ total social product

We further assume that capitalists of Dept I consume half of their surplus value, i.e. 500, and reinvest the other 500. Since the $1,000v + 500s$ consumed are revenue and so must be exchanged with consumption goods from Dept II, we now have the following situation:

- 3 I $5,000c + 1,000v + 500s$ and $500s$ to be capitalized
II $1,430c + 285v + 285s$

Going on to the next stage we have:

- 4 I $5,000c + (1,000v + 500s)$ $500s$ to be capitalized
II $1,430c + 285v + 285s$

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

We have bracketed the $1,000v$ and $500s$ of Dept I to indicate that these values are demand for goods from Dept II. But note that Dept II's constant capital is insufficient to meet this demand in full.

- 5 I $5,000c + (1,500v + s)$ 500s to be capitalized
 II $(1,430c + 70s) + 285v + 215s$

To enable the $(1,500v + s)$ of Dept I to be exchanged with Dept II, it is necessary to transfer $70s$ of Dept II to the constant portion of that department's capital. This is the beginning of Dept II's accumulation.

- 6 I $5,000c + (1,500v + s)$ 500s to be capitalized
 II $(1,500c + s) + (285v + 14s) + 201s$

To set the extra $70s$ in motion as constant capital, a variable capital of 14 is required. *N.B.* Ratio of constant to variable is $5 : 1$ in both departments. This extra 14 is a further deduction from IIs. The position is now as follows:

- 7 I $5,000c + (1,500v + s)$ 500s to be capitalized
 II $(1,500c + s) + 299v + 201s$

The exchange of $1,500$ from Dept I (i.e. $v + \frac{1}{2}s$) with $(1,500c + s)$ of Dept II has been dealt with. In distinction to simple reproduction, IIc is not equal to $Iv + Is$, rather IIc is less than $Iv + Is$. Up to now, from the point of view of Dept I, the exchange has merely been a form of simple reproduction. Now we begin the process of capitalizing the $500s$ put aside by Dept I.

- 8 I $5,000c + (1,500v + s)$ 500s to be capitalized at a
 II $(1,500c + s) + 299v + 201s$ ratio of $5 : 1 = 417c + 83v$

When the capitalists of Dept I invest their $500s$ we then have the following:

- 9 I $(5,000c + 417c) + (1,500v + s + 83v)$
 II $(1,500c + s) + 299v + 201s$

Given this situation, Dept I's $v + s$ which is to be exchanged with Dept II is once again greater than Dept II's c . Therefore a further sum of 83 is deducted from Dept II's s to enable the $v + s$ of Dept I to be exchanged for consumption goods.

APPENDIX I

10 I $5,417c + 1,583v + s$
 II $1,583c + 299v + 118s$

Having set a further $83c$ into motion in Dept II, there has to be a proportional amount of v set in motion (5 : 1) which will be 17. This is once again deducted from II s .

11 I $5,417c + 1,583v + s$
 II $1,583c + 316v + 101s$

Since Dept II's s is capitalist consumption and the natural form of the commodities are in consumption goods, we assume they are exchanged and consumed in that department. Similarly with Dept I's c , since it is in the form of means of production that they will be exchanged within the department. So that the whole process can now be assumed to have taken place. We therefore have the following situation:

12 I $5,417c + 1,083v = 6,500$
 II $1,583c + 316v = 1,899$ } = 8,399 capital
 + $500s$ consumed unproductively (Dept I)
 + $101s$ consumed unproductively (Dept II)
 = 9,000 total social product.

Thus we can see that having started the cycle with 7,715 capital value we ended it with 8,399. We can finish this presentation by comparing the supply and demand for each of the two departments.*

MEANS OF PRODUCTION - DEPT I

Supply		Demand
$\left. \begin{array}{l} 5,000c \\ 1,000v \\ 1,000s \end{array} \right\} = 7,000$	7,000 =	$\left\{ \begin{array}{ll} 5,000 \text{ capitalists} & \text{I reconstitution of } c \\ 1,430 & \text{II } \text{''} \text{''} \text{''} \\ 417 & \text{I accumulation of } c \\ 70 & \text{II } \text{''} \text{''} \text{''} \\ 83 & \text{II } \text{''} \text{''} \text{''} \end{array} \right.$

* The presentation of supply and demand in this manner is based upon a similar presentation by Ernest Mandel in his *Marxist Economic Theory*, p. 326.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL
 MEANS OF CONSUMPTION - DEPT II

Supply

$$\left. \begin{array}{l} 1,430c \\ 285v \\ 285s \end{array} \right\} = 2,000$$

$$2,000 =$$

Demand

- 1,000 workers I wages
- 83 workers I being the equivalent of accumulation of v - wages
- 285 workers II wages
- 14 workers II being the equivalent of accumulation of v - wages
- 17 workers II being the equivalent of accumulation of v - wages
- 500 capitalists I unproductive consumption
- 101 capitalists II unproductive consumption

One last point should be made. It will be noticed that the capitalists of Dept II only consume value of 101, but in each subsequent round they consume 50 per cent of their surplus value. If readers wish to prove this to their own satisfaction, they merely have to take as their starting point the 8,399 capital value, divided according to stage twelve, and repeat the process as laid out here.

APPENDIX II

A Comment on Sweezy's Criticism of Bukharin

In his book *The Theory of Capitalist Development*, Sweezy criticizes Bukharin's equation for expanded reproduction of capital on the grounds that it does not include terms that would give an increased personal (i.e. unproductive) consumption of surplus value to the capitalist class. Also, Sweezy charges Bukharin with being 'incapable of imagining an increase in capitalist consumption'.* The last point is easily dealt with because Bukharin says specifically: '. . . since, taken in absolute terms, the capitalists' consumption grows as well as that of the workers.' We can see, therefore, that Sweezy's criticism is unfounded.

However, the general criticism of Bukharin's equation warrants further investigation.

Bukharin's equations form his model of the first step in the process of accumulation after passing from simple to expanded reproduction. He starts by laying out his scheme for expanded reproduction thus:

$$\begin{array}{l} \text{Dept I } C1 + V1 + \alpha 1 + \overbrace{\beta 1c + \beta 1v}^{\beta 1} \\ \text{Dept II } C2 + V2 + \alpha 2 + \underbrace{\beta 2c + \beta 2v}_{\beta 2} \end{array}$$

α = surplus value consumed unproductively by the capitalist class

β = surplus value which is capitalized, i.e. accumulated

βc = that portion destined for constant capital

βv = that portion which assumes the role of variable capital

Now, $\alpha < s$ and the equality sign would only hold if we had a case of simple reproduction. Assuming that all the surplus value is realized, the above can be reduced to $(V1 + \beta 1v + \alpha 1) = (C2 + \beta 2c)$.

Sweezy uses similar equations, with one difference. He sets them out as follows:

$$\text{Dept I } C1 + V1 + Sc1 + S\Delta c1 + Sav1 + Sac1 = W1$$

$$\text{Dept II } C2 + V2 + Sc2 + S\Delta c2 + Sav2 + Sac2 = W2$$

Sweezy uses Sc to denote that portion of the surplus value which the capitalists consume at the level of the preceding period or cycle. $S\Delta c$ is the increment to the consumed surplus value. Sav is the surplus value which augments variable capital and Sac is that part which augments

* *Theory of Capitalist Development*, p. 164, footnote.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

the constant capital. W_1 and W_2 equal the products of their respective departments. Sweezy's equation for expanded reproduction is

$$C_2 + S_{ac2} = V_1 + S_{c1} + S_{\Delta c1} + S_{av1}$$

In Sweezy's scheme, total surplus value in each department is $S = S_c + S_{\Delta c} + S_{av} + S_{ac}$; in Bukharin's scheme it is $S = \alpha + \beta v + \beta c$.

Sweezy's criticism of Bukharin centres around his own quantities S_c and $S_{\Delta c}$. He says, 'Bukharin, in his formal presentation of the expanded reproduction scheme, makes the error of assuming that capitalist consumption remains always the same. Hence he omits the term $S_{\Delta c}$.*'

It would appear that Sweezy misses the point of Bukharin's analysis. When Bukharin uses the term 'starting stage', and exemplifies this in his equations shown above, he is contrasting the bases of expanded and simple reproduction. In doing this he is emphasizing the elementary but fundamentally important idea that for accumulation to take place the capitalist class cannot consume all of the surplus value unproductively. In reality there can no more be a first step at a certain point in time from simple to expanded reproduction, than there can be simple reproduction under capitalism. Simple reproduction is an extremely idealized notion in an *already idealized capitalist economy*, which is described by Marx. It would be possible to criticize Bukharin because he did not spell this out, but this in no way justifies Sweezy's remark (above). Bukharin was well aware of the need to consider the implications of the notation $S_{\Delta c}$, i.e. that there is a change in capitalist unproductive consumption through time. He says: 'In the following cycle the capital of the starting stage is reproduced again, the unproductively consumed part of the surplus value grows - *for the first time* - the part of the latter which is to be accumulated will grow even more and so on.†

Let us now compare Sweezy's and Bukharin's equations, on Bukharin's assumption that it is the first stage.

Bukharin Dept I	$C_1 + V_1 + \alpha_1 + \beta_1 c + \beta_1 v = P_1$	
Sweezy Dept I	$C_1 + V_1 + S_{c1} + S_{ac1} + S_{av1}$	($S_{\Delta c1}$?)
Bukharin Dept II	$C_2 + V_2 + \alpha_2 + \beta_2 c + \beta_2 v = P_2$	
Sweezy Dept II	$C_2 + V_2 + S_{c2} + S_{ac2} + S_{av2}$	($S_{\Delta c2}$?)

P_1 and P_2 equal the product of their respective departments. We can now see that, working with Bukharin's assumption of this being the first round of accumulation, then Sweezy's $S_{\Delta c1}$ and $S_{\Delta c2}$ could only be included if they were zero. However, we can say that Sweezy's

* *loc. cit.*

† Bukharin's emphasis.

APPENDIX II

equation is not general enough for expanded reproduction since it does not indicate variations of the several components with time.

The various components P , C , V , Sc , Sac and Sav , would all vary with time in some way, and not necessarily the same for each. That is to say that they can change from cycle to cycle. For some of these components the change could be positive, for some negative.

We could express this symbolically, using Bukharin's terms, as follows:

Product of Dept I

$$P1 + \Delta P1 = (C1 + \Delta c1) + (V1 + \Delta v1) + (\alpha1 + \Delta \alpha1) \\ + (\beta1c + \Delta \beta1c) + (\beta1v + \Delta \beta1v)$$

Product of Dept II

$$P2 + \Delta P2 = (C2 + \Delta c2) + (V2 + \Delta v2) + (\alpha2 + \Delta \alpha2) \\ + (\beta2c + \Delta \beta2c) + (\beta2v + \Delta \beta2v)$$

We are now in a position to compare Sweezy's equations with Bukharin's - as amplified by us.

$$\text{Bukharin } P1 + \Delta P1 = (C1 + \Delta c1) + (V1 + \Delta v1) + (\alpha1 + \Delta \alpha1) \\ + (\beta1c + \Delta \beta1c) + (\beta1v + \Delta \beta1v)$$

$$\text{Sweezy } W1 = C1 + V1 + Sc1 + S\Delta c1 \\ + Sac1 + Sav1$$

$$\text{Bukharin } P2 + \Delta P2 = (C2 + \Delta c2) + (V2 + \Delta v2) + (\alpha2 + \Delta \alpha2) \\ + (\beta2c + \Delta \beta2c) + (\beta2v + \Delta \beta2v)$$

$$\text{Sweezy } W2 = C2 + V2 + Sc2 + S\Delta c2 \\ + Sac2 + Sav2$$

Sweezy points out that there is a need to indicate a positive increment in Bukharin's α , and this is indicated in his own equations. We, however, in what we believe is the spirit of Bukharin's thinking, take the idea further by indicating that *all* the components can change just as α can. It is puzzling that Sweezy centres his criticism of Bukharin on his not including the term $S\Delta c$ (or, as above, $\Delta \alpha$) in his first-stage equation, where it is not necessary. Yet Sweezy omits the similar terms Δc , Δv , ΔSav , ΔSac in his general case, whilst including $S\Delta c$.

APPENDIX III

A Use of Luxemburg's Theory in Prediction

The German economist, Fritz Sternberg, wrote a short book in 1946 which was entitled *The Coming Crisis – Is a crash far worse than that of 1929 inevitable?** His answer was an emphatic yes. From this distance it may seem that he was merely another prophet of doom who was proven irredeemably wrong, but it would be wrong to dismiss him too lightly, since along with his wrong prediction he made some very acute observations which have in some large measure proved correct. His faults and his strengths demonstrate the same characteristics that are embodied in Luxemburg's theories.

Sternberg was an under-consumptionist, saying that, '... the specific problem of capitalism is not a deficit, but the danger of over-production on the one hand and declining consumption on the other'.† He argues that the vast expansion of capitalism in the century up to 1914 had overcome this problem by the expansion of overseas markets. This had the result of (1) creating auxiliary markets for home industries, which (2) led to increased employment for millions of workers in the metropolitan countries which in turn led to (3) a favourable situation for workers in the labour market, and this led to increased real wages for such workers. In this latter respect he differed from Luxemburg in so far as she argued that real wages would not rise. However, in broad outline his theory follows Luxemburg in seeing the 'third' market as a means of realizing surplus value.

Quite correctly Sternberg saw the crash of 1929 as the largest and most far-reaching economic crisis that capitalism had suffered up to that date (and indeed it can still be considered so). But it was not only the greatest crisis, '1929 was totally different from any [crisis] that preceded it'.‡

The decisive factor which differentiates this epoch so fundamentally from the whole century of development from Waterloo to Sarajevo, is that capitalism, which was and is compelled to increase its productive capacity and extend its production, had to do this in the post-war period without any important expansion of foreign markets. When the economic crisis came it was therefore inevitably more severe and universal than any other crisis in the history of capitalism.§

* Gollancz, London, 1947.

† *ibid.*, pp. 11–12.

† *ibid.*, p. 17.

§ *ibid.*, p. 42.

APPENDIX III

Sternberg went on to point out that in most capitalist countries the crisis of 1929 had not been liquidated when war broke out in 1939, and that the war of 1939-45 only gave a temporary relief and that all the factors pointing to a renewed crisis were rapidly maturing in 1946.

The major de-stabilizing factor of the epoch, Sternberg said, was the creation of the Soviet Union in 1917. This is what had halted the expansion of the overseas markets and the situation post-1945 reinforced this. There is no doubt that in a number of respects Sternberg was correct - 1929 had been the most severe crisis, it had not been liquidated by 1939; the Soviet Union had taken one sixth of the world's surface out of the capitalist orbit; Japan and the U.S.A. had emerged in the inter-war years as new strong rivals to the older imperialist powers, so that there were more 'predators' to fight over the colonial world. Yet, as is now self-evident, he was wrong about a crash worse than 1929 occurring. But, then he was not alone in this; few in 1945 would have cared to predict such an unprecedented period of growth and prosperity for capitalism. This is not the place to examine the specific reasons for this period of growth, but it is clear that the 'third' market had led Sternberg very much astray when he made his firm prediction.

However, if that was all there was to Sternberg's book it would not have merited more than a passing reference. Having displayed the weakness of his position it is not only fair, but also more fruitful, to pass on to his strong side. Sternberg pointed out that of all the capitalist countries Nazi Germany was the only one that *did* 'liquidate' the crisis of 1929. This was done by means of the *Wehrwirtschaft* or 'war-preparation economy'. This was a new type of 'recovery' for a capitalist country, arms production was organized on an unprecedented scale, the economy not only reached, but surpassed by a third, the production of the pre-1929 period. 'The enormous volume of Germany's armament programme in peacetime can be seen by the fact that even before the outbreak of war the Nazi State controlled and directed approximately 50 per cent of Germany's national income for Government (read armament) purposes.*'

Sternberg proceeded with his analysis, working on the assumption that a crisis of a greater magnitude than that of 1929 would occur within the foreseeable future, unless certain steps were taken to counter this. Quite correctly he saw that the United States would play a preponderant role within the capitalist sphere of the world. Furthermore he noted the relatively small role that foreign trade played in relation to the whole U.S. economy. He argued therefore that there must be state intervention on a scale unknown before. He posited what he

* *ibid.*, p. 94.

IMPERIALISM AND THE ACCUMULATION OF CAPITAL

termed 'progressive' and 'reactionary' ways in which such state intervention could take place. The development of a U.S. *Wehrwirtschaft* was chosen as the most likely reactionary variant. 'Military preparations for modern warfare must be complemented by industrial preparations, and this means that in peacetime a considerable sector of production has to be turned over to armament production.'*

Moreover, this meant not only an absorption of surplus capital at the existing technological level; the very nature of modern weapons would themselves force a more rapid technical innovation. Because 'if the weapons produced are to be the last word in modern technique then a tremendous research and laboratory programme will have to be launched as well'.† 'The tremendous development of war technique, of which the discovery and use of the atomic bomb is such a drastic symbol, has shifted the main centre of the "*Wehrwirtschaft*" from the military to the industrial field, and in particular into the laboratory. . . . ‡ Sternberg went on to point out that, because of this shift, it would be possible to develop a war-preparation economy without at the same time resorting to a full-scale militarization of the life of the nation, such as occurred in Nazi Germany. This being the case, it would be possible for very significant sectors of the economy to be absorbed for these purposes without any great resistance on the part of the population as a whole.

In this short note we have only been able to give a few highlights from the complex set of postulates and arguments that Sternberg advanced. However, we think they are sufficient to indicate that, despite the apparent limitations of the original basic thesis, there were some very powerful insights into the possible development of the capitalist economies in the post-war world. Apart from the now established fact that military and government expenditure generally have played a considerable role in sustaining the prolonged period of growth since 1945, Sternberg also gave some indication of the scientific and technological revolution that we have witnessed since that date. This insight can be attributed to the 'strong side' of Sternberg's Luxemburgism. It was Luxemburg who first saw the possibility inherent in arms production for the realization of surplus value, and the absorption of surplus capital. However, she only lived long enough to see the first, and by today's standards small, results of this process. Sternberg lived long enough to grasp the powerful possibilities presented to the capitalist class by such methods, and also the changes that such methods could bring about in the structures of capitalism itself.

* Gollancz, London, 1947, p. 185.

† *ibid.*, p. 187.

‡ *ibid.*, p. 192.