




**ENRYK**

**FIFTY YEARS OF  
STRUGGLE OVER  
MARXISM  
1883-1932**



**ROSSMAN**

**TRANSLATED  
BY RICK KUHN  
AND EINDE O'CALLAGHAN  
WITH AN  
INTRODUCTION BY  
RICK KUHN**



# **Fifty years of struggle over Marxism 1883–1932**

Translated from German by Rick Kuhn and Einde O'Callaghan

Introduced and edited by Rick Kuhn

*A Marxist Left Review* publication

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## Introduction to “Fifty years of struggle over Marxism, 1883–1932”

Rick Kuhn[\[1\]](#)

Henryk Grossman’s pioneering account of the history of Marxist theory between Marx’s death and the early 1930s was written from a revolutionary Marxist standpoint. It explains the major controversies and creativity of Marxist analysis in the context of capitalist development and the history of the labour movement. His overview concludes with an implicit reply to critics of his own important contributions to Marxist economic theory and the understanding of Marx’s method in *Capital*. Grossman’s account was published in a peculiar place: a German dictionary of economics, in three hefty volumes, which was a standard reference work. It was the final section, in which he referred to himself in the third person, on “The further development of Marxism to the present”, of the entry “Socialist ideas and theories (I Socialism and Communism)”. The essay also appeared as an offprint, *Fifty years of struggle over Marxism, 1883–1932*.[\[2\]](#) Grossman’s mentor Carl Grünberg, the economic historian who was the first Marxist to hold a professorial chair at a German-speaking university, had written the initial sections of the entry for an earlier edition of the dictionary. The editor, Ludwig Elster, allowed Grossman, as an expert, scope to express his own political views in a forthright tone; the same was true of the entry “Socialist ideas and theories (National Socialism)”, written by a Nazi economist.[\[3\]](#)

Only Karl Korsch’s article “Marxism and philosophy”, which provided a shorter overview of the history of Marxism from Hegel to 1923, is an obvious immediate predecessor of Grossman’s study, in which it was very briefly but favourably mentioned. There were earlier discussions of the history of socialist ideas and Marxist organisations but none examined the development of Marxist thought, especially after Marx’s death, more than superficially. Other works, the most outstanding of which was Vladimir Ilyich Lenin’s *State and revolution*, had dealt with particular controversies within Marxism.[\[4\]](#)

Grossman was well-placed to conduct a survey of the history of Marxist theory.[\[5\]](#) He was born in 1881 in Kraków and became active in the Polish Social Democratic Party (PPSD) of Galicia, the Polish province of the Austro-Hungarian Empire, and the Jewish workers’ movement, around the turn of the century. As the class struggle in the Austria-Hungarian empire heated up, paralleling developments across the border in tsarist Russia that led to the revolution of 1905–6, Grossman was a founding leader, the secretary and theoretician of the Jewish Social Democratic Party of Galicia, established on May Day 1905. He was also involved in smuggling literature for Rosa Luxemburg’s organisation, the Social Democracy of the Kingdom of Poland and Lithuania, into Russian-occupied Poland. Despite the hostility of the PPSD and the federal Austrian Social Democratic Party, the JSDP grew rapidly, organised many Jewish workers into trade unions for the first time, mobilised them in struggles against their exploitation as workers and oppression as (mainly Yiddish-speaking) Jews, undertook extensive educational and propaganda work and published a

weekly newspaper. The JSDP led Jews in strikes and street protests alongside workers of other nationalities, particularly in the struggle for universal male suffrage. During this period Grossman was still a university student.

As the level of class conflict subsided in 1907, Grossman completed his first university degree, married and left Kraków to continue his studies in Vienna. There he wrote a large study of Austria's trade policy in Galicia during the 18<sup>th</sup> century, from a tacitly Marxist perspective, that punctured myths about the province's development cherished by Polish nationalists. During World War I he fought on the Russian front and was later a researcher in the War Ministry in Vienna. The racist policies of the first government of the rump Austrian republic, headed by the Social Democrat Karl Renner, deemed Grossman, like large numbers of other Galician Jews who moved to Vienna during the war, a Pole. He was therefore unable to take up a post that had been lined up in the Austrian Central Statistical Commission.

Grossman moved to Warsaw, where he was in charge of independent Poland's first population census, at the Polish Central Statistical Office. In 1920, he joined the Communist Workers' Party of Poland. He was appointed to a professorial chair at the Free University of Poland and was involved in front organisations of the illegal Communist Party. After five arrests and prison stretches of up to eight months for his political activity, Grossman left for a job at the Institute for Social Research in Frankfurt am Main. Germany was less repressive than Poland and the Institute, under Carl Grünberg, was an excellent place to work. It was associated with the University of Frankfurt am Main but funded by an endowment from the radical son of a very wealthy businessman to conduct Marxist research.

Grossman remained a revolutionary Marxist; he was a fellow traveller of the German Communist Party and the Communist International. But his situation as an exile and his position in the Institute for Social Research offered him freedom to conduct research and write unconstrained by a party line or the restrictions of a normal academic post. So he was insulated from the Stalinisation of the German Communist Party and the International, completed by the end of the 1920s, that accompanied the defeat of the revolution in Russia and the emergence of a bureaucratic state capitalist ruling class. Grossman's best known work was written in Frankfurt. His Marxist economic study, *The Law of Accumulation and Breakdown of the Capitalist System: Being also a Theory of Crises*, contradicted the explanation of crises that became the Stalinist orthodoxy and earned him the criticism of Stalin's lieutenant in economic theory, Yenö Varga. This book and an essay also spelt out Grossman's earlier account of Marx's method of successive approximation in *Capital*.<sup>[6]</sup> When Grünberg was incapacitated by a stroke, Grossman took over his tasks for Elster's dictionary, writing biographical entries on prominent socialists, including Vladimir Ilyich Lenin, socialist and communist parties, Bolshevism, the Second and Third Internationals, anarchism and Christian socialism, as well as his essay on Marxism after Marx.

In his survey, Grossman condensed a huge literature by highlighting key works and arguments, focusing particularly on issues in Marxist economics and of socialist strategy. He started by noting that the appreciation of *Capital's* full significance was very limited for decades. Engels was only able to publish the second and third volumes, which he put



together from Marx's drafts and notes, in 1885 and 1894. A version of Marx's manuscripts on the history and critique of economic theories was eventually published by Karl Kautsky, as the three volumes of *Theories of surplus value*, between 1905 and 1910. The relative immaturity of the workers' movement, its resources and organisations, along with repression, also made it difficult to grasp the significance of Marx's study of capitalism's anatomy.

After the Anti-Socialist Law lapsed in 1890 and the Social Democratic Party of Germany, the largest socialist organisation in the world, could operate openly, the influence and sophistication of Marxist analysis grew rapidly. But it was challenged by the rise of revisionism. This current argued that Marx's theories and core ideas, including his explanation of economic crises and capitalism's tendency to break down and his advocacy of the revolutionary destruction of the capitalist state, needed to be modified or abandoned altogether because they were dated or wrong. The most prominent revisionist was Eduard Bernstein, with Karl Kautsky Engels' joint literary executor. The Russian/Ukrainian economist Mikhail Tugan-Baranovsky, who like Bernstein believed that the fundamental basis for socialism was a moral rather than a materialist critique of capitalism and rejected Marx's labour theory of value in favour of mainstream economic concepts, provided an influential justification for the assertion that there were no economic reasons why capitalism could not continue forever.

The most effective response to Bernstein was Rosa Luxemburg's empirical and theoretical refutation, with its clear explanation of the relationship between the struggle for reforms and revolution<sup>[7]</sup> and insistence that capitalism does have a tendency to collapse economically. Grossman also mentioned the value of Parvus's critiques of revisionism between 1901 and 1910. Following Luxemburg, Grossman pointed out that Kautsky, the most prominent Marxist theorist in the world who did make some telling criticisms of Bernstein, fundamentally revised Marxist politics too. Marx's understanding of the state was only "reconstructed again by Lenin, a quarter of a century later". Heinrich Cunow, in 1898, explained capitalism's breakdown tendency in underconsumptionist terms: workers were not paid enough to buy all that they produced and export markets would only be able to absorb this excess for a limited period, before capitalism developed the whole world. Luxemburg, Karl Kautsky, between 1901 and 1911, and Louis Boudin, in his widely read English work of 1907, also expounded this argument.

Like Lenin, Grossman explained the rise of revisionism as the result of the emergence of a thin layer in the working classes of developed capitalist countries, an "aristocracy of labour", that gained material benefits from the imperialist exploitation of the colonial world. This was a weak argument. To the extent that imperialism improved the living standards of well-paid workers, because of more buoyant labour markets and access to cheap raw materials and foodstuffs, it has done so for the rest of the working class in the imperialist heartlands too. Better wages in developed capitalist countries have also frequently been associated with higher degrees of exploitation because workers in them use more efficient technologies, machinery and equipment. Workers with superior technology can produce more of the same commodity in a given time than those with inferior technology and therefore spend a smaller proportion of their working days making the value equivalent of their wages



and a larger proportion making profits. Furthermore, the successes of better paid and organised workers in fighting for their wages and conditions have often provided a model for the struggles of other workers.[\[8\]](#)

More compellingly, Grossman associated revisionism with a period of peaceful capitalist expansion, during which the working class was able to extract concessions from the ruling class, and the rise of a layer of labour movement officials, particularly in the trade unions. While essential to the functioning of workers' key defence organisations and capable of leading important struggles, full-time union officials are not, by definition, workers themselves. They are employed by their unions, not a boss, and generally have better pay, conditions and greater autonomy than their members. Their day-to-day activity does not involve creating profits for bosses through their labour, but rather organising workers and doing deals with employers. They are wary of militant action, let alone revolutionary struggles, that might risk the organisations on which they depend for their livelihoods.

Grossman labelled those such as the Austrian social democratic theoreticians Rudolf Hilferding, Otto Bauer and Karl Renner, and others who embraced Tugan-Baranovsky's approach "neo-harmonists". They claimed that, if appropriately regulated, "organised capitalism" could avoid economic crises, reproducing the harmonious conclusions of Jean-Baptiste Say, the father of vulgar political economy who contended that supply creates its own demand. As international and domestic class tensions and conflict increased and the scope for the tactics of peaceful reform declined before World War I, their views were less and less plausible. But crude reformist ideas were widespread in the workers' movement, promoted by figures like Morris Hillquit, a leader of the Socialist Party of America. Grossman paid particular attention to the work of Karl Renner, who was the most prominent, explicit and theoretical exponent of modern revisionism. During the War, Renner used Marxist language to defend this approach, dismiss Marx's politics and economics and to argue that workers should support their own ruling classes' military and colonial efforts.

Grossman did not devote much space to the application of historical materialist analyses outside the areas of politics and economics. But he mentioned studies by Kautsky and "brilliant" writings by Franz Mehring and Georgii Plekhanov on philosophy, history and literary criticism. He also highlighted the work of Karl Korsch and, in particular Georgy Lukács's "fine and valuable book" *History and class consciousness*, before providing a bibliography of writings on historical materialism and its application to law, economic history and the sociology of knowledge. The absence of Antonio Gramsci from Grossman's survey may seem surprising to contemporary Marxists. But very few of the Italian Communist leader's works appeared in languages other than Italian in his lifetime. Gramsci's prison notebooks were still being written in 1932. It was years after World War II before his major works appeared in translation. Grossman's judgements about historical materialism here and a serious reading of his economic works contradict the accusation, bandied about by his social democratic and Stalinist critics and sloppily sustained by later writers, that Grossman was a mechanical, Second International Marxist.[\[9\]](#)

In the period before World War I, international tensions and domestic class struggles intensified, as economic conditions changed and capital went onto the offensive. Against this

background, Marxists started to devote more attention to the issue of imperialism. Rosa Luxemburg, in 1913, provided a more systematic grounding for the theory of capitalist breakdown than earlier Marxist efforts. She drew especially on the work of Simonde de Sismondi, early in the 19<sup>th</sup> century, and argued that imperialism resulted from the pursuit of non-capitalist markets which were essential for capitalism's survival. Grossman paid tribute to Luxemburg for recognising that, contrary to Tugan-Baranovsky and Hilferding, the theory of breakdown was a key element of Marx's analysis of capitalism and the case for socialism. His high regard for Luxemburg as a consistent revolutionary frequently led Grossman to use her theory as a foil in arguing for his own, superior account of capitalism's economic logic, which had originally been outlined by Marx. Like Cunow, she defended Marx's position on capitalism's breakdown with a faulty under-consumptionist argument, which Lenin rejected in his critique of the Narodniks. The underconsumptionist Marxists thought that, as capitalism developed, surplus value could increasingly only be realised on external markets. Lenin argued that the drive to imperialist expansion arose in the sphere of production and efforts to increase profits, rather than in circulation and the need to find markets in which surplus value could be realised at all. In the context of inter-imperialist rivalry that leads to war, Grossman stressed that "the proletariat has the task of transforming war between peoples into civil war, with a view to the conquest of power and, for this reason, of preparing strategically and organisationally for revolution". This was the position, he noted, of Lenin, Grigorii Zinoviev, Leon Trotsky, Nikolai Bukharin and Hermann Gorter. He went into greater detail about these issues in his dictionary entries on Lenin and Bolshevism.[\[10\]](#)

Grossman's survey of Marxism did not discuss the theory of permanent revolution, with its important implications for political and economic analysis, although he did misleadingly attribute its core content to Lenin in 1905. The theory was developed by Parvus and Trotsky and tacitly embraced by Lenin and the Bolshevik Party, in 1917.[\[11\]](#) It explained how socialist revolution was possible in a relatively backward country like Russia because it was part of the international capitalist system and exhibited some particularly modern features, like a combative working class and advanced industry, even though the vast majority of the population was composed of peasants working with relatively primitive technologies. The Russian revolution could survive if it spread to more developed countries.[\[12\]](#) Grossman did refer to and reject this theory's basic content in his entry on Bolshevism, where he acknowledged that it had been a component of "Leninism", but falsely asserted that, at the end of his life, Lenin had endorsed the notion of socialism in one country, which was subsequently advocated by Bukharin and Stalin.[\[13\]](#) Contrary to Grossman's assertion in his survey, that the Russian Communists did not associate the possibility of revolution with a specific level of capitalist development, the theory of permanent revolution identified *the system of global capitalism's* maturity as a crucial precondition for socialist revolution.

The theory of permanent revolution was a much more profound argument than Bukharin's no doubt useful insight that in less advanced countries ruling class power was often more fragile. Grossman unnecessarily criticised Bukharin's contention, in the mistaken view that it was incompatible with his own view that the Russian revolution was a symptom

and the start of capitalist breakdown, which made developed countries vulnerable to revolution. He also misleadingly denied that Bukharin's insight was also Lenin's and was silent about the vicious repressiveness of Stalin's regime. In this way, Grossman was able to avoid alienating the Stalinist leadership of the Communist movement more than necessarily in defending his own position. In doing so, he was aided by Stalin's own contortion on precisely this point.[\[14\]](#) When he wrote this essay, Grossman was still a supporter of the Communist International, now thoroughly dominated by Stalin and his subordinates, and the German Communist Party which toed the line from Moscow. He also thought that Stalinist Russia was on the path to socialism and that the First Five Year Plan was a massive step forward for the international working class.

In his survey, Grossman did not, however, simply reproduce the Stalinist falsification of the history of the Russian revolutionary movement. He acknowledged contributions to the workers' movement by socialists and Communists whose positive role the Russian regime now simply denied, notably Parvus, Zinoviev, Bukharin and Gorter and even its principal hate figure, Trotsky. Emphasising the impact that the Russian revolution had on Marxist theory, Grossman referred to Bukharin's specific version of the revolutionary argument that the development of capitalism in the womb of feudalism could not be the pattern for the transition to socialism. Grossman acknowledged the contribution of David Riazanov, who had a close association with Carl Grünberg and the Institute for Social Research, to the history of Marxism and leadership of the Marx-Engels Institute in Moscow, even though he had been arrested as an anti-Soviet conspirator and dismissed from that post in 1931.

Like very many other Communists who remained committed to working class self-emancipation, the essence of Marxism, in principle, Grossman did not recognise the defeat of the Russian revolution, which was a massive setback for the international working class, in practice. By the end of the 1920s, the Stalinist counter-revolution was complete.[\[15\]](#) Isolated in an economically backward country, the revolution had degenerated. The civil war and disruption of the economy decimated the working class. Many of its most class conscious elements were drawn into the hierarchies of the army, government and party; the vibrant democracy of the workers' councils, which had been the distinctive core of the new workers' state, withered and died. A bureaucracy, increasingly aware of its own distinctive interests, emerged at the top of the Communist Party and the state machine to take control of productive resources and the whole of society. Under Stalin's dictatorship, it purged itself and Russia of dissidents and consolidated its power. Through a program of often arbitrary economic decision-making embodied in the First Five Year Plan, Russia industrialised very rapidly. Genuine socialist planning, based on reliable information through the democratic involvement of the working class, was impossible. At the expense of peasant and working class living standards, the recently emerged state capitalist ruling class improved its ability to defend itself militarily in the face of competition from other countries. Ongoing and often random oppression, especially of individuals who had fallen out with Stalin at one time or another through political opposition or by accident, kept the regime in power and sustained the extreme exploitation of the mass of the population. The Stalinist ruling class treated the Communist International and national Communist Parties as instruments of its foreign policy.

The Communist movement's blindness to the significance of Hitler's rise and seizure of power in 1933 jolted Grossman into a much more critical attitude to its leadership for several years. He recommended Trotsky's discussion of the "German catastrophe" to Paul Mattick[16] and for a while identified with the dissident Communists who came to lead the German Socialist Workers Party (which originated in a split from the Social Democratic Party of Germany). During the Spanish Civil War, however, he returned to essentially uncritical support for the Soviet Union's main domestic and foreign policies.

Grossman devoted the final section of his survey to a summary of his own contribution to Marxist crisis theory. He used the opportunity to refute arguments which had been made against it. This was certainly not a modest thing to do but it was justified in an account whose main emphasis was on Marxist economics, because Grossman's contribution to Marxist economics paralleled Lenin's to Marxist politics and Lukács's to Marxist philosophy.

Grossman was the first to spell out Marx's method of successive approximation in *Capital*, which was crucial for his grasp of Marx's crisis theory.[17] *Capital* abstracts from less important features of capitalism to identify its fundamental features and then successively reintroduces them to make the analysis more concrete. Rejecting both underconsumptionist and neo-harmonist theories, Grossman recovered Marx's explanation of capitalism's breakdown tendency in terms of the progressive nature of capitalist production, which has repeatedly meant that less labour can produce more commodities. This very process entails a tendency for the rate of profit to fall. Capital accumulation is biased towards investment in constant (raw materials, machinery and equipment) rather than variable capital (employing workers): each worker operates more equipment; the ratio of the cost of the capital used to the wages bill increases, as US census statistics demonstrated. In other words, the organic composition of capital rises. But it is only living labour that creates new value. The rate of profit, the ratio between profit and capitalists' total outlays, falls. Eventually a point will be reached where the mass of surplus value is insufficient to maintain any given rate of accumulation. This is even more the case because the absolute value of individual, new items of constant capital (machines, buildings etc.) also tends to grow. As the requirements for the accumulation of constant capital encroach on the surplus value available for the consumption of the capitalists and to pay for the employment of new workers, class struggles become more intense.

Following Marx, Grossman also identified counter-tendencies that slow or temporarily reverse the tendency for the rate of profit to fall. These included the cheapening of both constant capital and the items workers consume, which is a consequence of the increased productivity of labour; reduced turnover time; and the channelling of surplus value from less to more developed territories through unequal exchange and profits from capital exports. The effects of the counter-tendencies mean that capitalism's tendency to break down takes the form of recurrent economic crises. While exploitation, the rate of surplus value, rises and (up to a point) the mass of surplus value does increase, neither this nor the other counter-tendencies is sufficient to fully offset the effect of the rising organic composition of capital on the rate of profit in the long term.

Henryk Grossman was a revolutionary Marxist who had reached political maturity and

developed his crisis theory before the international Communist movement had been subordinated to Stalinism and imposed a dogma for every important theoretical question Communists faced. As early as 1919 he had pointed out how the contradictory requirements for proportionality between production in different industries in both use-value and exchange-value terms could give rise to economic crises, and had highlighted the method of successive approximation which structured *Capital*. By the mid-1920s his extrapolation of Bauer's calculations[18] had led Grossman to identify the crucial significance of the tendency for the rate of profit to fall. He stuck to and developed this theory of economic crisis and belief in workers' revolution even when his own political judgements were contaminated by Stalinism.

In a clear response to critics, Varga among them, who argued that he had a mechanical theory of capitalist breakdown, Grossman cited Lenin and repeated Luxemburg's point that the revolutionary position is not to passively wait for capitalism to collapse.[19] Marx's (and his) account of economic crises helped revolutionaries to identify situations in which their efforts to overthrow the system can be most effective.

*“The point of breakdown theory is that the revolutionary action of the proletariat only receives its most powerful impetus from the objective convulsion of the established system and, at the same time, only this creates the circumstances necessary to successfully wrestle down the ruling class's resistance.”*[20]

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# Fifty years of struggle over Marxism, 1883–1932 [\[21\]](#)

Henryk Grossman [\[22\]](#)

## A. Marxists of the early period

Until the end of the seventies of the last century, the circumstances for understanding of Marx's ideas were not very favourable, even within the socialist camp. A particular difficulty was that *Capital* was initially only available as a torso, as only one of several volumes. Almost another three decades passed before the volumes completing the system appeared (the second volume in 1885, the third volume in 1895). And a further fifteen years passed before Karl Kautsky [\[23\]](#) brought out the last of the volumes of *Theories of Surplus Value* (1910). These, intended by Marx as the fourth part of *Capital*, are a magnificent history of political economy from the end of the 17<sup>th</sup> century, one that bourgeois historical writing has been unable to equal.

During the first decade after the founding of the German Empire it was hardly possible to speak of “Marxism” in Germany (and still less in other countries). There was only a very loose connection between the workers' movement and the theories of scientific socialism. Many years after [Ferdinand] Lassalle's death the German workers' movement was still under the influence of Lassalle's theories and activities. [\[24\]](#) Apart from that, it drew its ideas and sentiments from memories of 1848, from [Pierre-Joseph] Proudhon, [Karl] Rodbertus and Eugen Dühring. [\[25\]](#) Many socialists justified their demands by appealing to ethics and humanity or oriented themselves on the publications of the International Working Men's Association. [\[26\]](#) When the two tendencies in the German workers' movement (the so-called the “Lassalleans” and the Marxist “Eisenachers”) [\[27\]](#) united at the Gotha Congress (1875), Lassalle's ideas and demands were in large part incorporated into the newly agreed Gotha Program (cf. Marx's criticisms in his *Critique of the Gotha Programme*). [\[28\]](#) Initially workers in large-scale industry were not organised in either party, rather the bulk of the movement was workers, such as shoemakers, tailors, book printers, tobacco workers etc., who still retained close ties with the petty bourgeoisie. Lassalle's pamphlets and demands, his woolly conception of the state, his complete lack of clarity about the party's goal evidently expressed much more the labour movement's lack of maturity at that time than the cohesive and magnificent edifice of Marx's theory. Even the leading figures in the labour movement were, for a long time, unable to grasp key aspects of Marx's theory. Characteristic of this is the request, in 1868, by Wilhelm Liebknecht, [\[29\]](#) who during his stay in London had had a close relationship with Marx, that Engels make the actual differences between Marx and Lassalle clear in an article for the party organ. [\[30\]](#) From correspondence between Marx and Engels it is apparent how distressed Marx felt about the fact that German party circles were almost incredibly indifferent to *Capital*.

Only gradually and in constant struggle against other views that were widespread in

the labour movement (the struggle against Proudhonism and Bakuninism in the First International, Engels' polemic against Dühring in 1878, etc.)[\[31\]](#) did Marxist ideas permeate the workers' movement. From 1883 Karl Kautsky (born 1854) sought to spread Marxist ideas, as the editor of the party's theoretical organ, *Neue Zeit*. However, the period of the Anti-Socialist Law (1878–90) was quite unfavourable for the theoretical consolidation of Marxism.[\[32\]](#)

The great popularity that Marx's lifework achieved was initially due to those sections of the first volume [of *Capital*] that describe the immediate process of production within the factory and thus make the situation of the working class, its exploitation by capital and everyday class struggles taking place before everyone's eyes intelligible. So this volume became the "bible" of the working class for decades. The fate of those parts of the work which present the historical tendencies of capitalist accumulation and the tendency towards the breakdown of capitalism that follows in their wake was quite different. Here Marx was so far in advance of his epoch intellectually that these parts of his work, at first, necessarily remained incomprehensible. Capitalism had not yet achieved the maturity that would have made its breakdown and the realisation of socialism an immediate reality. So it is understandable that in a review of Volume 2 of *Capital* (1886) Kautsky explained that, in his opinion, this volume had less interest for the working class than the first, that for them only the production of surplus value in the factory was of importance.[\[33\]](#) The additional question of how this surplus value is realised was of more interest to the capitalists than to the working class! Kautsky's well-known book *The Economic Theories of Karl Marx* also exclusively confined itself to describing the contents of the first volume of *Capital*. Only an extremely deficient outline of the theories in the second and third volumes was added to later editions.[\[34\]](#)

Two generations had to pass after the appearance of *Capital* before capitalism, as a result of capital accumulation, matured to its current heights and conflicts developed in its womb that translated the problem of the realisation of socialism from the domain of a programmatic demand, only appropriate for the remote future, to the sphere of daily political practice. The understanding of Marx's ideas has also grown, in correspondence with the changed historical situation.

The situation was different after the end of the Anti-Socialist Law (1890), when socialist politics started to develop rapidly from a small, persecuted group into the largest party in Germany and its appeal encompassed broad layers of intellectuals and the petty bourgeoisie, far beyond the working class. Outwardly, the strength of Marxism grew rapidly during this period. In the Erfurt Program (1891) it achieved a victorious expression. But, precisely at the time when the appearance of the third volume of *Capital* (1895) publicly concluded Marx's theoretical system, with the rapid blossoming of international capitalism and the strengthening of an opportunist labour aristocracy within the working class, a change occurred that was to be of the greatest significance for the further development of Marxist theory. Sooner or later social differentiation in the working class had to be expressed not only in politics but also in its theoretical conceptions of the goals and tasks of the labour movement.

## **B. The advance of reformism**

### *a) Revisionism*

The victory of opportunism, initially in England, then in France and Germany, as well as a series of smaller European countries, is necessarily connected with the structural transformation of world capitalism, which exhibited extremely powerful development and increasingly showed its imperialist face, during the last decade of the previous century. Its fundamental economic traits are the replacement of free competition by monopoly and colonial expansion combined with bellicose entanglements. Through capital exports, monopolistic domination and exploitation of huge regions that supply raw materials and provide outlets for capital investment in Central and South America, Asia and Africa, the bourgeoisie and the financial oligarchy of the capitalist great powers acquire billions in superprofits. These make it possible for them to win over an upper layer of the working class and the petty bourgeois following of the socialist parties with higher wages and various other advantages, so that it takes an interest in colonial exploitation, is politically bound to them and enters a community of interests with them against the broad masses and other countries. These upper layers were the bourgeoisie's channels of influence into the proletariat. The emergence of the labour aristocracy, which found expression politically in the formation of "bourgeois workers' parties" on the model of the Labour Party in England, is typical of all the imperialist countries.

These layers, which found the revolutionary tenets of Marxist theory inconvenient and a hindrance to their practical efforts to cooperate with the bourgeoisie and the organs of the state, soon went onto the offensive against Marxist theory, with the argument that it was contradicted by capitalism's real tendencies. Their main difference with Marxism was that it denied the possibility of a lasting improvement in the conditions of the working class under the current economic order (apart from temporary improvements for shorter periods) and advocated the opposite point of view: that, with its full development, the immanent powers of capitalism would necessarily lead to a worsening of workers' conditions. In contrast, the representatives of reformism pointed out that, even under the existing economic order, a lasting improvement in the situation of the workers—whether by means of state legislation (pensions, accident and unemployment insurance) or by means of self-help (by founding and expanding trade unions and consumer cooperatives) —was possible and already occurring. Here the rather slight improvement, confined to a narrow upper layer only, was overvalued and generalised and its character was misjudged, to the extent that it was not considered temporary but the start of a transformation that was consistently expanding in breadth and depth.

The rising strength of the trade union movement was, undoubtedly, the most effective lever for the enforcement of anti-radical attitudes. For the leaders of the trade unions—the typical representatives of the labour aristocracy—reformism was tailor-made. For these men, conducting the small-scale war for entirely gradual improvements in the situation of the

workers that were again and again threatened by setbacks, all radicalism represented a threat to the positions they had conquered, their organisations and trade union funds. They therefore sought to nip every intensification of the methods of struggle in the bud. Under the Anti-Socialist Law, there was no room for such efforts, as the trade unions then hardly suffered less than political social democracy. With the strengthening of the trade union movement, after the repeal of the Emergency Law, particularly from the foundation of the General Commission of the Free Trade Unions which was connected with the tight centralisation of the movement, the relationship of the trade unions to the party changed. The initial dependence on the political movement was soon transformed and, at both the Köln Trade Union Congress in May 1905 and the Mannheim party congress in September 1905, the trade unions and their leaders knew how to impose their demands—often on decisive questions too—against the will of the party authorities. Now their influence on the theoretical conceptions of the socialist workers' movement was also increasingly apparent. Gradually certain—essential—elements of Marxist theory were eroded by the practical trade union negotiators of wage agreements. In the hands of the trade union leaders the concept of “class struggle” experienced a gradual transformation, so that little of its original content remained. Under the same influences, the attitude of the trade union leaders to the state also changed. They pointed out the benefits they saw for the working class in the state institutions of social insurance, a system they hoped to be able to expand further. Thus these circles felt compelled to revise the ideas previously inherited from Marx (“revisionism”). During the nineties and after the turn of the century, the question was often raised of whether a special trade union theory that would justify reformism—the perspective of a gradual “socialisation”, “drop by drop” within the existing order—ought to be compiled for the socialist inclined trade unions. But it never came to such a trade union theory. All the friendlier was the trade union welcome for efforts emerging within the political party that accommodated their desires.

Revisionism is inseparably linked with the name Eduard Bernstein (born 1850).[\[35\]](#) He was the first to systematically demand a revision of Marx's theory, arguing that it did not correspond with the actual development of capitalism, even though the former radical Georg von Vollmar had earlier developed similar ideas, in his famous Eldorado speeches in Munich (1891) and in the pamphlet *State Socialism* (1892), and advocated reformist tactics.[\[36\]](#) Eduard Bernstein, who seemed to be a true disciple of the theory while Engels was still alive, emerged as a critic only after the death of the master, in his *Neue Zeit* articles of 1896–7, on “Problems of socialism” (published in book form as *The Preconditions of Socialism*). Other writings by Bernstein are relevant: *How is Scientific Socialism Possible?*, *Guiding Principles for a Social Democratic Program*, *On the Theory and History of Socialism*.[\[37\]](#)

Bernstein never openly described Marxist theory as a whole as false. It is an essential feature of revisionism that it neither had the intention of nor succeeded in constructing a *complete theoretical edifice* to replace Marx's. Its historical significance lies primarily in the influence of *trade union and political practice*. Theory was only of concern to the extent that it was an obstacle to this *practical reformism*. This was to be disposed of through the revisionist critique that adapted theory to practice so that inconsistency between inherited

revolutionary theory and reformist activity could be overcome. For this purpose, in his critique of Marx's theoretical edifice, Bernstein used the convenient procedure of separating the enduring, generally valid elements of the theory—fundamental theoretical propositions—sharply from variable elements, because they are propositions of applied science. Under the cover of this distinction, however, the fundamental propositions of the theory were also encompassed, albeit on the pretext that they were now reinterpreted as not fundamental. The goal of revisionism was never declared to be the defeat of Marxism; it was, instead, supposed to be a matter of rejecting certain remnants of “utopianism” that Marxism still allegedly carried in its baggage.

Bernstein's “act of purification” was an attempt to liberate socialism from Marx's *theory of value and surplus value*. Value is a construct in thought and not a phenomenon. Whether Marx's theory of value is correct or not, Bernstein argued, is superfluous for the demonstration of surplus labour, as surplus labour is an empirical fact which suffices alone as a rationale for socialism. Bernstein never offered such a rationale, a positive theory of capitalism, built on the fact of surplus labour, that led to socialism. He remained negative.

Bernstein concedes the accuracy of Marx's predictions about *increasing centralisation and concentration of capital*, increasing concentration of enterprises, a rising rate of surplus value (exploitation) and the fall in the profit rate, but maintains that the overall picture of capitalism in Marx's work is one-sidedly distorted. Marx supposedly neglects the counter-tendencies in the principal matter. Divisions among already concentrated capitals counteract the tendency to concentration. Income statistics show growth in the number of shareholders and average magnitude of their share-holdings. Undeniably the number of property owners is growing both absolutely and relatively. And the employment statistics, for their part, prove that the middle classes are expanding. Finally, enterprise statistics irrefutably demonstrate that in a whole series of branches of industry small and medium-sized firms are quite viable alongside large concerns. This applies not only to industry but also to commerce. To the extent that large enterprises are concerned, developments in agriculture demonstrate either no change at all or a decline in the scale of operations. After Bernstein, Eduard David attempted to show that in agriculture a development in the size of operations had begun that was diametrically opposed to Marx's prediction. His thesis contended that small-scale operations were not only viable but were even a superior form of production.[\[38\]](#)

Bernstein regards the Marxist *theory of crisis and breakdown* as an *a priori* construct in accordance with Hegel's scheme of development. In various ways, actual developments have taken a different course than they would have if breakdown was unavoidable for purely economic reasons. Bernstein concedes the possibility of local or particular crises, but the huge territorial expansion of the world market, the reduction of the time required for communications and the transport of goods, combined with the elasticity of the modern credit system and the emergence of cartels, have created the possibility that local disturbances will cancel each other out. The occurrence of general crises should, therefore, be considered unlikely. Bernstein does not treat breakdown from the perspective of whether it was the necessary result of the immanent development of capitalism, whether with the existing level



of economic development and the degree of maturity of the working class a sudden catastrophe might be to the advantage of social democracy. Bernstein answers these questions in the negative because there is a greater guarantee of enduring successes in a steady forward march than in the possibilities offered by a catastrophe. It is precisely in the theory of breakdown that Bernstein sees the quintessence of “utopianism” in Marxism, because this makes the victory of socialism dependent on its “immanent economic necessity”.<sup>[39]</sup> Bernstein combats the “iron necessity of history”<sup>[40]</sup> and the materialist conception of history as a theory of historical necessity and emphasises the increasing effectiveness of ideological and ethical factors. Against Marx he appeals to Kant. The victory of socialism does not depend on economic necessity but on the moral maturity of the working class, i.e. its realisation that socialism is desirable.

Ultimately Bernstein conjures away the final goal of socialism, (“[T]he final goal ... whatever it may be, is nothing to me, the movement everything.”)<sup>[41]</sup> The final objective is subordinate; instead, the attention and energy of the working class should be concentrated on “immediate goals”, on “daily, detailed work” which will lead to an advance in cultural development, higher morality and legal conceptions. It is apparent that such a formulation of the tasks of the workers’ movement has nothing at all to do with socialism and coincides with the conceptions of bourgeois liberalism. The general perspective that in all individual goals there is always a pointer to a further goal yet to be achieved, that has to be pursued later, only leads to “progression to infinity and that is diametrically counterposed to the essence of socialism, which at a particular stage of development, wants to and should replace one definite system with another”.<sup>[42]</sup>

It was only consistent that when Bernstein gave up the final goal he simultaneously abandoned the *revolutionary tactics* necessary to achieve it. In contrast to Marx’s theory of class struggle and his conception that force is the midwife of every society that is coming into being, Bernstein emphasises parliamentary activity as the means for emancipating the working class. The idea of conquering political power through revolutionary action is supposedly a foreign body in Marxism, a remnant of Blanquism<sup>[43]</sup> from which Engels parted towards the end of his life.

From his critique, Bernstein drew the conclusion that it was false and disastrous to count on great social catastrophes and to focus the party’s tactics on them. The utopia of a coming revolution had to be given up. Development blunts class antagonisms and democratises society. It is appropriate to promote this development. In order to gain influence social democracy has to find the courage “to make up its mind to appear what it is in reality today: a democratic socialist party of reform”.<sup>[44]</sup>

From all this it is apparent, as Brauer correctly emphasises, that Bernstein is no socialist in the Marxist sense, because he is caught up in political categories.<sup>[45]</sup> For Marx, the proletarian revolution is not just a “political act” that replaces the old power, based on parliament, with a new one, but is simultaneously a “social” revolution insofar as it abolishes the whole of the previous form of society to replace it with a new one. Class struggle—just like its highest form, civil war—is not, for Marx, the product of the good or bad will of the people and cannot be replaced at discretion by parliamentary activity.

Instead, class struggle and revolution are inevitable concomitants of the immanent economic necessity with which development drives towards socialism.

The considerable influence Bernstein exercised on intellectuals can be explained by the fact that the boldness of his approach was initially captivating because, in contrast to the fear that Marxism was being petrified, it seemed to pave the way for further development. At the same time, he won over those who, for opportunist reasons, did not wish to “commit” themselves and found in Bernstein’s limited determinations and qualifications the boltholes they desired for their own indecision.

Among the critics of the Marxist theory of crisis and breakdown who, like Bernstein, proceed from an ethical perspective, the Russian professor Mikhael Tugan-Baranovsky particularly excelled, with arguments that were later used extensively by revisionists (*Studies on the Theory and History of Commercial Crises in England, Theoretical Foundations of Marxism, Modern Socialism in its Historical Development*).[\[46\]](#) According to Tugan-Baranovsky, crises and the ultimate breakdown of capitalism cannot be due to a lack of markets since, in the course of the expansion of production the individual spheres of production reciprocally create new market opportunities. Tugan-Baranovsky seeks to prove this, using a reproduction schema based on Marx’s. Nor need the [relative] reduction of social consumption as a result of technological progress and the replacement of human labour by machines lead to overproduction. With the expansion of production, *human* consumption is replaced by *productive* consumption, i.e. stronger demand for means of production. According to Tugan-Baranovsky, these results of abstract theoretical analysis are confirmed by the empirical facts. Recent capitalist development shows a strong expansion of the industries producing means of production, such sectors as coal and steel, mechanical engineering, chemicals etc., whose products do not flow into human consumption, while those sectors directly serving human consumption, such as textiles (cotton) have almost reached a standstill.

The absolute limit for the expansion of production is constituted by the productive forces that society possesses at any time. Capital can never reach this limit to the extent that this expansion of production occurs proportionately in all branches of production. Capitalist crises are thus exclusively the result of disproportional investment in individual spheres. With proportional investment, the productive forces of capitalism can develop without limit. “The capitalist economy cannot break down for economic reasons.”[\[47\]](#) Marx’s theory of value is superfluous for the demonstration of surplus labour. Surplus product is not the product of the wage labourer employed and exploited in production alone but is the produce of the whole of society as a unit. Capitalist society’s defect is that the propertied class appropriates this surplus product. The end of this unjust system can thus only be the result of ethical causes. “There is, therefore, no occasion to suppose that capitalism will some day die a natural death; it will be destroyed by the conscious willing efforts of man, by that social class which has been the foremost object of capitalistic exploitation—the proletariat.”[\[48\]](#) For this reason, Tugan-Baranovsky praises so-called utopian socialism, which was far more scientific than Marxism, to the extent that it did not attempt to provide untenable objective justifications for its ethical demands that the existing economic order be reorganised.



In addition to those mentioned, Conrad Schmidt, the author of a valuable book on *The Average Rate of Profit on the Basis of Marx's Law of Value* which was praised by Engels, ought to be mentioned. Yet he soon became one of the fiercest opponents of Marx's theory of value and surplus value. He was not, however, content to criticise and reject Marx's conception, but himself undertook a systematic analysis of the capitalist economy and its laws (cf. his articles on the theory of value and crises in *Sozialistische Monatshefte* and, in particular, "On the method of theoretical political economy".) [\[49\]](#) Here Schmidt reached the same conclusion that Marx deduced for the capitalist economy: with the purchasing power in the form of wages, to which he is entitled, the worker can only buy a portion of value for whose production only a fraction of the labour that he himself performed was necessary. In other words, if the commodities he produced are to be profitable for the employer, he must always perform surplus labour. But, according to Schmidt, this basic result was achieved without having to use Marx's untenable law of value. In this way many contradictions associated with this law of value can be avoided.

## b) *The Neo-Kantians*

In addition to the revisionist movement, which sought to undermine the economic and political foundations of Marxism, a stronger revisionist current in the field of philosophy also arose within social democracy towards the end of the last century. The entry of broad intellectual layers into the workers' movement soon led to a discussion about the meaning and validity of the "materialist conception of history". Engels had already made certain modifications, in letters to socialist university graduates who asked him for information (see, in particular the letter of 21 September 1890 to Joseph Bloch). In these letters, Engels warned against exaggerations and observed that "some younger writers attribute more importance to the economic aspect than is due to it"[\[50\]](#) and that the economic situation was not the only but merely the determining moment[\[51\]](#) of socio-historical development in the last instance. These intellectuals imported secondary idealistic currents into the workers' movement that abandon the materialist conception of history or seek to combine it with idealism. This is particularly so in France, where Jean Jaurès in his Latin dissertation of 1891[\[52\]](#) develops an idealist conception of history, according to which it is the product of the human spirit—a conception that he also retained later as a socialist. The idealist current is assisted by some supporters of the materialist conception of history such as, for example, Paul Lafargue (1842–1911), whose crude interpretations helped discredit it.[\[53\]](#) In Germany a current, initially arising in university philosophy departments, seeks to justify socialism idealistically and to link it with [Emmanuel] Kant.[\[54\]](#) It originates with Hermann Cohen (1842–1918), the founder of Neo-Kantianism, the so-called "Marburg School" who, in his "Introduction" to Friedrich Albert Lange's *History of Materialism*,[\[55\]](#) attempted to prove that socialism is "based on the socialism of ethics" and to this extent Kant was "the true and genuine initiator of German socialism". In his book *Economics and Law According to the Materialist Conception of History*, Rudolf Stammler (of Halle) recognised this as, so far, the best and most consistent method for causal research into economic development but demanded that it be supplemented by goal-setting ("teleological") considerations. Only by means of the latter is it possible to achieve the highest social goal, which Stammler regards as the "community of people who want to be free", where "everybody makes the objectively justified purposes of the other his own".[\[56\]](#) Franz Staudinger (1849–1921) attempted even more in his writings (*Ethics and Politics: Economic Foundations of Morality*)[\[57\]](#) to reconcile the Marxist standpoint with Kant's epistemological critique and ethics. Each Kantian had to come to Marx by logically developing his own basic ideas. And vice versa: "As soon as Marxism no longer merely pursues social development scientifically in accordance with the causal viewpoint but makes conscious and planned transformation of the given into its goal, it arrives at Kant, as a result of consistent pursuit of its own principle."[\[58\]](#) Along similar lines to Staudinger, Karl Vorländer in his writings (*Kant and Socialism, Kant and Marx, and From Machiavelli to Lenin*)[\[59\]](#) advocated a combination of "Marx" and "Kant", i.e. a combination of an economic, historical with an epistemologically critical, ethical justification for socialism.

This current, which initially arose outside the socialist movement, soon also created an echo within it, particularly in the ranks of the revisionists: Eduard Bernstein, Conrad Schmidt and Ludwig Woltmann (*Historical Materialism*), who also attempted to undermine Marxism through philosophy; but also in the ranks of the then radical, younger Viennese Marxists, such as Max Adler (*Causality and Theology in the Dispute about the Economy, Marx as Thinker, Kant and Marxism, Marxist Problems*) and Otto Bauer (“Marxism and ethics”, directed against Kautsky), who ultimately deviated into the camp of reformism.[60] They all demanded a stronger consideration of “ideological” moments, epistemological critique and ethics in socialist theory. Similar attempts by Russian revisionism in the field of philosophy evoked the resolute resistance of [Georgii Valentinovich] Plekhanov and [Vladimir Ilyich] Lenin (*Materialism and Empiriocriticism*).[61] On the whole, revisionism remains negative philosophically and proves itself to be just as infertile here as in the field of economics. With the victory of reformism in German social democracy during and after the War, however, these currents succeed in coming into their own. It is characteristic of the completely altered attitude of socialism in this period that the article on the philosophical foundations of socialism in *The Program of Social Democracy: Suggestion for its Renewal*, which appeared before the Görlitz party congress, was written at the request of authoritative party circles by the above-mentioned Kantian Karl Vorländer.[62]

As far as revisionism as a whole is concerned, it is not only the circumstance that both Bernstein and Tugan-Baranovsky subscribe to the theory of marginal utility[63] that lends it an individualistic aspect but, as was shown, also its attempt to replace the Marxist materialist dialectic with Kantian ethics and epistemological critique. For, in contrast to socialism insofar as it is a fundamental socialism, Kant’s starting point, it must be insisted, is the autonomous personality. Here, however, there is a fundamental contradiction with socialism in general and Marxist socialism in particular, which only knows and explains individuals as conditioned by the social environment.

Revisionism as a whole has not been able to replace Marxist theory with one of its own that in any respect grasps the economic mechanism with its social interconnections. It remained stuck in critique and therefore the question of whether, in principle, revisionism should be pronounced to be socialism has to be answered in the negative. But also as pure critique the standpoint of revisionism has proved to be false. One only needs to compare its critique of the Marxist account of the proneness of artisanal production and the middle classes to crises and concentration and finally its conception of the superiority of small-scale operations in agriculture with the experience of the post-war period (see Friedrich Pollock, *Socialism and Agriculture*, and Julian Gumperz, *The Agrarian Crisis in the United States*),[64] in order to see that history has proved that not revisionism but Marx is correct. Anyone who delves into *Capital* today, after seven decades, has to concede with astonishment how correctly, indeed prophetically Marx understood the large-scale tendencies of capitalist development.

Over the two decades before the World War, reformism became an international phenomenon. Much earlier than in Germany, it appeared in England. There, the first mass movement of the proletariat, the Chartist movement, was defeated in the 1830s and 1840s.

But its struggle had shown the English bourgeoisie the danger that threatened it. Subsequently, it knew how to calm the dissatisfaction of the working class by means of concessions and the timely grant of real benefits to its upper layer, which its supremacy on the world market permitted. In this manner over a long period, it successfully prevented the English proletariat from combining to create an independent political party. The whole energy of the working class turned to developing trade unions, mutual funds and cooperatives. The great reorganisation of local government gave workers the opportunity to represent their interests, through autonomous local authorities, in the field of municipal economic and welfare services. The trade unions developed a purely reformist practice. The revolutionary traditions of Chartism were forgotten. The reformist-socialist Fabian Society, founded in 1883–4 and consisting of a few hundred intellectuals, gained considerable influence in bourgeois circles and the trade union bureaucracy, under the leadership of Sidney Webb (born 1859) and George Bernard Shaw. The report they wrote for the International Socialist Congress in London (1896) provides a clear insight into the essence of the Fabians.[\[65\]](#)

The Fabians do not want to be a party, instead they want to permeate all existing organisations and movements with Fabian ideas. The “tactic of permeation” is one of the specific characteristics of the Fabians. “The Fabian Society endeavours to rouse social compunction by making the public conscious of the evil condition of society under the present system.”[\[66\]](#) Apart from the Fabian Society’s numerous pamphlets (tracts), English reformism found its theological expression above all in the works of the couple Sidney and Beatrice Webb (*History of British Trade Unionism*, with an afterword by Eduard Bernstein; *Industrial democracy*, *The Prevention of Destitution*; *A Constitution for the Socialist Commonwealth of Great Britain*; *The Decay of Capitalist Civilisation*) and of James Ramsay MacDonald (*Socialism and Society*).[\[67\]](#) The Labour Party, which was finally founded in 1900, immediately adopted the reformist principles and practice of the Fabians and the trade unions.

In France one already finds reformism in the pamphlets that Paul Brousse published in Paris in 1881–2.[\[68\]](#) Brousse was the founder of the party of the so-called “Possibilists”, which existed until 1899. Subsequently, reformist ideas were most strongly promoted by the activity of Jean Jaurès, who also advocated participation in a bourgeois government (ministerialism) in 1899. In the Socialist Party of Italy too—despite the weak industrial development of the country—strong reformist currents appeared, essentially represented by petty bourgeois intellectuals who participated in all the theoretical controversies about the theories of impoverishment and concentration that were fought out from time to time in the party’s theoretical organ *Critica sociale* in the period 1895–1905, after the publication of Volume 3 of *Capital*. The syndicalist Arturo Labriola, in his *Study of Marx*, was the foremost critic of the theory of impoverishment and breakdown.[\[69\]](#) In *Economic Speculation* and *The Dictatorship of the Bourgeoisie*,[\[70\]](#) he dealt with the problem of imperialism. With the stronger industrial development of the country after 1905, the related intensification of class struggles and the advance of reaction within the bourgeoisie, numerous intellectuals abandoned socialism. Émile Vandervelde in Belgium worked with the

same orientation as Jaurès in France (*Worker's Belgium; Collectivism and Industrial Evolution; Agrarian Socialism and Agricultural Collectivism; Essays on the Agrarian Question in Belgium; The Workers' Party of Belgium 1885–1925*).<sup>[71]</sup> Reformism took a specific form in Russia. Its most notable theoretical representatives were Tugan-Baranovsky and Petr Berngardovich Struve<sup>[72]</sup> who, however, soon swung over to liberalism. It achieved mass political influence in the workers' movement in Menshevism.

### c) *The radicals on the defensive*

The efforts of revisionism were soon countered by the so-called “radicals” or “orthodox Marxists”, Karl Kautsky, Franz Mehring, Heinrich Cunow, Parvus but above all Rosa Luxemburg, in *Neue Zeit* and in specific polemical writings, while the revisionists used the newly founded *Sozialistische Monatshefte*.[\[73\]](#)

Kautsky's *Agrarian Question* is targeted against the revisionist critique of Marx's presentation of developmental trends in agriculture.[\[74\]](#) This is Kautsky's most significant and independent economic work, although even here the historical-descriptive element crowds out the purely theoretical aspect. In his anti-critique directed against Bernstein's critique (*Bernstein and the Social Democratic Program*),[\[75\]](#) Kautsky deals with the questions of method, program and tactics, particularly the tenets disputed by Bernstein: the theory of breakdown, developmental trends with regard to enterprise size (large and small enterprises), the increase in the number of property owners and the middle class, the theory of impoverishment and crisis. Here Kautsky seeks to refute Bernstein's claims about the alleviation of capitalist contradictions, by means of philological interpretation of Marx's texts and comprehensive company, tax and other statistics, and to defend the thesis that class contradictions are intensifying. In the course of doing so, he relaxes or completely abandons important fundamentals of Marxist theory. Even the Erfurt Program (1891), which was drawn up by Kautsky and signified the highpoint in the Marxist development of German social democracy, portrays the decisive point of the political program very vaguely. The process of capitalist development seems to be the result of blind social forces. The conquest of power is wrapped in total darkness. The dictatorship of the proletariat is not even mentioned. As a result, the political aspect of Marxism was virtually decapitated, until it was reconstructed again by Lenin a quarter of a century later.[\[76\]](#) Engels' critique of the draft program of 1891 was disregarded and ineffective, just as Marx's critique of the draft Gotha Program had been in 1875.[\[77\]](#) In the dispute with Bernstein, Kautsky now intensified the reinterpretation of Marx's original theory even further. Compared with Bernstein's demand that the party should become a democratic socialist party of reform, Kautsky emphasised that social democracy “had to become a party of social revolution”.[\[78\]](#) Here, however, Kautsky added that it was not a matter of the concept of revolution “in the sense of an armed uprising” but of “every large-scale political convulsion that speeded up the political life of the nation and made it pulsate most energetically”. Admittedly “extra-legal use of violence” could form an episode in such a convulsion but could never be the revolution itself. In this reinterpretation of the concept of “political revolution”, its real content—the transfer of power into the hands of a new class—was clearly lost. At the time, Engels' “political testament”, his famous introduction to *The Class Struggles in France*, written in 1895, played a not unimportant role in the debate over tactics. He allegedly revised the tactics of the workers' movement and supposedly counterposed barricade struggles—violent revolution—to purely legal struggle—parliamentarism. It emerged 30 years later, thanks to David Riazanov who uncovered the correct text, that the “Introduction” was published by the party executive in an



abridged form which significantly distorted its meaning.[\[79\]](#)

Kautsky also reinterpreted the economic side of Marxism in important points, by interpreting his own conceptions into Marx's text. Initially, this was not sufficiently recognised by the socialist public, since he appeared in the role of the defender of Marx's theory against Bernstein and adhered to Marx's traditional terminology. That was particularly the case for Marx's theory of breakdown and crisis. Instead of maintaining Marx's theory of breakdown, the theory of the objective necessity of the demise of capitalism, in its genuine form against the distortion in the revisionist critique, that the breakdown could happen "automatically" without the active intervention of the proletariat, Kautsky denied this decisive position of Marx's system altogether and portrayed the theory of breakdown as Bernstein's invention. At the same time and in contradiction to this, he maintained in relation to crises that, while production could expand practically without limit, external and internal markets had their limits. Consequently, "from a specific historic moment onwards the capitalist mode of production would become impossible". Not only a temporary crisis but "incurable chronic overproduction" would then set in, as the "final limit" on the maintenance of the capitalist regime. The significance of this "utmost limit of the viability" of today's society was that socialism [would emerge] from the sphere of nebulous ideas "to become a necessary goal of practical politics".[\[80\]](#)

That Kautsky's unclear and contradictory attitude to important elements of Marx's theory was unsatisfactory is clear, and all the more so when Kautsky's theoretical confusion increased in his later writings. Three years later, in a series of articles on "Crisis theory", directed against Tugan-Baranovsky's critique, he combats Tugan-Baranovsky's view that crises arise from lack of proportionality in production and argues against his assertion of the possibility that capitalism could expand without limit: "the capitalist mode of production has its limits which it cannot transcend". Yet, after quarter of a century, in his "Preface" to the popular edition of the second volume of *Capital*, he embraced Tugan-Baranovsky's theory of disproportionality as the cause of crises, which he had earlier combated, without any reservations.[\[81\]](#) In his last large work (*The Materialist Conception of History*), in the autumn of his life, Kautsky finally abandoned the Marxist theory of the impassable limits of capitalist development and based himself on Tugan-Baranovsky's theory of the possibility of the unlimited expansion of capitalism, which he had criticised 25 years earlier, and with that disowned his lifework. The pattern that every mode of production ultimately survives to become a fetter on production during its decline does not apply to capitalism. Industrial capitalism does not lead to decline, but "to an ever more rapid development of the productive forces". Kautsky claims that post-war capitalism has "demonstrated in practice in the most impressive fashion its ability to survive and to adapt to the most diverse, even the most desperate situations. There are no arguments of economic theory that could call its vitality into question." Although he—Kautsky—had anticipated a chronic crisis of capitalism three decades earlier, this proved to be false. "Capitalism ... is today, considered from the purely economic standpoint, more solidly established than ever."[\[82\]](#)

If one bears in mind Kautsky's later development, already present in nascent form at the time of his disputes with Bernstein in his unclear and vacillating position on important



points of theoretical principle, it is comprehensible that the controversy between these two theoreticians did not and could not result in the clarification of fundamental questions of Marxist theory. Both had abandoned Marxist theory in decisive points and conducted the struggle only over less important points, in part merely over words. At the time this was only noticed by a few (Rosa Luxemburg). However great Kautsky's service was in popularising Marxism, the real revolutionary character of Marxism remained alien to him. In Kautsky's struggle with Bernstein, ultimately Bernstein was the victor.

The arguments that Parvus (Israel Lazarevich Helphand), an enthusiastic social patriot during the War, advanced in a series of writings against revisionism, were more effective (*Commercial Crisis and Trade Unions, The Trade Union Struggle, Socialism and Social Revolution, Colonial Policy and Breakdown*).[\[83\]](#)

Most impressive and enduring were Rosa Luxemburg's essays, the highpoint of which, on the theoretical side, is her *Social Reform or Revolution*, published against Bernstein's *Preconditions*.

If Bernstein was expecting the transition to socialism [to result] from the progressive development of the bourgeois legal system, from statutory social reform, Rosa Luxemburg explains, then he was committing a fundamental error with regard to the essence of capitalist class rule. This rests, in contrast to earlier class societies, not on legally anchored "acquired rights" but on real economic forces. "In our juridical system there is not a single legal formula for the class domination of today." "No law obliges the proletariat to submit itself to the yoke of capitalism. Poverty, the lack of means of production", which are taken from it not by law but by economic development, "obliges the proletariat to submit itself to the yoke of capitalism". The exploitation of the working class as an economic process cannot, therefore, be abolished or moderated by legal provisions within the framework of bourgeois society. "Social reform", factory laws, health and safety regulations, do not indicate an element of "social control" in the interests of the working class, they do not constitute "a threat to capitalist exploitation but simply the regulation of exploitation" in the interests of capitalist society itself. In fact, development leads to an accentuation and intensification of the contradictions of capitalism. From the standpoint of individual capitalists, credit, business associations and other means that allegedly serve to overcome these contradictions and to regulate production are only suited to adjust their insufficient means to the demands of the market, to raise falling profit rates in cartelised branches of industry at the expense of the others. Cartels cancel out their own effectiveness when they extend to all the more important branches of production. From the standpoint of the economy as a whole, credit helps increase production beyond the limits of the market and promotes the most reckless speculation. Far from being means to moderate the contradictions of capitalism, business associations and credit, on the contrary, powerfully aggravate and promote crises and must accelerate its downfall. The breakdown of bourgeois society—says Rosa Luxemburg, not only against Bernstein but evidently against Kautsky too—is the cornerstone of scientific socialism. The historical necessity of socialist upheaval is based "[f]irst, on the growing anarchy of [the] capitalist economy, leading inevitably to its ruin". If, however, it is assumed that the progressive moderation of contradictions, if it is assumed "that capitalist development does

not move in the direction of its own ruin, then socialism ceases to be *objectively necessary*". Then its justification is only possible by means of "pure reason", that is an "idealist explanation", while "the objective necessity of socialism, the explanation of socialism as the result of the material development of society, falls to the ground".[\[84\]](#)

With the same acuity, Rosa Luxemburg also develops her principal tactical ideas about the class struggle. Radical Marxism too desires everyday social reform work, the tactical orientation on current questions—the trade union struggle over wages, the struggle for social reform and the democratisation of political institutions—just as much as reformism. "The difference is not in the *what*, but in the *how*." Because it starts from the assumption that the political seizure of power is impossible, reformism wants, through "trade union and parliamentary activity [to] gradually reduce capitalist exploitation itself. They remove from capitalist society its capitalist character. They realise *objectively* the desired social change." By contrast, for Marxism trade union and political struggle is significant only as necessary preparation of the *subjective factor* in socialist upheaval—the working class—for the decisive revolutionary battle, first organising the workers "as a class" and effecting the emergence of understanding, of united proletarian class consciousness. The socialist transition will not come of its own accord by fatalistically waiting for it to occur. It results, instead, from the understanding, won in the everyday struggle of the working class, that the supersession of capitalism's objectively intensifying contradictions through social upheaval is indispensable. Thus for Rosa Luxemburg, as later for Lenin, reforms are only by-products of class struggle oriented on revolution. Revisionism, by contrast, makes everyday work independent of the final socialist goal. It separates reform from revolution and, by raising the movement to an end in itself, changes its character. It is no longer a means to achieve that goal—social upheaval—but instead of this upheaval has itself become the goal. This undialectical attitude sees only mutually exclusive opposites—either/or, reform or revolution—but not the subsumption of these opposites in the totality of the social process.[\[85\]](#)

As we see, only with these explanations is the concept of the "final goal", neglected in the Erfurt Program, defined. Rosa Luxemburg does not understand the "final goal" as the ideal state of the future, to be erected after the socialist upheaval, but the conquest of political power, the *revolution* itself. If the future state is understood as the "final goal" then every democratic or economic achievement can be considered to be a step on this path to this goal. But if the conquest of political power through the revolution is regarded as the final goal, a sharp boundary is drawn with reformism, which replaces the strategic task of developing people's revolutionary capacity with current, opportunist work or the propagation of a more or less vague final goal to be awaited fatalistically. So Rosa Luxemburg's interpretation of Marxism assigns the decisive role to working class political activism, through the orientation of current work on the final revolutionary goal, even though the seizure of state power is dependent on the objective course of material social development and "presupposes ... a definite degree of maturity of economic and political relations".[\[86\]](#) Marxism is therefore sharply distinguished from both fatalism and pure voluntarism.

For the fate of the dispute between reformists and radicals, see the article

“Internationals”.[\[87\]](#) Reformism was defeated in all theoretical skirmishes, condemned by resolutions of party conferences and international congresses, refuted again and again anew by the prevailing intensification of class contradictions in the course of actual development. But, maturing on the basis of the aristocracy of labour, it nevertheless made a triumphal procession through the daily practice of the workers’ movement. The growing power of Marxism was, however, demonstrated by the fact that, of all the socialist tendencies in all European countries during the first half of the 19<sup>th</sup> century—Saint-Simonism, Proudhonism,[\[88\]](#) later Blanquism etc., it alone dominated the masses intellectually and that reformism, in order to be able to win over the masses, had to sail under the flag of Marxism.

d) *Reformism in Marxist disguise (the neo-harmonists)*

Here we refer primarily to “Austro-Marxism”, a group of Viennese intellectuals—Rudolf Hilferding, Otto Bauer, Max Adler and Karl Renner [89]—grouped around the newly established theoretical review *Kampf* (from 1908). They attempted to provide theoretical formulations for reformist practice. The most important book from this tendency, one that strongly influenced later theoretical development, is Rudolf Hilferding’s *Finance Capital*. Its two components have to be distinguished. On the one hand, Hilferding strives to integrate the latest phenomena of economic life—trusts, cartels, export of capital, imperialist expansionism—in short *monopoly capitalism*, which has replaced competitive capitalism, into the system of Marx’s economics. On the other hand, following Tugan-Baranovsky’s theory of crisis and renouncing the Marxist theory of breakdown, Hilferding endeavours to reinterpret the Marxist theory of breakdown in the harmonistic spirit of the limitless possibilities for capitalist expansion. Reviving Jean-Baptiste Say’s old theory, which Marx always combated, that primarily general overproduction is impossible because individual spheres of production create markets for each other, Hilferding reaches the conclusion that crises are not necessarily associated with the essence of capitalism. They arise simply from disproportion in growth among individual spheres, i.e. only from “unregulated production”. If the distribution of capital among individual branches of industry is proportional then there is no limit to production, “production can be expanded indefinitely without leading to the overproduction of commodities”. In short, if production, even on a capitalist basis, can be regulated, crises can be avoided. [90]

The foundation of the work is Hilferding’s theory of money and credit, which departs from Marx’s theory of money and distorts it in the spirit of Knapp’s “chartalism”. [91] Certainly, for this purpose, Hilferding has to breach the general validity of Marx’s law of value for the money commodity, which Karl Kautsky correctly asserted meant “the suicide of Marxism”. [92] The theory of finance capital is built on the foundation of this theory of money. The characteristic feature of the most recent developments is the *dominant role of bank capital compared with industry*. With capitalist development, the total sum of money made available to the banks by the non-productive classes and through the banks to the industrialists, i.e. the role of bank capital in the form of money that is transformed into industrial capital, constantly grows. A particular role falls here to the type of enterprise known as a joint stock company. With shares so-called fictitious capital, detached from productive capital functioning in factories, arises. It enables banks to rapidly concentrate ownership, independently of the concentration of factories and is accelerated by speculation on the stock exchange and the accumulation of promoter’s profit [93] by the banks. By means of this “mobilisation of capital”, an ever growing portion of capital in industry becomes finance capital, i.e. it no longer belongs to the industrialists working with it. The direction of capital invested in industry falls more and more to banks. “[T]hey become founders and eventually rulers of industry.” The tendency towards concentration in banking, towards progressive elimination of competition among banks, “would finally result in a single bank or

a group of banks establishing control over the entire money capital. Such a ‘central bank’ would then exercise control over social production as a whole.”[94]

A parallel tendency towards combination is also at work in production. In a section on “The historical tendency of finance capital”, probably intended to be a counterpart to Marx’s famous chapter on “The historical tendencies of capitalist accumulation”, Hilferding presents the course of historical development quite differently from Marx.[95] The latter depicted the limits of capitalist accumulation that, in a dialectical shift at a definite stage of development, ultimately leads to the “expropriation of the expropriators”. [96] Hilferding wants to demonstrate the peaceful and gradual growth of capitalism into a regulated economy. The cartelisation of industry, in order to raise prices and profits, lowers the rate of profit in the non-cartelised industries, intensifies competition in them and thus the tendency towards concentration. This leads to further cartelisation, in these industries too. So a tendency towards the continuous extension of cartelisation emerges. The result of this concentration movement, its ideal, theoretical endpoint, will be the complete cartelisation of all branches of industry not only in the national but also in the world economy, a universal or “general cartel” which consciously regulates the entirety of capitalist production in all its spheres, sets prices and also undertakes the distribution of products. With the advance of the concentration movement in industry, production is increasingly planned (“organised capitalism”) and finally reaches its highest expression in the general cartel. The anarchy of production disappears, crises are eliminated and replaced by production “regulated” by the general cartel, even if still on the basis of wage labour. “The tendencies towards the establishment of a general cartel and towards the formation of a central bank are converging”, [97] hence a peaceful and painless transition from capitalism to socialism becomes possible. “The socialising function of finance capital facilitates enormously the task of overcoming capitalism. Once finance capital has brought the most important branches of production under its control, it is enough for society, through its conscious executive organ—the state conquered by the working class—to seize finance capital in order to gain immediate control of these branches of production.” “Even today, taking possession of six large Berlin banks would mean taking possession of the most important spheres of large-scale industry.” [98]

After the war (1927), Hilferding declared that he had always “repudiated every theory of economic breakdown”, and that Marx had also considered them to be false. The overthrow of the capitalist system would “not happen because of internal laws of this system” but had instead “to be the conscious act of the will of the working class”. [99]

The other neo-harmonists, such as Otto Bauer (“The accumulation of capital”) and Karl Kautsky, during the post-war period, also derive crises simply from disproportion in the distribution of capital among individual branches of industry. They consider crises to be avoidable even under capitalism, if the distribution of capital is regulated, and the unlimited development of capitalism to be possible. Bauer’s assertion that the capitalist mechanism automatically enforces this proportional distribution of capital—even if it is mediated by periodic crises—gives his harmonistic interpretation of Marx’s theory of crisis a specific colouration. “[T]he mechanism of capitalist production automatically [cancels out]

overaccumulation and under-accumulation.” While Marx had maintained that the progressive growth of the industrial reserve army of labour was necessary, Bauer tries to prove the opposite: “There exists in the capitalist mode of production a tendency for the adjustment of capital accumulation to the growth of population.”[\[100\]](#)



## C. The resurgence of revolutionary Marxism

### *a) The decay of revisionist theory*

As already shown, reformism was the result of the relatively peaceful period of capitalist development between 1872 and 1894. Revolutionary Marxist theory, itself the product of the revolutionary period of 1848, no longer seemed to suit this peaceful period. The reformist attempt to divest Marxism of its revolutionary character, in order to adapt it to the reformist practice of peaceful constructive work, was ultimately doomed to theoretical failure. Economic development at the end of the previous century experienced a decisive shift, once more demonstrating that the “practice of the peaceful work of construction” was entirely questionable.

The policy of imperialist expansion, which in the most advanced countries was temporarily able to secure advantages for the upper layer of the working class, at the turn of the century led to a sharpening of all antagonisms in both domestic and foreign policy. The imperialist era of heightened colonial policy, of feverish military and naval arms build-ups, and finally of bellicose collisions that led to the outbreak of the World War began.

A sharpening of domestic class antagonisms in all capitalist countries went in parallel with growing tensions in foreign policy. The great advances of the socialist workers' movement accelerated the process of combination of employers into powerful associations for struggle, which forced workers onto the defensive in all economic struggles. Kautsky demonstrated in 1908 “that the factors which had resulted in increased real wages over previous decades were all already going into reverse”. The period of rising real wages was replaced by falling wages and certainly not merely during periods of transient depression “but even in periods of prosperity”.<sup>[101]</sup> The fact of deteriorating conditions of working class life over this period has been demonstrated by private and public investigations in a series of advanced capitalist countries (America, Germany). [The advance of] state protection for workers also came to a halt under the pressure of employer associations. More and more, in this context, the trade unions' old methods of struggle proved to be insufficient. The period of isolated strikes in individual enterprises was past. Development drove on to large mass economic struggles in whole branches of a country's industry. On the other hand, the bourgeoisie became protectionist and reactionary. Political liberalism began to die out. There could no longer be talk of the further extension of democracy, which had been promoted earlier by a certain [degree of] cooperation between the liberal bourgeoisie and the working class. This entire development was strengthened and accelerated even more by the impact of the Russian revolution of 1905. The development, predicted by the reformists, of progressive improvement in the condition of the working class and the weakening of class struggles, did not occur. Instead, class struggles intensified. As it was apparent that the old trade union and parliamentary methods were no longer capable of achieving further gains, the working class was forced to look around for new methods of struggle that took into account rising economic and political pressure from the bourgeoisie. This was the significance of the



discussion about the political mass strike.[\[102\]](#)

In such circumstances, during the era of bellicose imperialism and colonial expansion as well as reactionary domestic policies, reformism of the old kind was a typical product of epigones: repetition of dated lines of thought, diametrically counterposed to reality. As an example of this oversimplified popularisation of socialism that spread out everywhere in the workers' movement at the beginning of the 20<sup>th</sup> century and, despite its Marxist phraseology, retaining nothing of the genuine content of Marx's socialism, mention should be made of a book by Morris Hillquit, the current leader of the American "Socialist Party", *Socialism in Theory and Practice*.[\[103\]](#) In the chapter on "Socialism and the state", Hillquit settles accounts with two dozen definitions of the state, starting with Aristotle and Cicero, through [Anne Robert Jacques] Turgot and [Jeremy] Bentham to [Pierre Paul] Leroy-Beaulieu and Anton Menger,[\[104\]](#) according to whom the state is the organised humanity of a given territory. To this definition, designated as faulty, Hillquit counterposes the "entirely correct" "socialist definition of the state", according to Marx and Engels, and shows that the "state, as a product of class [divisions]" arose at the same time as the institution of private property and "has at all times been the instrument of the propertied classes" and, "as an organisation of the ruling classes", necessarily "keeps the exploited classes in a condition of dependency". From this "entirely correct" definition, however, Hillquit draws no conclusions for working class policy. In relation to the "present-day", "modern state", Hillquit nevertheless allows the validity of the bourgeois definition and asserts that it has experienced "deep inroads made in its substance and functions by the rising class of wage workers". "Under the pressure of the [socialist and] labour movement, the state has acquired new significance as an instrument of social and economic reforms." "The state which came into being solely as an instrument of class repression, has gradually, and especially within the last centuries assumed other important social functions, functions in which it largely represents society as a whole, and not any particular class in it." Its exploitative function in the interests of the ruling classes are "curbed" more and more, while its "generally useful" functions claim its attention more and more, as it protects "workers from excessive exploitation", so it "is gradually coming to be recognised by the [workers] as a most potent instrument for the modification and ultimate abolition of the capitalist class rule". The ruling capitalist class will, indeed, never voluntarily give up its property and the supremacy that results. Hillquit draws the conclusion, not that it has to be expropriated economically and politically, but instead that the process of transformation will come to pass gradually through "a series of economic and social reforms and legislative measures tending to divest the ruling classes of their monopolies, privileges and advantages, step by step". Violence does not, consequently, have to be employed. That would be "but an accident of the social revolution ... [violence] has no place in the socialist program". Through these reforms, a "period of transition" will be entered, in which the state, although not yet socialist, is no longer an organ of the capitalist class but instead a "transitional state". "Definite lines of demarcation", where it begins and where it ends cannot be specified but today "[a] number of municipalities and states are already wholly or partly under socialist control". Many of the political or social "transitional reforms" of socialism have, to a certain degree, been realised

in countries in Europe, America and Australia and the “conceded tendency” of all modern law-making is directed towards the extension of such reforms. In this sense, it may well be said that we are in the midst or in any case at the start of the “transitional state”. Hillquit, logically, recommends tactics that are confined to “electoral tactics” and the “positive work of parliament”, “without violating the principle of the class struggle”.[\[105\]](#)

If such theories were strongly utopian during the period before the War they completely lost any connection with reality after the outbreak of the World War. In order to avoid shipwreck on this contrast with reality, reformist theory was forced to adapt to it. In pure logic, this correction was possible in two ways. From the proletarian standpoint: through a return to revolutionary Marxism. In a further, consistent development of its nature, reformism chose the other way and placed itself entirely on the ground of bourgeois society and the capitalist state. Karl Renner drew this conclusion, contained in embryo in Hilferding’s book, with great clarity in articles published in the Viennese *Kampf* and *Arbeiter-Zeitung* (which appeared in book form as *Marxism, War and the International*).[\[106\]](#) Extending the results of Hilferding’s book, he seeks to portray the upheaval that has taken place in the fabric of the economy, state and society, the mutual relations of classes, the character of ownership and the external relations of economic territories, finally also in the tasks of today’s proletariat, since Marx’s death. Although he posits different developmental tendencies to Marx in all these areas, although he abandons all the fundamental components of Marx’s theoretical edifice and finally identifies different goals and tasks for the workers’ movement to Marx, he does not forego a Marxist disguise for his theory. Instead, he claims to be a proponent of genuine Marxism who struggled against the “reactionary misconstrual” of Marx’s thought, against the “vulgar orientation ... of Marxism”, against the “ossification” and “oversimplification” “of the [Marxist] theory of class struggle”. Not he but rather the supposed Marxists had distorted the theory of the master. In the short period since Marx was active, class relations have often, “almost every decade and a half”, been transformed. Instead of lugging around the old “catechistic propositions” of Marx’s system as “old goods”, it is necessary to revise the theoretical baggage in all areas. So his book is a “Marxist examination” of the new material of social development”, a draft of a “study program for Marxists”.[\[107\]](#)

Marx’s entire period of activity falls, according to Renner, into the liberal social epoch, with its individualistic-anarchistic economic mode, for which the power of the state was a bogeyman. Marx researched this epoch and described it in *Capital*. In order to expose its laws in their pure, logical form, every state intervention had to be conceptually disregarded. This “capitalist society, which Marx experienced and described, does not exist any more”, something that Marxists have so far overlooked. The essential feature of the fundamental changes in the structure of society, which were completed between 1878 and 1914, consists of the “statification” of the previously stateless economy, that is, precisely “what Karl Marx’s system logically and practically excluded”, what Marx did not experience or describe. There were important consequences of this statification because “the economy more and more exclusively serves the capitalist class, the state more and more predominantly the proletariat”. Consequently, the state is the tool, with the help of which the

historical overthrow of capitalism into socialism will be carried out. But it is a “crazy conception” to think that the conquest of political power by the proletariat can be carried out through a sudden overthrow of the system, through a political surprise attack. Those are conceptions that have been smuggled from the political history of the bourgeoisie into the world of socialist ideas. The state will, instead, be conquered step by step in daily struggles. Its transformation is carried out through the gradual socialisation of all economic functions. Marx was far from condemning and negating the state, from “state nihilism”, “with which contemporary Marxism coquettes”. Through the state all economic categories are fundamentally transformed. The competitive price of the private economy is transformed into cartel price. Finally, during the period of high protection and under the influence of the state, regulated price develops into national price, whose form and extent differs from state to state. “It is only one step further to state legislation directly prescribing the price”: “tax price” or “political price”. “The economy is not sufficient to explain such pricing”, overall “deviation from the natural laws of the economy” is determined by the process of statification. “An extra-economic law ... imposed itself over the basic economic law. And that is now the new problem of Marxism”, as the deliberate allocation of goods, that is the exclusive mode of circulation of a socialist society, is today already merged into the system of automatic commodity circulation.[\[108\]](#)

What can be said of commodity prices can also be said of the category of wages. The wages system is being fundamentally reorganised by the state. Today the worker’s wage is already comprised of an individual and a collective wage. The state socialises variable capital, i.e. capital spent on wages, through compulsory contributions by workers and employers for health, accident and old age insurance, after individuals are paid. Basically, the state has already long done this through certain public outlays, e.g. public schools that contribute to the maintenance and renewal of the working class. “The working class, consequently, already receives a part of its wages collectively.” “Development is towards the collectivisation of an ever larger part of wages.” To an increasing extent, the worker becomes the subject and object of “public institutions”. “The process of socialisation integrates him as an element into the state.”[\[109\]](#)

This “process of socialising the worker’s wage” has not yet been analysed by Marxists. But large transformations of the individual components of the wage also take place. The individual wage is replaced by the trade union wage and finally by the regulated wage. “These institutions ... transform the worker from a serf into an economic citizen. The leap from the free wage contract to the regulated system is of the same significance as that from manorial subjection and patrimonial justice to the bourgeois court.” “But the regulated wage is still not the highest point of development. Giant capitalist enterprises construct service programs for their white collar employees and, to an extent, their workers”, with “a wage scale that is calculated over their whole lives, including their deaths”, in short, forms of wage payment that Renner calls the “programmatically wage”. “From this it is only a step to the direct setting of wages by the state, to a tax wage.” Through statification, “today the working classes find themselves in a different social situation from Marx’s period”. Ownership becomes a “public institution”, work a “public job”. A “regrouping of classes” takes place.

Industrialism is no longer the predominant form of enrichment in contemporary society. The factory owner of the old kind is no longer counterposed to the proletariat. Rather the dominant powers within the capitalist class have become agrarianism and finance capital. An upheaval in the economic function of land ownership occurs. While the process of statification and socialisation is very extensive in agriculture, landownership, encompassed economically as ground rent, has become more and more parasitic. The question of ground rent will become the principal social question over the next five years and decades.[\[110\]](#)

Loan capital has also experienced massive transformations. Loan capital of the old kind was usury, a mere parasitic economic function. The usurers were, however, defeated. “Credit capital” of the new kind is not parasitic and is “generally felt to be a blessing”.[\[111\]](#)

The purpose of Renner’s arbitrary construct, which cannot be fully itemised here, is the justifications produced by the conclusions to which he comes: the working class has to affirm the contemporary state and, though the “policy of changing alliances” with individual bourgeois classes, painstakingly, step by step work its way up and “take power over bourgeois society intellectually”, position itself everywhere on the basis of the state and bourgeois society. Such an alliance policy is “not a watering down of class principle but its fulfilment”. As the proletariat affirms the state it must also affirm state policy. There is no “amorphous internationality” but internationality is first the result of the actions of groups of nation states which is “specifically new” in our period. “Capital is not international but national.” “National capital organised by the state has become the active agent on the tribune of the world.” Marx’s categories are universal, Marxists start with the category of the stateless world economy but for the time being this unit is still not a single state. For the time being development has achieved the level of national-political, territorial states. Hence there is also no “world proletariat”, which is only a “mystical unit”; in reality only national proletariats within state territories exist. The world economy is only coming into being, promoted by the tendency of individual states to extend their economic territories. “In terms of specific states, expansionist tendencies appear as colonial policy and colonial exploitation, domination and servitude.” But this “moralistic standpoint” lies “deep below Marx’s mode of thought”, as behind these “mundane complaints about colonial policy” the “secular greatness of the economisation of the world” should not be overlooked.[\[112\]](#)

“In this way, to be an opponent of the colonial system means being an opponent of world history.” So long as capitalism persists in the economy and the anarchistic antagonism of states in politics, wars are unavoidable, because competitive struggles among economic territories take place in two ways: peacefully through states’ trade agreements and aggressively through conquest. Imperialist war should not be judged ethically but should be accepted as a fact, just like trade policy. It is nothing other than the turning of “price competition” “into arms competition”. At most, there should be efforts to “civilise war” and the extension of the organisation of the world into a “peaceful association of nations”, through international law. So long, however, as such a “future, supranational organisation of the world” has not been achieved, war remains “possible and, in certain circumstances, necessary”, because it concerns the existence of a state and its economy. As trade union work’s methods of struggle rest “on the basis of this capitalist order”, it must act positively



in the struggle. No trade union desires the destruction of industry. “The existence, continuation and future of this capital” also affect the working class positively. “In bellicose periods the working class also struggles for that continuation.” If there is war, the proletariat also has to take the path of war: this path is also “a path of history” and, “as the proletariat cannot absent itself from history, it has to travel this path”. From the moment of the outbreak of war, there is no other possible attitude than “alignment with its own state”. The stand of the proletarian parties on 4 August 1914 was justified.[\[113\]](#)

Obviously Renner’s theorems cannot be reconciled with proletarian socialism. They should be evaluated as an attempt to divert the proletariat from its tasks as a class and to bring it into the train of the imperialist bourgeoisie. With his products, reformism sank from the level of social criticism to apologetics for bourgeois society. It was therefore unavoidable that reformism, having come to power after the war and the outbreak of revolution in the defeated states, was incapable of fulfilling even one of the tasks posed by proletarian socialism.

Eclecticism and the tendency to turn away from Marxism are characteristic of reformist theory during the post-war period. Emil Lederer restricts the applicability of Marx’s labour theory of value in two ways. In his *Outlines of Economic Theory*,[\[114\]](#) he restricts it to the terrain of competitive capitalism. He regards it as insufficient to explain monopoly prices and hence tries to construct a fusion of the labour theory of value with marginal utility theory. He regards Marx’s labour theory of value, secondly, as only suited to the explanation of static economic processes but not dynamic conjunctural cycles (“Economic cycle and crises”).[\[115\]](#) Lederer’s explanation of crises is in essence an underconsumptionist theory—on a detour through monetary theories of crisis (extension of the labour process “only through additional credit”[\[116\]](#))—with all its attendant deficiencies.

Alfred Braunthal’s *The Contemporary Economy and its Laws* is intended to be a textbook of socialist economics, “faithful to the idea of Marxism”. In fact, Braunthal combats Marx’s theory with arguments borrowed from bourgeois criticism of Marx: it provides “no information about the laws according to which the social product, in fact, is divided into wages and returns to capital”. The (bourgeois) theory of productivity is, in this respect, “without doubt superior to Marxist theory”. He refers further to the “secure results” of marginal utility theory. His account of the contemporary economy is essentially a simplified compilation of Hilferding’s thoughts about the progressive organisation of the economy and Renner’s ideas about stratification and the ever stronger influence of the state which is being proletarianised. Through its growing regulation of the organisation of the whole economy, finally through “cold socialisation”, i.e. through the encroachment of the public economy, the free economy with its market mechanism is more and more superseded. For this reason, Braunthal thinks, we stand at the beginning of a social revolution, “a society which is changing from capitalism into socialism”.[\[117\]](#)

With the transition in the leadership of the world economy from Europe to the United States of America and impressed by American “prosperity” after the World War, a flush of uncritical admiration of American methods of organisation and work (“rationalisation”) arose in bourgeois Europe. The emulation of these methods by German capitalists found the

fullest approval among the proponents of trade union theory and practice. A typical product of this current is the work of the chairperson of the German Woodworkers' Association, Fritz Tarnow, *Why be poor?* "The old economic theories about the social question", Tarnow thinks, "originated primarily in England... The new theories are being shaped in America." America has shown that poverty is no economic necessity but a social illness, "whose curability, even within the framework of the capitalist economy, is undoubted". Wages, as a cost factor, have declined in significance but as a factor in purchasing power they have gained importance. Increasing consumption and, above all, mass consumption is the "key to the development of production". In view of the enormous development of the productive forces, from now on waste is a blessing and restraint a curse. Not only is labour dependent on capital but capital is also dependent on the purchasing power of worker consumers. High wages are in the well-understood interests of the employers themselves. Countries with high wages have accumulated most strongly and can compete most successfully. American employers are advancing along the track of this knowledge which is the basis of the secret of the continuing boom in the United States of America. Henry Ford's book, *My Life and Work* is "certainly the most revolutionary text of all economic literature to the present".[\[118\]](#)

In addition, the various sub-species and currents of reformism as they appear in individual countries or internationally should also be mentioned briefly. First "municipal socialism", which is concerned with reformist activity in the area of local politics—amongst other things, also the effort to municipalise water, gas and electricity services for the urban population in the general economic interest, without reference to their private sector profitability (see Hugo C, i.e. Hugo Lindemann, *City Administration and Municipal Socialism in England and Germany City Administration*).[\[119\]](#)

A current in the English workers' movement is known as "guild socialism". It aspires to the control of production and the supersession of the wages system through the organisational unification of all manual and intellectual workers, not according to profession or trade union groups, but in associations (guilds) of whole industries. It seeks to achieve this goal, possibly through a general strike. Guild socialism differs from syndicalism in that it does not oppose the state but instead allocates it certain functions outside the sphere of production (see George Robert Stirling Taylor, *Guild Politics: a Practical Programme for the Labour Party*; George Douglas Howard Cole, *Self-government in Industry*; George Douglas Howard Cole *Guild Socialism*; George Douglas Howard Cole and William Mellor, *The Meaning of Industrial Freedom*).[\[120\]](#)

So-called "liberal socialism" stands outside the workers' movement and has less to do with socialism than liberalism, i.e. capitalism. Represented by the isolated efforts of Franz Oppenheimer (*Neither Capitalism nor Communism*), drawing on the theories of Eugen Dühring, it seeks to maintain the mechanism of exchange.[\[121\]](#)



## b) *The development of the materialist conception of history*

The materialist conception of history, drafted by Marx with Engels' collaboration in a series of youthful writings (1842–59) in inspired outlines, was never systematically developed by them. It was only Marx's students who undertook to extend it philosophically and epistemologically, deepening it, above all, through fruitful, specialised research, in various areas of social, economic and cultural history. Karl Kautsky dealt with it philosophically, above all in *Ethics and the Materialist Conception of History*, *Class Antagonisms in the Era of the French Revolution*, *Thomas More and his Utopia* and *The Foundations of Christianity*.<sup>[122]</sup> In his last large work, *The Materialist Conception of History*, Kautsky revised his earlier conception of the driving force of historical development just as he had in relation to his economic and political conceptions (compare Karl Korsch, *The Materialist Conception of History: an Argument with Karl Kautsky*).<sup>[123]</sup> Franz Mehring (1846–1919) in his *The Lessing Legend* chose the literature and the history of [Gotthold Ephraim] Lessing and Friedrich II as his field of application.<sup>[124]</sup> In brilliant essays in *Neue Zeit*, he dealt with the most diverse areas of history and literary history. In his consummate, broadly conceived *History of German Social Democracy*, that admittedly only extended to the beginning of revisionism, he illuminated the economic and social context of the growth of the socialist workers' movement and combined this with a presentation of its theoretical developments.<sup>[125]</sup> Georgii Plekhanov, the creator of the materialist sociology of culture and art, entered the struggle against revisionism as one of the most brilliant proponents of dialectical materialism (above all in *Fundamental Problems of Marxism*, *Henrik Ibsen*, *Essays on the History of Materialism*).<sup>[126]</sup> From the post-war period: the fine and valuable book, *History and Class Consciousness: Studies in Marxist Dialectics*, by Georg Lukács<sup>[127]</sup>, and Karl Korsch's *Central Points of Historical Materialism* and *Marxism and Philosophy*, should be mentioned, above all.<sup>[128]</sup> Finally, in addition to the works by Max Adler, already mentioned, also Heinrich Cunow *Marx's Theory of History, Society and the State*.<sup>[129]</sup>

Significant writings on historical materialism in particular countries:

### *France*

Sorel, Georges 1925 [1901], *La ruine du monde antique: conception matérialiste de l'histoire* (*The Collapse of the Ancient World: the Materialist Conception of History*), Paris: M. Rivière.

Rappoport, Charles 1925 [1901], *La philosophie de l'histoire comme science de l'évolution* (*The Philosophy of History as an Evolutionary Science*), Paris: M. Rivière.

### *Italy*

Croce, Benedetto 1915 [1901], *Historical Materialism and the Economics of Karl Marx*, London: George Allen & Unwin.

—— 1913 [1909], *Philosophy of the Practical: Economic and Ethic*, London: Macmillan.  
Mondolfo, Rodolfo 1912, *Il materialismo storico in Federico Engels (The Historical Materialism of Friedrich Engels)*, Genova: Formiggini.

—— 1932, *Il concetto marxistico della “umwälzende Praxis” e suoi germi in Bruno e Spinoza (The Marxist Concept of “Revolutionary Praxis” and its Origins in Bruno and Spinoza.)*

Labriola, Antonio 1908 [1896], *Essays on the materialist conception of history*, Chicago: Kerr.

—— 1912 [1898], *Socialism and Philosophy*, Chicago: Kerr.

### *Poland*

Brzozowski, Stanisław 1990 [1910], *Idee: wstęp do filozofii dojrzałości dziejowej (Ideas: introduction to the philosophy of historical maturity)*, Kraków: Wydawnictwo Literackie.

### *Russia*

Bukharin, Nikolai 1925 [1921], *Historical Materialism*, International Publishers, New York.

Deborin, Abram 2012 [1916], *Vvedenie v filosofiiu dialekticheskogo materializma (An Introduction to the Philosophy of Dialectical Materialism)*, Moskva: Librokom. , 2012 [1916], Georgii Plekhanov's preface from the original edition is in

Plekhanov, Georgii 1976 [1916], *Selected Philosophical Works*. Volume 3, Moscow: Progress Publishers, pp. 577–99.

### *Holland*

Gorter, Hermann 1919, *Der historische Materialismus (Historical Materialism)*, with a foreword by Karl Kautsky, Stuttgart: Dietz.

*Writings about particular areas of application of historical materialism:*

### *Law*

Pashukanis, Evgeny 2002 [1924], *Law and Marxism: a General Theory*, Transaction: New Brunswick.

Stutschka, Peteris 1991 [1922], *Das Problem des Klassenrechts und der Klassenjustiz (The Problem of Class Law and Class Justice)*, in Eugen Paschukanis, *Allgemeine Rechtslehre und Marxismus*, edited by Hermann Klenne and Leonid Mamut, Freiburg: Rudolf Haufe Verlag, pp. 233–68

(compare with

Kelsen, Hans 1931, “Allgemeine Rechtslehre im Lichte materialistischer Geschichtsauffassung” (“The general theory of law in the light of the materialist conception of history”), *Archiv für Sozialwissenschaft und Sozialpolitik*, 66 (3): 449–521).

Szende, Paul 1932, “Nationales Recht und Klassenrecht, Beiträge aus der ungarischen Rechts und Wirtschaftsgeschichte” (“National law and class law: contributions from Hungarian legal and economic history”), in Max Adler et al., *Festschrift für Carl Grünberg—Zum 70.*

*Geburtstag*, Leipzig: Hirschfeld, pp. 445–78.

### *Economic history*

Cunow, Heinrich 1926–1931, *Allgemeine Wirtschaftsgeschichte. Von der primitiven Sammelwirtschaft bis zum Hochkapitalismus (General Economic History: from the Primitive Gatherer Economy to Advanced Capitalism)*, 4 volumes, Berlin: Dietz.

The process of transition from the feudal state of the 18<sup>th</sup> century to the modern capitalist state is dealt with, using the example of Austria and Poland in:

Grossman, Henryk 1925, “Struktura społeczna i gospodarcza Księstwa Warszawskiego na podstawie spisow ludnosci 1808–1810 roku” (“The social and economic structure of the Duchy of Warsaw on the basis of the results of the censuses of 1808 and 1810”), *Kwartalnik Statystyczny* 2: 1–108.

Grossmann, Henryk 1914, *Österreichs Handelspolitik mit Bezug auf Galizien in der Reformperiode 1772–1790 (Austria’s Trade Policy with Regard to Galicia in the Reform Period 1772–1790)*, Wien: Konegen.

—— 1916, “Die Anfänge und die geschichtliche Entwicklung der amtlichen Statistik in Oesterreich” (“The beginnings and historical development of official statistics in Austria”), *Statistische Monatsschrift*, new series 21: 331–423.

Hartmann, Ludo Moritz 1919, *Römische Geschichte (Roman History)*, Gotha: Perthes.

—— 1910 [1903], *Der Untergang der antiken Welt (The Fall of the Ancient World)*, Heller, Wien.

Wittfogel, Karl August 1931, *Wirtschaft und Gesellschaft Chinas (China’s Economy and Society)*, Leipzig: Hirschfeld.

### *Sociology of knowledge*

Horkheimer, Max 1993 [1930], “A new concept of ideology?” in Max Horkheimer, *Between Philosophy and Social Science*, Cambridge, Massachusetts: MIT Press, pp. 129–150.

Szende, Paul 1922, “Verhüllung und Enthüllung: Der Kampf der Ideologien in der Geschichte” (“Masking and unmasking: the struggle of ideologies in history”), *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 10 (2–3): 185–270.

### c) *The problems of imperialism and war*

We pointed out earlier that, towards the end of the previous century, the development of capitalist states took on more and more imperialist features and was distinguished by arms build-ups and colonial expansion. Socialists schooled in the Marxist approach to history very early recognised the significance of these processes. From the start of the new century, in a series of writings (*The Social Revolution, The Road to Power, Trade Policy and Social Democracy*), Karl Kautsky predicts the approach of a *new epoch of revolution* as a result of colonial policy and imperialism. Particularly in the east, in east Asia and the entire Muslim world, he explained, an age of conspiracies, coups and constant social upheavals, was beginning. Eventually the west would be caught up in these. “A world war is brought within threatening proximity.” In all these writings, Kautsky describes the features of capitalism that had changed during its imperialist period, its inclination to arm for war, acts of violence and conquest in the struggle over the world market. At the time, these developments did not appear to him as consequences of the whims of individual power-holders but as bound up with the inner nature of capitalism. “[T]he iron necessity of economic requirements drives modern industrial nations towards ruin.”[\[130\]](#)

This conception of capitalism’s developmental tendencies, until then generally widespread in the workers’ movement, could not be reconciled with Tugan-Baranovsky’s and Hilferding’s theories of the unlimited possibilities for the development of capitalism, already mentioned. The harmonist conception of capitalist development obviously contradicted reality, with its steadily growing competition and the escalation of struggles among the advanced capitalist countries over markets and spheres of investment; it also contradicted the fundamental notion of historical materialism that explains politics on the basis of the economy. In her book *The Accumulation of Capital: a Contribution to the Economic Explanation of Imperialism*,[\[131\]](#) Rosa Luxemburg set herself the task of resolving this contradiction. If the neo-harmonists’ conception of capitalism’s unlimited possibilities for development was right, then the imperialist features which were appearing with such intensity could not be explained in terms of the nature of capitalism. They were instead to be evaluated as merely accidental phenomena. On the other hand, as Rosa Luxemburg correctly emphasises, “the theory of capitalist collapse ... is the cornerstone of scientific socialism”.[\[132\]](#) And this is the great historical significance of Rosa Luxemburg’s book: that, in conscious opposition to the attempted distortions of the neo-harmonists, she adheres to the fundamental idea in *Capital* of an absolute economic limit to the development of the capitalist mode of production, even though the concrete justification that she provided for the theory of breakdown, today, has to be identified as mistaken. In her critique of Marx’s analysis of the accumulation process, which assumes a society that consists solely of capitalists and workers and does not engage in foreign trade, she came to the conclusion “that Marx’s schema of accumulation does not solve the question of who is to benefit in the end by enlarged reproduction”. Purely abstractly, assuming the relations of dependence and proportions of Marx’s schema, Marx’s analysis gives the appearance that capitalist

production can by itself realise all surplus value and employs capitalised surplus value to satisfy its own requirements. That is, “capitalist production buys up its entire surplus product”.[\[133\]](#) For example, coal mining is extended in order to make the expansion of the iron making and then machine building industries possible; the latter are expanded to make the extension of the production of means of consumption possible. This extension of industry producing means of consumption, however, creates markets for the extended production of the coal mining, iron making and machine building industries. Individual branches of industry thus create markets for each other. Setting out Marx’s analysis in this way, which Rosa Luxemburg regards as mistaken, production can be extended “*ad infinitum* ... in circles”, without it being apparent “who is to benefit ... who are the new consumers for whose sake production is ever more enlarged”.[\[134\]](#) Such accumulation does not serve consumption but is “production for production’s sake”.[\[135\]](#) Actually workers can really only consume a part of the enlarged product, the part which expresses the value of their wages. Part of the product serves to replace means of production that have been used up; the remainder that is left, surplus value, consistently grows in the course of accumulation. Who realises the consistently growing surplus value? The capitalists themselves only consume a part of it, while they employ an ever-growing part of it for further accumulation. But what do they do, then, with the even larger annual product, with their surplus value? Rosa Luxemburg comes to the conclusion that “the realisation of the surplus value for the purposes of accumulation is an impossible task for a society which consists solely of workers and capitalists” that is, such a capitalism cannot exist. The capitalist mode of production requires for its existence “as its prime condition ... that there should be strata of buyers outside capitalist society”, that is social layers, “whose own mode of production is not capitalistic” and realise the capitalist surplus value. But capitalism does not only require non-capitalist “milieus” to realise surplus value, even more in order to obtain a large part of the means of production, in particular raw materials (constant capital); and finally: “Only the existence of non-capitalist groups and countries can guarantee such a supply of additional labour power for capitalist production.”[\[136\]](#) It is therefore apparent that “the process of capital accumulation is connected with non-capitalist forms of production in all its value and material relations: constant capital, variable capital and surplus value”.[\[137\]](#) Capitalist accumulation “as an historical process” is, in practice, dependent on “the given historical setting” of non-capitalist countries and layers: artisans, peasants. Without this milieu it is “in any case unthinkable”. The result is capital’s aggressive drive to bring non-capitalist territories under its sway. In this way, Rosa Luxemburg believes that she has explained not only accumulation and the conditions under which it takes place but also the driving force behind imperialism and the tendency to colonial expansion. Military occupation of colonies, the violent theft of their means of production and labour power, “planning for the systematic destruction and annihilation of all the non-capitalist social units”, the struggle of capitalism against the natural economy and the ruin of independent economies of artisans and peasants, all result from the drive to realise surplus value. In contrast to the “crude optimism” of [David] Ricardo, [Jean-Baptiste] Say[\[138\]](#) and Tugan-Baranovsky, for whom capitalism can develop without limit, “with the logical corollary of capitalism-in-perpetuity”,[\[139\]](#) her own solution

seems to be in the spirit of Marx's theory of the final breakdown of the capitalist system of production, which is founded on "the dialectical contradiction that the movement of capital accumulation requires non-capitalist formations as its context ... and can only exist as long as this milieu is present".[\[140\]](#) As natural economies are subordinated to capitalism, the situation which Marx predicted in his analysis draws nearer, namely capitalist production as "the exclusive and universal domination of capitalist production in all countries and for all branches of industry".[\[141\]](#) "But this is the start of a dead end. Once the final result is achieved ... accumulation becomes impossible."[\[142\]](#) The historical limits of accumulation, the impossibility for the productive forces to develop further, is apparent here. The consequence is the end of capitalism. Its imperialist phase is thus the final period in its historical career. So the economic analysis of non-capitalist markets has the closest inner connection with the emergence of socialism. Socialism is not merely dependent on subjective-voluntarist factors but results from the economy's course of development, connected with the forces within capitalism that objectively work towards its necessary breakdown.

This theory, which places emphasis on the problem of markets, on the question of the realisation of surplus value, is not capable of satisfactorily explaining the characteristic feature of capitalism's imperialist period, the export of capital (see Lenin's theory of imperialism, below). Furthermore these ideas were not new; they have a history of more than a hundred years. In essence, they were already developed by Simonde de Sismondi in his *New Principles of Political Economy* of 1819 and Robert Malthus in the chapter on accumulation in his *Principles of Political Economy* of 1820.[\[143\]](#) These ideas were later extended by socialist theorists to explain imperialism by Heinrich Cunow ("On crisis theory"), Louis B. Boudin (*The Theoretical System of Karl Marx*, with a foreword by Karl Kautsky) and Kautsky himself (see above).[\[144\]](#) Luxemburg's achievement was new in that she used Marx's reproduction schemas to demonstrate the necessity of non-capitalist areas.

This is not the place to offer an extensive methodological and material critique of the theory. In this regard, refer to the works of Henryk Grossman, discussed further below. Directly opposed to Rosa Luxemburg's is the position of Vladimir Ilyich Lenin, who already argues against the Russian Narodniks[\[145\]](#) in his *A Characterisation of Economic Romanticism (Sismondi and Our Native Sismondists)*. The Narodniks adopted Sismondi's theory of the external market as the condition for the existence of capitalism in full. Lenin repeatedly criticises the theory that it was impossible to realise surplus value under "pure" capitalism in his principal work against the Narodniks, *The Development of Capitalism in Russia*.[\[146\]](#) The contradiction between the limits of consumption and limitless expansion of "production for the sake of production"[\[147\]](#) does exist. But this is not a contradiction in a theory but a real contradiction in the capitalist system. Nothing would be more vulgar, however, than to conclude from the contradictions of capitalism, i.e. from its irrationality, that it is impossible. This contradiction is not capitalism's only one. It can neither exist nor develop without contradictions. "Nothing could be more senseless than to conclude ... that Marx did not admit the possibility of surplus value being realised in capitalist society, that he attributed crises to underconsumption, and so forth."[\[148\]](#) Instead, different branches of



industry constitute markets for each other. As, however, they develop unevenly and overtake each other, because there is no regulation to impose consistency on individual branches, “the more developed industry” necessarily “seeks a foreign market”.[149] This uneven development of individual branches of industry is, therefore, the final cause of crises and capitalism’s expansionist tendencies. After the outbreak of the World War, as the problem of imperialism naturally attracted greater attention, Lenin undertook to lay bare the nature of imperialism, its economic and social roots, in his book *Imperialism: the Highest Stage of Capitalism*. [150] He identified these in the *structural transformation of world capitalism*, in the displacement of competition by monopoly, which opened the phase of capitalism’s decline. Its characteristic feature is no longer the export of commodities but of capital. The monopolistic character of capitalism explains continuous colonial expansion and the division of the world among monopolist associations of capitalists, dominated by the financial oligarchy. Capital export, through the domination of enormous territories in Asia and Africa that supply raw materials, secures colossal super profits for the bourgeoisies of the ruling capitalist countries. The essence of imperialist expansion does not lie in the sphere of circulation (the realisation of surplus value) but in the sphere of production (raising profits).

The emergence of imperialism opened a period of constant war and threat of war. Wars are a product of imperialism, an unavoidable result of the antagonisms of the epoch of decline. In this respect, the character of wars has changed; the formal distinction between wars of defence and offence has lost any meaning. For, in contrast with the wars of national liberation during the rising phase of capitalism, wars in the period of decline are predatory wars amongst imperialist countries and against economically less developed nations and states. As a consequence, the working class has special responsibilities in questions of war, civil peace, defence of the fatherland and approving war credits. During the phase of capitalism’s decline, the proletariat has the task of transforming war between peoples into civil war, with a view to the conquest of power and, for this reason, of preparing strategically and organisationally for revolution. Grigorii Zinoviev (*The War and the Crisis of Socialism*), Vladimir Ilyich Lenin und Grigorii Zinoviev (*Against the Current: Articles from the Years 1914–16*), Leon Trotsky (*The War and the International*), Nikolai Bukharin (*Imperialism and World Economy* with an introduction by Vladimir Ilyich Lenin) and Hermann Gorter (*Imperialism, the World War and Social Democracy*) take similar stances on the problem of imperialism and war. [151]

d) *The problem of the proletarian seizure of power. Marxist theory and the Soviet Union*

The establishment of the Soviet Union is, in principle, not simply a turning point of great importance in the political and economic history of capitalism but also in the field of Marxist theory. The outbreak of the Russian revolution confirmed the correctness of the prognosis of Marxists, who had predicted its advent and thus based their strategy and tactics on it for decades. Further, it proved the correctness of those who, like Lenin in 1905, had already predicted on the basis of Marxist theory that the coming revolution would be an upheaval of a new kind—proletarian revolution which, in its goal, organs and tactics would move beyond the bourgeois world.<sup>[152]</sup> The international significance of the October Revolution<sup>[153]</sup> and its historical meaning from the point of view of Marxist theory is, moreover, that the sole rule of the capitalist system has reached its end. With the October Revolution, the bourgeois mode of production, before this turning point the dominant and the most progressive mode of production, lost its aura of permanence and indestructibility, proving to be an historical, i.e. a transitory, category. Previously only remnants of social formations that have gone under and are in comparison more backward (artisans, peasant, the primitive economies of colonial people in Africa and Asia) have survived alongside it. In contrast to capitalism, socialism was previously only a demand for the future arrangement of society. Now—as experience seems to confirm—a superior economic system in the Soviet Union confronts capitalism, which has been convulsed by the world economic crisis. Through the formulation of the first Five Year Plan of 1928–32 this is on the best path to realising, for the first time in history, the idea of a socialist, planned economy, after initial, transitional difficulties are overcome. In a sixth of the world, particularly in the previously most backward areas of Asiatic Russia, the Soviet Union knew how to construct a socialist economy on the basis of the most advanced technology at a gigantic tempo in the areas of economics and culture, for which there is no historical analogy, boldly leaping over whole historical stages of development. The great popularity of the planned economy's configuration, in almost all the highly developed countries of Europe and in the United States of America, expresses the shaken faith in the justification for and adequacy of the capitalist market economy. Capitalism's difficulties seem to have become more acute because of the fact of the very existence of the Soviet Union alone, as a consequence of its successful socialist construction. Social contradictions and class antagonisms are no longer, as earlier, contradictions between reality and a hoped-for socialist future but rather the ever more pronounced contradictions between two social and state systems that exist side by side. The foundation of the Marx-Engels Institute in Moscow, under the leadership of the well-known Marx researcher David Riazanov, is of the greatest significance for the scientific deepening and development of Marxist theory. It took on the monumental task of [producing] the *Marx-Engels Collected Works* (in more than 40 volumes) which will publish fundamentally important parts of Marx's and Engels's world of ideas that were previously unknown.<sup>[154]</sup> *Marx-Engels-Archiv*, which also appears in German, is the organ of the Institute.

Research into the particular conditions of the existence and development of the peasant

economy plays a specific role in the socialist literature of the Soviet Union. From the extensive literature only the following are mentioned: Alexander Vasilyevich Chayanov, *The Optimal Size of Agricultural Enterprises*, *The Theory of the Peasant Economy*, *The Theory of Peasant Co-operatives*; Nikolai Pavlovich Makarov, *The Peasant Economy and its Evolution*. Further, the International Agrarian Institute in Moscow and its journal deal with these problems. [\[155\]](#)

Russian socialist literature, however, engages above all with the theory of socialist upheaval and the period of transition to socialism. In his speech on the program of the Third International, in 1922, Bukharin criticised those who want to delay the socialist upheaval until socialism has ripened within capitalism. In contrast to the classical statement in Marx's *Capital* that "capitalism matured fully under feudal rule" until the new order was able to fully develop after the conquest of political power, the Russian Communists, especially Bukharin, insist that this theory does not apply to socialism. Under feudalism, the bourgeoisie could already possess a monopoly over industrial means of production, achieve leading roles in industrial production and, drawing on its economic power, also overtake the feudal class culturally. In contrast, the working class cannot become the owner of the means of production and control production under capitalism. Nor can it rise to a higher cultural level than the bourgeoisie within the framework of capitalism. "Socialism can *never* ripen in this manner, even under the most favourable conditions... It is impossible for the working class to take production in hand within the womb of capitalist society... [T]he proletariat ... can learn all that only when it has already achieved the *dictatorship of the proletariat*." [\[156\]](#)—"Socialism does not arise, it must be consciously constructed." [\[157\]](#)

Accordingly, for the Russian Communists, the possibility of a proletarian revolution is not tied to any definite developmental maturity of capitalist society. Only a sufficient concentration of production is required to make the planned organisation of the economy possible and a correspondingly advanced union of proletarian atoms into a revolutionary class, to guarantee the overthrow of the bourgeoisie in the revolution and the construction of the apparatus of the proletarian dictatorship. In addition to these two objective moments, two subjective moments are required: the revolutionary enthusiasm of the proletariat and its desire to end the capitalist order, and the incapacity of the bourgeoisie to effectively resist the proletariat. All these moments, however, are compatible with the most diverse economic conditions. The breakdown of capitalism, according to this conception, can just as easily take place at a high or a relatively low level of capitalism's inner maturity. A country does not necessarily have to be amongst the leading capitalist countries in terms of its general level of economic development. On the contrary, since the capacity of the bourgeoisie is, *ceteris paribus*, [\[158\]](#) directly proportional to the economic maturity of capitalism, it is likely that "the collapse of the entire system ensues, beginning with the organisationally weakest links of that system" (Bukharin, *The Economics of the Transition Period*). [\[159\]](#) Later we will see that this theory of breakdown, which constitutes nothing other than a formulation of the specific Russian situation during the War, neither corresponds with Lenin's conception of the overthrow of capitalism nor does it apply at all to the advanced capitalist countries of western Europe.

The problems of socialist economic construction in industry and agriculture are of immediate, current significance and at the same time present the greatest theoretical difficulties. No doubt the expropriation of the means of production has long been a fixed component of all socialist programs. But the question of the extent of the expropriation of industrial and commercial capital, the nature and extent of the connection between the socialist elements of the economy without markets, and the remainder of the capitalist economy, i.e. the question of the extent to which the market economy is to be retained and an economy without markets and money is to be introduced, now had to be answered. The problem of the socialist restructuring of the village had to be solved: whether a state monopoly over agricultural products should be introduced or private peasant production and private sales, only burdened with a tax in kind, should remain. Likewise the question of whether collective agricultural production should be introduced and, finally, to what degree. Everywhere, the first tentative attempts at proletarian economic policy had to be made. They eventually achieved a preliminary resolution with the formulation of the First Five Year Plan and of rules for a planned economy, which also laid the foundations for a new science.

Until the October Revolution, it was almost only within the Russian workers' movement that the problems of the proletarian seizure of power were discussed concretely. With this event, most strongly inspired by Lenin's *The State and Revolution*,[\[160\]](#) they moved to the centre of discussions within the workers' movement of the entire world, particularly western Europe: the question of whether the conquest of power by the proletariat would take place by parliamentary or extraparliamentary means, i.e. through the revolutionary action of the working class; the question of the choice between the dictatorship of the proletariat—the council system—as the realisation of proletarian democracy and parliamentary democracy as the form of appearance of the dictatorship of the bourgeoisie; the question of the choice between spontaneous proletarian revolution and conscious organisation through a party and thus the fundamental relationship between party and class; the problem of the organisation of a new proletarian international, whether it should be organised according to the principles of democratic centralism as a unitary world party with the task of practically preparing for the world revolution; the task of conquering the middle strata in the towns and countryside as allies of the proletariat; the question of colonial peoples' struggle for freedom and the right of nations to self-determination, that is the problem of mobilising the oppressed masses of the entire world against imperialism.

The assessment of the tendencies of economic development of world capitalism is, naturally, of decisive importance in answering these questions. At present, those like Kautsky and the speakers at the Brussels Congress of the Second International in 1928 are of the view that capitalism stands at the outset of a further era of up-swing. Others, on the contrary, assume that it is in a period of decline, which is indeed punctuated by short periods of temporary stabilisation, but that on the whole a continual sharpening of class antagonisms is apparent, which must finally lead to the decisive struggle for power.

The experiences and lessons of the Russian revolution are a current problem for western European capitalism if it is in the midst of decline, placing the question of the western European revolution on the agenda for the next period. This is the significance of

debates over the conquest of state power inside the left wing of the Second (Socialist) International, e.g. the debates at the Linz Congress of Austrian social democracy (30 October–3 November 1926),[\[161\]](#) at which the new party program was adopted. The core problem was the question of whether civil war and the use of force should be avoided by the working class in its struggle for state power and socialism. The result of the discussion can be summarised thus: the working class should in principle make use of the legal means of democracy in its struggle. It should not, however, ignore the fact that it is probable that the bourgeoisie will have recourse to force against the working class and its state if the proletariat conquers political power by means of democracy, if therefore democracy is decisively deployed against the bourgeoisie itself, as no ruling class gives up its power without a struggle. Under such circumstances, the working class for its part cannot abstain from the use of force.



### e) *The end of capitalism*

While the sole rule of the capitalist system was convulsed by the victory of the October Revolution in Russia, it did not resolve the question of the end of capitalism in socialist theory, given the concrete circumstances in which this victory was possible. With the October Revolution, the breakthrough from the capitalist system took place at its weakest point, namely where the revolutionising effects of capitalism had hardly begun at the moment of the social explosion. For the technological backwardness of old Russia was still more characteristic of feudalism than of capitalism. The Russian example is not, therefore, to be regarded as typical of the breakdown of capitalism in the industrially most developed countries. Their capacity to resist, as Bukharin says, is in direct proportion to their economic maturity, thus significantly greater than was the case in Russia, whose capitalist development was just beginning. If the October Revolution was a symptom and also the beginning of the breakdown of the capitalist world system, the immediate concrete causes of this event are still to be found in factors other than the likely causes of the breakdown of capitalism in fully capitalist countries, like England, Germany and the United States of America. After as before it, the breakdown of capitalism therefore remains a problem from the standpoint of Marxist theory and the labour movement.

During the post-war period, Henryk Grossman undertook to reassert anew the validity of this highly disputed but basic concept of Marx's system. Previously, there were two variants of the theory of breakdown. One (for example, Bukharin, *Imperialism and the Accumulation of Capital*) only speaks generally about the "limit ... given to a certain degree by the tension of capitalist contradictions" which "will unavoidably lead to the collapse of capitalist rule",[\[162\]](#) without proving this "unavoidability", i.e. without providing the theoretical explanation of why these contradictions must culminate in the final impossibility of balance. Just as little does this interpretation provide concrete indicators by which the "degree" of critical tension in contradictions that make breakdown "unavoidable" can be identified in advance. This can only be determined *ex post*, after the advent of the breakdown. Then, however, the theory of breakdown is superfluous as an instrument of scientific knowledge. Such a "general" explanation of breakdown must be considered to be unsatisfactory because of its scientific indeterminacy, as it really does not fulfil the "Marxist requirement of concreteness" (Lenin).[\[163\]](#)

The other variant of breakdown theory, represented by Cunow, Kautsky (in writings of the period 1901–11, cited above), Boudin and Rosa Luxemburg, sought to derive the necessity of the downfall of the capitalist system from the limitations of the market, thus from processes in the sphere of circulation ("the realisation problem").

In his 1898 article, already mentioned, Cunow investigates the core problem of "whether our economic development drives towards a general catastrophe". Previously, the steady expansion of colonial possessions functioned to weaken the tendency to break down, resulting from insufficient markets. As such an extension of markets has its limit, however, the "unavoidability of breakdown" is also a given. Without gaining external markets,



“England would long ago have faced a conflict between the capacity of its domestic and foreign markets to consume and the gigantic escalation of its capitalist accumulation”. For Cunow, breakdown is not in doubt; rather [it is] simply [a matter of] “how long the capitalist mode of production can survive ... and under what circumstances breakdown will take place”.[\[164\]](#)

After Kautsky’s endorsement in the preface, Boudin’s book deals with “the decisive points of Marx’s system”. Boudin also sees in the sale of surplus value “the great problem” on which the existence of the economic constitution of capitalism depends. “It is the inability to dispose of that product that is the chief cause of the temporary disturbances within its bowels.” Indeed if crises have previously ended and further accumulation has been made possible again, it is only because “capitalistic countries ... had an outside world into which they could dump the products which they could not themselves absorb”. But this solution was only temporary. The thorough capitalisation of the territories of agrarian markets signifies “the beginning of the end of capitalism” and will lead to “the inevitable breakdown of the capitalistic mode of production”.[\[165\]](#)

In contrast to all previous breakdown theorists, Henryk Grossman treads a new path in his principal work, *The Law of Accumulation and Breakdown of the Capitalist System* and numerous methodological and critical essays (“A new theory of imperialism and social revolution”, “The change in the original plan for Marx’s *Capital*”, “Gold production in the reproduction schema of Marx and Rosa Luxemburg”, “The value price transformation in Marx and the problem of crisis”).[\[166\]](#) He explains the decisive cause of the inevitable demise of the capitalist system in terms of the *overaccumulation of capital in highly developed countries* and the resulting *insufficient valorisation* of capital, thus in terms of the process of production itself (“the valorisation problem”). With new proofs taken from modern economic relations, Grossman seeks to support the theory developed by Marx, today almost forgotten but already present in John Stuart Mill and Adam Smith in an embryonic form.[\[167\]](#) It holds that once a nation’s capital exceeds a definite scale, its accumulation finds no further profitable opportunities for investment and consequently either lies idle or has to be exported. Since Tugan-Baranovsky’s book on crisis, the problem of crisis and breakdown in the Marxist literature of the last thirty years has simply been dealt with from the point of view of disproportionality between individual spheres of production. Grossman demonstrates that, for Marx, the decisive problem was not primarily partial crises arising from disproportionality but rather the primarily general crisis, “general glut”, which is caused by “parallel production ... which takes place simultaneously over the whole field”.[\[168\]](#) “Precisely the possibility of such primarily general crises and not primarily partial crises arising from disproportionality is the object of Marx’s dispute with the Say-Ricardo conception.”[\[169\]](#)

That an ever growing mass of means of production (MoP = machines, buildings, raw materials, instruments of production) can be set in motion with a progressive decline in the expenditure of labour (L) is an empirical law characteristic of the capitalist mode of production, as ever-expanding reproduction. On the basis of capitalism, that is expressed in the constant growth in the amount of constant capital per worker in relation to variable

(wage) capital ( $c : v$ , as the Marxists say, the organic composition of capital), which American census figures also confirm. As a result of the progressively higher organic composition of capital, because of the associated rising productivity of labour, wages do account for an ever smaller portion of total production. To the extent that the surplus value generated by a given working population grows absolutely (the rate of surplus value increases), however, it falls in relation to the continuously expanding total capital ( $c + v$ ). This is the fact that underlies the *law of the tendency for the rate of profit to fall*.

The classical economists (Ricardo) already correctly identified the tendency for the rate of profit to fall as a phenomenon but mistakenly attempted to explain it as a law of nature, resulting from the decline in the productivity of the soil. Ricardo drew pessimistic conclusions for the future of capitalism from this phenomenon, as without profit “there could be no accumulation”. He consoled himself that “happily”, from time to time, industrial and agricultural inventions (mechanical engineering and agronomy) can break through this pernicious tendency, so that it will only have an impact in the distant future.[\[170\]](#)

Many earlier theorists, like Boudin but above all Georg Charasoff (*The System of Marxism*),[\[171\]](#) felt that Marx also connected the breakdown of capitalism with the fall in the rate of profit. They could not, however, demonstrate the content of this connection and “the great importance that this law has for capitalist production”.[\[172\]](#) That is easy to explain, as they only ever pointed out the fall in the rate of profit alone. The rate of profit, however, only expresses a proportional relationship, nothing other than a numerical concept. It is apparent that this cannot lead to the breakdown of a real system. For that to happen real causes are required.

Moreover, the tendency for the rate of profit to decline has been a constant, concomitant phenomenon of capitalism from its beginnings until today, that is, during the whole process of its development. Where, then, does the sudden shift to breakdown come from? Why can't capitalism survive with a rate of profit of 4 per cent just as well as with one of 13–15 per cent, as the declining rate is offset by a rising mass of profit? Indeed, the growth in the mass of profit, as a consequence of the even faster growth in total capital, would be expressed in ever smaller percentages. The rate of profit would approach zero, that is the boundary point in the mathematical sense, without reaching it and yet the capitalist class could nevertheless feel comfortable as a consequence of the growth in the mass of profit.

Grossman was the first to point out that breakdown cannot be derived from or explained by the rate of profit, that is by the index number of profits, but must be understood in terms of what is concealed behind it: the real mass of profit in relation to the social mass of capital. For, according to Marx, “accumulation depends not only on the rate of profit but on the amount of profit”.[\[173\]](#) If accumulation proceeds as a continuous process, the surplus value of the capitalists must be used for three purposes, be divided into three parts. First, part must be used as additional constant capital ( $a_c$ ); a second part as additional variable capital ( $a_v$ )—for the application of additional labour power; the remaining third part can be used as funds [f], for the capitalists' consumption. Now, the mass of surplus value does grow absolutely with the development of the capitalist mode of production. If, however, the

organic composition of capital grows—as is necessary for capitalist production and is also assumed in the theoretical analysis—then a relatively ever larger part of the surplus value must be deducted for the purposes of additional accumulation ( $a_c$ ). As long as the absolute mass of total social capital—with a low organic composition—is small, surplus value is relatively large and this leads to a rapid increase in accumulation. For example, with a composition of 200 c + 100 v + 100 s, constant capital (c) can be increased by 33⅓ per cent of its initial size (assuming the employment of all the surplus value for the purposes of accumulation). At a higher level of capital accumulation, with a significantly higher organic composition of capital, e.g. of 14,900 c + 100 v + 150 s, the expanded mass of surplus value is only 1 per cent, when it is employed as additional capital ( $a_c$ ). It is easy to calculate that with continuing accumulation on the basis of an ever higher organic composition, a point must come when all accumulation ceases. This is all the more so because it is not any arbitrary fractional amount of capital that can be employed but rather a definite minimal amount is required, whose scale consistently grows with increasing accumulation of capital. With the progress of capital accumulation, therefore, an ever larger part, not only absolutely but also relatively, must be deducted from surplus value for the purposes of accumulation. So at high levels of accumulation, when the extent of the total social capital is great, the part of surplus value required for additional accumulation ( $a_c$ ) will be so large that it finally absorbs almost all of the surplus value. A point must be reached at which the part of surplus value destined for the consumption of the workers and the capitalists ( $a_v + f$ ) declines absolutely. That is the turning point at which the previously latent tendency to breakdown begins to take effect. Now it is apparent that the conditions required for the continuation of accumulation can no longer be entirely fulfilled, that the mass of surplus value, although it has grown absolutely, is not sufficient for the three functions. If, as previously assumed, the additional constant capital ( $a_c$ ) is deducted from surplus value to the required extent, then the revenue part is not sufficient to cover the consumption of workers and employers to the previous extent. *An intense struggle between the working class and the employers over the division of revenue*, rising pressure from employers on the level of wages becomes unavoidable. If, on the other hand, the capitalists are forced, under pressure from the working class, to maintain the previous level of wages and consequently the part destined for additional accumulation ( $a_c$ ) is reduced, the tempo of accumulation would slow down. This would signify that the productive apparatus cannot be renewed and expanded to the extent required by technological progress. A relative technological backwardness in the productive apparatus would set in. Any further accumulation must in such circumstances increase the difficulties, because the mass of surplus value can only be increased to an insignificant extent, with a given population. Surplus value flowing from previous capital outlays must therefore lie idle; an excess of inactive capital searching in vain for investment opportunities eventuates. In this way, Grossman explains the technological backwardness of older capitalist countries, like England, with a higher level of capital accumulation and the tendency apparent there for the level of wages to stagnate or decline.

In “pure”, i.e. isolated, capitalism, these tendencies must soon prevail, i.e. lead to the

breakdown of the system, under the pressure of intensifying class antagonisms. In capitalism which is interdependent with the world economy, numerous *counter-tendencies* operate to weaken the tendency to breakdown, which is then only expressed in temporary *crises*.

Valorisation (the rate of profit) is repeatedly improved and increases the mass of profit by reducing the cost of producing constant capital and variable capital (the level of wages), shortening turnover time, improving the organisation of transport, reducing stocks and commercial expenses and the periodic devaluation of available capital. The advantages derived from the domination of the world market operate in the same way. Unequal exchange takes place in foreign trade—the technologically advanced countries receive a higher value in exchange for the value of their commodities—which also increases profits. This also applies to the export of capital. Capital export occurs because an over-accumulation of capital predominates in the highly developed capitalist countries and consequently there is a lack of opportunities for investment. As a consequence, the capital-exporting country receives an additional injection of surplus value, that improves the insufficient valorisation of capital and weakens or temporarily suspends the tendency to breakdown. This explains the intensity of imperialist expansion during the late phase of capital accumulation. Imperialism is an attempt to improve currently insufficient valorisation and hence to extend the life-span of the capitalist system, by weakening tendencies to breakdown, through the transfer of surplus profits from colonial territories to highly developed capitalist countries. In this way, Grossman combines the theory of breakdown with the theory of crisis. *Crisis is an expression of breakdown that has not fully developed, because it has been mitigated by counter-tendencies*. But soon it is apparent that, because of the nature of the above counter-tendencies, they are only temporary and only able to counteract the tendency to breakdown to a certain extent. Stocks can only be reduced to a definite lower limit, breaching which would disrupt the continuity of the production process. Wages can only be depressed to a definite limit, breaching which would mean that the labour power of the working class was not fully reproduced, instead the intensity and quality of labour would decline. The reduction of commercial profits can only improve the profitability of industry to a limited extent. The more commerce is reduced, the smaller the mitigating effects of a further reduction will be. The counter-effects of capital export can also only be temporary. To the extent that the number of countries with excess capital and consequently seeking to export increases in the course of accumulation, competition on the world market, the struggle over profitable spheres for investment, increases. For this reason too, the tendency to breakdown must become more intense, at a definite point. The increase in fixed capital does not have a different effect. At higher levels of capital accumulation, at which fixed capital accounts for a larger component of constant capital, the contraction of production during the crisis has ever smaller significance: a firm's burden of depreciation and interest payments for fixed capital does not decline when production is reduced.

So it is apparent that the immanent laws of capital accumulation themselves progressively weaken the counter-tendencies. Overcoming crises becomes ever more difficult, the tendency to breakdown more and more holds sway. The periods of upturn become ever shorter, the duration and intensity of crisis periods rises. In his formula for

crises Grossman attempts to determine the phase length of the economic cycle theoretically, by means of mathematics, and to identify the factors on which the extension or contraction of the economic cycle depend. If crisis is, for him, the tendency to breakdown which has not fully developed, *the breakdown of capitalism is nothing other than a crisis that is not checked by counter-tendencies.*

So capitalism approaches its end as a result of its inner economic laws.

From the standpoint of a Marxist theory of crisis and breakdown, it is obvious to Grossman from the start that the question of perhaps fatalistically awaiting the “automatic” breakdown, without actively intervening, does not arise for the working class. Old regimes never “fall” of their own accord, even during a period of crisis, if they are not “toppled over” (Lenin).[\[174\]](#) According to Grossman, the point of a Marxist theory of breakdown is only to demarcate voluntarism and putschism, which regard revolution as possible at any time without considering [whether there is] an *objectively revolutionary situation* and as dependent only on the subjective will of the revolutionaries. The point of breakdown theory is that the revolutionary action of the proletariat only receives its most powerful impetus from the objective convulsion of the established system and, at the same time, only this creates the circumstances necessary to successfully wrestle down the ruling class’s resistance.

Grossman could achieve these results, which he regards as a reconstruction of Marx’s theory of crisis and breakdown, because he had previously researched and recovered Marx’s method and the plan which underlies *Capital*.

Rosa Luxemburg assumed that there was a gap in *Capital*, that Marx had not considered foreign trade; the only explanation of this assumption is that the method which underlies the structure of *Capital* as a specific theoretical problem had not previously been recognised. For this reason, however, it was not possible for Luxemburg to fully understand Marx’s solution.

If the process of isolation served the classical economists, Marx—according to Grossman—employs the so-called *procedure of successive approximation*. In order to research causes in the complicated world of appearances, Marx, like the classical economists, makes numerous simplifying assumptions by means of which he departs from the concrete totality of appearances, although this is precisely in order to explain it. The understanding achieved [in this way] can only have a preliminary character, can constitute only the first stage of acquiring knowledge in the procedure of successive approximation, which must be followed by a further, definitive stage. To each simplifying assumption there corresponds a subsequent correction, which in the final result takes into account the elements of actual reality that were initially neglected. All phenomena and problems are dealt with at least twice in this procedure: first under simplifying assumptions, then in their final form. This method underlies Marx’s analysis in all three volumes of *Capital*. Those from whom this remains hidden must encounter continual “contradictions” between the individual components of Marx’s theory.

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[1] I am grateful to Sandra Bloodworth, Tom Bramble and Peter Jones for their comments on drafts of this introduction, and to David Mayer for valuable advice about the historiography of Marxism. Grossman’s survey, together with many other economic studies that have not previously been translated into English or are relatively inaccessible, will form the first volume of his works, in the Historical Materialism book series, published by Brill and Haymarket Books.

[2] Grossmann 1932; Grossmann 1933.

[3] Jessen 1933.

[4] Korsch 1970; Lenin 1964c. For additional biographical information about Lenin and other people mentioned in this introduction, see the footnotes in Grossman’s survey.

[5] For a detailed account of Grossman’s life see Kuhn 2007. Unless otherwise indicated, this is the source of biographical details about Grossman.

[6] Grossmann 1929; Grossmann 1992; Grossman 2013.

[7] Grossman had expressed this perspective in Grossman 1906: “[Working class] power is used in different ways. There were times when the proletariat fought, weapons in hand, on the barricades. Then weapons gave way to voting slips. Now we are preparing for a mass strike which is the start of an active revolutionary struggle... The mass strike, the last step on the legal path, is the first step of the revolution!”

For the context see Kuhn 2007, p. 50.

[8] Cliff 1957; Post 2010; Bramble 2012.

- [9] Kuhn 2007, pp. 138-46.
- [10] Grossmann 1931. The bibliography of this entry included Trotsky's book *Permanent revolution*, which appeared in 1930, Trotsky 1969b. Trotsky also discussed the theory in two references included in the bibliography of Grossman's survey, Trotsky 1970 and Trotsky 1977.
- [11] Lenin 1964b, p. 341.
- [12] See Trotsky 1969a.
- [13] Grossman 1931, p. 437.
- [14] See Lenin 1964a; Stalin 1954.
- [15] See Haynes 2002; and Tony Cliff's classic, Cliff 1974.
- [16] [Paul Mattick (1904–1981) was a German-US council communist (i.e. anti-Leninist) friend of Grossman who advocated his theory of capitalist crises.]
- [17] Grossman 2000.
- [18] In Bauer 1986.
- [19] Luxemburg 2008, p. 89.
- [20] Grossmann 1933, p. 336.
- [21] Originally published as an offprint, Grossmann 1932f, from Grossmann 1933.
- [22] Grossman's signature was "Henryk Grossman" and his work originally published in Polish and English appeared under this name. His name was generally presented as "Grossmann" in his German publications.
- [23] [Karl Kautsky (1854–1938) was the leading theoretician of the Second International and the German Social Democratic Party before World War I. Words in square brackets are the editor's, except in quotations where they are Grossman's, unless otherwise indicated.]
- [24] [Ferdinand Lassalle (1825–64) was a German lawyer and non-Marxist socialist. He was the founding, dictatorial leader of the General German Workers' Association in 1863.]
- [25] [From February 1848, a wave of revolutions, starting in Paris, swept east across Europe. Pierre-Joseph Proudhon (1809-1865) was an early theorist of anarchism in France. Karl Rodbertus (1805-1875) was a German economist and theorist of "state socialism". Eugen Dühring (1833-1921) was a German economist and philosopher who advocated a "socialism" of competing production cooperatives. Marx wrote critiques of the economic ideas of all three.]
- [26] [Marx played a vital role in the leadership of the International Working Men's Association, later known as the First International, between 1864 and 1872, when it moved its seat to Philadelphia. It wound up in 1876.]
- [27] [The Social Democratic Workers' Party, led by August Bebel and Wilhelm Liebknecht, was founded at a congress in Eisenach in 1869.]
- [28] Marx1989a.
- [29] [Wilhelm Liebknecht (1826–1900) was a leader of the Social Democratic Workers' Party, a Marxist organisation and, after its fusion with the Lassallean General German Workers' Association in 1875, of the Socialist Workers' Party of Germany, which was renamed the Social Democratic Party of Germany in 1890.]
- [30] Liebknecht 1963, p. 88.
- [31] [Mikhail Bakunin (1814-1876) was a Russian anarchist who organised conspiracies against the leadership of the First International. Engels 1987.]
- [32] [The Anti-Socialist or "Exceptional Law against the public danger of Social Democratic endeavours" banned social democratic organisations, publications and trade unions in Germany.]
- [33] Kautsky 1886, p. 164.
- [34] Kautsky 1925a.
- [35] [Eduard Bernstein (1850-1932) was an early leader and Marxist theoretician of German social democracy and later the leading theoretician of the party's revisionist wing.]
- [36] [Georg von Vollmar (1850-1922) was a revolutionary until the mid-1880s. A member of the German federal parliament and simultaneously the Saxon then the Bavarian state parliaments, he advocated a program of reform and alliances with



bourgeois parties, in two speeches in Munich's Eldorado pub; Vollmar 1891; Vollmar 1892.]

[37] Bernstein 1993; Bernstein 1901b; Bernstein 1909; Bernstein 1901a.

[38] David 1903. [Eduard David (1863–1930) was a leading revisionist politician.]

[39] Bernstein 1993, pp. 199–200.

[40] Bernstein 1993, p. 20.

[41] Bernstein 1898, p. 556; Bernstein makes a very similar statement in Bernstein 1993, p. 190.

[42] Brauer 1929, p. 142. [Theodor Brauer (1880–1942) was a German and later US Christian socialist economist.]

[43] [Blanquism is a political approach influenced by or similar to that of Louis Auguste Blanqui (1805–1881), a revolutionary socialist who regarded revolution as the product of the efforts of a small group of dedicated conspirators which would establish a temporary dictatorship in the interests of the masses.]

[44] Bernstein 1993, p. 186.

[45] Brauer 1929, p. 148.

[46] Tugan-Baranowsky 1901; [Tugan-Baranowski 2000, a translation of chapters I and IV in Tugan-Baranowsky 1901]; Tugan-Baranowsky 1905; Tugan-Baranowsky 1910. [Mikhail Ivanovich Tugan-Baranovsky (1865–1919) was a Russian/Ukrainian economist and for a period a “legal Marxist” in the Russian empire.]

[47] Tugan-Baranowsky 1904, p. 304 et seq.

[48] Tugan-Baranowsky 1910, p. 96.

[49] Schmidt 1889; Schmidt 1899; Schmidt 1901; Schmidt 1910; Schmidt 1915. [Conrad Schmidt (1863–1932) was a German social democratic economist and journalist, and the older brother of the socialist artist Käthe Kollwitz.]

[50] Engels 2001, p. 36.

[51] [“moment” is a Hegelian term, here with the sense of “aspect”.]

[52] Jaurès 1891. [Jean Jaurès (1859–1914) was a French historian and leader of the non-Marxist French Socialist Party. Grossman wrote an entry on Jaurès, Grossmann 1932e.]

[53] Cf. Lafargue 1909. [Paul Lafargue (1842–1911) was a prominent French socialist politician and a son-in-law of Karl Marx.]

[54] [Emmanuel Kant (1724–1804) was the most influential 18<sup>th</sup> century German philosopher.]

[55] Cohen 1896.

[56] Stammer 1896, pp. 575–6. [Karl Eduard Julius Theodor Rudolf Stammer (1856–1938) was a German academic and legal philosopher.]

[57] Staudinger 1899; Staudinger 1907. [Franz Staudinger (1849–1921) was a teacher in an German academic high school, philosopher and advocate of consumer cooperatives, associated with the right wing of the Social Democratic Party.]

[58] Staudinger 1899, p. 159.

[59] Vorländer 1900; Vorländer 1926; Vorländer 1926. [Karl Vorländer (1860–1928) was a teacher in an German academic high school and philosopher.]

[60] Woltmann 1900; Adler 1904; Adler 1908; Adler 1913; Adler 1925. Bauer 1906; Kautsky 1906. [Ludwig Woltmann (1871–1907) was a racist German anthropologist and philosopher. Max Adler (1873–1937) was an Austrian social democratic lawyer, educationist and social philosopher. Otto Bauer (1881–1938) was an Austrian social democratic theorist and the most prominent leader of the Party after World War I.]

[61] Lenin 1962b, pp. 17–362. [Georgii Valentinovich Plekhanov (1856–1918) was a pioneering Russian Marxist political leader and theorist. Vladimir Ilyich Lenin (1870–1924) was a Russian Marxist, the most influential leader and theoretician of the Bolshevik Party and the early Russian Communist Party.]

[62] Vorländer 1920.

[63] [i.e. mainstream neoclassical economics, as opposed to Marx's labour theory of value.]

[64] Pollock 1932; and Gumperz 1931. [Friedrich Pollock (1894–1970) was a German Marxist economist and colleague of Grossman at the Institute for Social Research. Julian Gumperz (1898–1972) was US/German economist whose PhD thesis Pollock supervised. He subsequently worked as a junior researcher at the Institute for Social Research.]

- [65] Shaw 1896. [Sidney Webb (1859–1947) was an English social commentator, economist and political scientist. George Bernard Shaw (1856–1950) was an English playwright, social commentator and literary critic.]
- [66] Shaw 1896, p. 7.
- [67] Webb and Webb 1895, original edition Webb and Webb 1894; Webb and Webb 1897; Webb and Webb 1911; Webb and Webb 1920; Webb and Webb 1923; MacDonald 1912, original edition MacDonald 1905. [Beatrice Webb (1858–1943) was an English social commentator, economist and political scientist. James Ramsay MacDonald was a British Labour politician and prime minister (1924, 1929-31) and then Labour rat and prime minister (1931-5).]
- [68] Brousse 1882. [Paul Brousse (1844–1912) was a French anarchist and later an anti-Marxist, reform socialist politician.]
- [69] Labriola 1926. [Arturo Labriola (1873–1959) was an Italian socialist journalist and later reformist politician.]
- [70] Labriola 1907; Labriola 1924.
- [71] Vandervelde 1906; Vandervelde 1901; Vandervelde 1908; Vandervelde 1902; Vandervelde 1925. [Émile Vandervelde (1866-1938) was a Belgian socialist politician. He was the president of the Socialist (Second) International from 1900 until it dissolved in 1916 and then of its new incarnation, the Labour and Socialist International, from 1923 until 1938.]
- [72] [Petr Berggardovich Struve (1870–1944) was a Russian legal Marxist and later liberal economist and politician.]
- [73] Kautsky 1899b. When editor of the daily *Sächsischer Arbeiter-Zeitung*, Parvus wrote a series of articles, 1898. Mehring's articles appeared in another daily party newspaper, Mehring 1898a, Mehring 1898b, Mehring 1898c; Cunow 1898; Luxemburg 2008a. [For writings by major contributors to the debate and an introductory overview, see Tudor and Tudor 1988. The contents of *Neue Zeit*, the official theoretical journal of the German Social Democratic Party, and *Sozialistische Monatshefte*, the organ of the right wing of the Party, for the period are accessible online from <http://library.fes.de/inhalt/digital/zeitschriften.htm>, accessed 20 June 2013. Parvus, the name for political purposes of Alexander Israel Lazarovich Helphand (1867-1924), was a prominent Marxist revolutionary and journalist in the Russian and German social democratic movements, who particularly advanced the development of the theory of permanent revolution with Leon Trotsky. Franz Mehring (1846–1919) was a German Marxist journalist, literary critic and historian. Heinrich Cunow (1862–1936) was a German social democratic theorist, anthropologist and politician who shifted to the right of the Party during World War I. Rosa Luxemburg (1871-1919) was a revolutionary Polish and German theorist and political leader of the Social Democratic Party of the Kingdom of Poland and Lithuania, the German Social Democratic Party, the Spartacist League and the Communist Party of Germany.]
- [74] Kautsky 1988a.
- [75] Kautsky 1899b.
- [76] [This is a reference to Lenin 1964d.]
- [77] Engels 1990a; Marx 1989a.
- [78] Kautsky 1899b, pp. 181-3.
- [79] Engels 1990b. [This edition indicates the abridgements made when the “Introduction” was first published. David Riazanov (1870–1938) was a revolutionary Marxist theorist, historian and archivist.]
- [80] Kautsky 1899b, pp. 142, 145.
- [81] Kautsky 1902; Kautsky 1926.
- [82] Kautsky 1988b, pp. 421, 424-56.
- [83] Parvus 1901; Parvus 1908; Parvus 1910; Parvus 1907.
- [84] Luxemburg 2008a, pp. 45-7, 61, 90-2. [Luxemburg's emphasis. Editor's interpolation.]
- [85] Luxemburg 2008a, pp. 66-9. [Luxemburg's emphasis. Editor's interpolation.]
- [86] Luxemburg, Social reform or revolution, p. 95.
- [87] Grossmann 1932c; and Grossmann 1932d.
- [88] [Saint-Simonism refers to the theories of the French utopian socialist Henri de Saint-Simon (1760–1825) and his followers.]
- [89] [Rudolf Hilferding (1877-1941) was an Austrian then German social democratic theorist and politician. Karl Renner (1870-1950) was a leading social democratic parliamentarian and theoretician in Austria from before World War I until after

World War II. He was the first chancellor of the Austrian republic from 1918 until 1920.]

[90] Hilferding 1981, p. 241.

[91] [“Chartalism” is a theory of fiat money, issued and backed by law rather than precious metals, elaborated in Knapp 1924.]

[92] Kautsky 1911b.

[93] [the profits made by floating shares in a new joint stock company.]

[94] Hilferding 1981, pp. 105 et seq., 226, 180.

[95] Hilferding 1981, pp. 227-35; Marx 1976, pp. 927-930.

[96] Marx 1986, p. 335.

[97] Hilferding 1981, p. 234.

[98] Hilferding 1981, pp. 367, 368.

[99] Hilferding 1927, p. 2.

[100] Bauer 1986, pp. 106, 107. [This translation has been modified, as indicated by the square brackets. The previously published translation seriously distorted the meaning of Bauer’s German text by rendering “aufhebt” as “generates”; see Bauer 1913, p. 872.]

[101] Kautsky 1908b, pp. 546, 549.

[102] See Luxemburg 2008b.

[103] Hillquit 1909. [Morris Hillquit (1869–1933) was a lawyer and leader of the Socialist Party of America’s right wing.]

[104] [Aristotle (384-322 BCE) was a Greek philosopher. Cicero (106–43 BCE) was a Roman politician and philosopher. Anne Robert Jacques Turgot (1727–1781) was a French economist and public servant. Jeremy Bentham (1748–1832) was an English social philosopher and founder of utilitarianism. Pierre Paul Leroy-Beaulieu (1843–1916) was a French economist. Anton Menger (1841–1906) was an Austrian legal academic, social theorist and anti-Marxist socialist.]

[105] Hillquit 1909, pp. 97-105, 174, 181, 189. [Grossman wrote “class struggles” where the original had “class divisions”; and left out “socialist and” from the quotation starting “Under the pressure...”; Hillquit took the quotation “without violating the principle of the class struggle” from Kautsky 1901, p. 37, who in turn quoted his own letter, Kautsky 1899a.]

[106] Renner 1918. [The *Arbeiter-Zeitung* was the daily newspaper of Austrian Social Democracy.]

[107] Renner 1918, pp. 61-2, 70, 90, 97.

[108] Renner 1918, pp. 7-12, 28, 41-3. [According to Renner, the regulated price was a consequence of the interaction of cartels and protective tariffs.]

[109] Renner 1918, pp. 46-7.

[110] Renner 1918, pp. 47-55, 61, 64-5, 67.

[111] Renner 1918, pp. 82-3.

[112] Renner 1918, pp. 63, 65-66, 101, 106, 112-3, 123.

[113] Renner 1918, pp. 281-22, 331, 360-1, 328-9, 353.

[114] Lederer 1922. [Emil Lederer (1882-1938) was a German social democratic professor of sociology and economics.]

[115] Lederer 1925, pp. 355-413.

[116] Lederer 1925, p. 387.

[117] Braunthal 1930, pp. 62-3, 241, 63, 46, 220. [Braunthal (1897–1980) was an Austrian and subsequently German and US social democratic journalist and economist.]

[118] Tarnow 1928, pp. 10, 19, 70, 71; Ford 1922. [Fritz Tarnow (1880–1951) was a German social democratic politician as well as a trade union leader.]

[119] Lindemann 1906a; and Lindemann 1906b. [Hugo Lindemann (1867–1949) was an independent author and local social democratic politician, later an academic political scientist.]

[120] Taylor 1921; Cole 1920a [the German edition, referred to by Grossman, *Selbstverwaltung in der Industrie*, Engelmann, Berlin, 1921, was introduced by Rudolph Hilferding]; Cole 1920b; [Cole and Mellor 1918 was published together

with Cole's *Guild Socialism* in Cole and Mellor, *Gildensozialismus* 1921. George Robert Stirling Taylor (?1939) was an English lawyer and historian. George Douglas Howard Cole (1889–1959) was an English economist and historian. William Mellor (1888–1942) was an English journalist.]

[121] Oppenheimer 1932. [Franz Oppenheimer (1864–1943) was professor of sociology and economics at the University of Frankfurt am Main from 1919 until 1929. He was a Zionist and proponent of market socialism.]

[122] Kautsky 1906; Kautsky 1908a; Kautsky 1927; Kautsky 1925b.

[123] Kautsky 1988b; Korsch 1929. [Karl Korsch (1886–1961) was a German legal academic, philosopher and Communist politician (1920–26). He was subsequently a critic of Stalinism from the left.]

[124] [Gotthold Ephraim Lessing (1729–1781) was an Enlightenment German philosopher, dramatist and literary theorist. Frederick II (“the Great”) (1712–1786) was a modernising king of Prussia (1740–1786).]

[125] Mehring 1938; Mehring published many hundreds of articles in *Neue Zeit*; Mehring 1921a; Mehring 1921b.

[126] Plekhanov 1976b; Plekhanov 1908 [1906]; Plekhanov 1976a.

[127] Lukács 1971. [Györgi Lukács (1885–1971) was a Hungarian Marxist philosopher, literary theorist and a leader of the Communist Party of Hungary (1918–28)].

[128] Korsch 1922; Korsch 1970.

[129] Cunow 1923.

[130] Kautsky 1903; Kautsky 1909, p. 117; Kautsky 1911a, p. 94.

[131] Luxemburg 1951. [This translation of Luxemburg 1975 is unsatisfactory in places. Where that is the case, new, more accurate translations from the German original are provided and where Schwarzschild's translation has been used and her terminology diverges from the translations in the Penguin editions of *Capital*, her texts have been modified. The term “diagram”, for example, has been replaced with “schema”.]

[132] Luxemburg 1951, p. 96.

[133] Luxemburg 1951, p. 330.

[134] Luxemburg 1951, p. 330.

[135] Marx 1976, p. 742.

[136] Luxemburg 1951, pp. 350–2, 361.

[137] Luxemburg 1975, p. 314.

[138] [David Ricardo (1772–1823) was a preeminent English theorist of classical political economy. Jean-Baptiste Say (1767–1832) was a French economist and capitalist, one of the best-known representatives of vulgar political economy, after whom Say's Law, the notion that supply creates its own demand, was named.]

[139] Luxemburg 1951, pp. 365–6, 370.

[140] Luxemburg 1975, p. 315.

[141] Luxemburg 1951, p. 417.

[142] Luxemburg 1975, p. 364.

[143] Sismondi 1991; Malthus 1836, pp. 308–438. [Jean Charles Léonard Simonde de Sismondi (1773–1842) was a French political economist, historian and literary theorist, who was critical of capitalism. Grossman wrote two studies of his work, Grossman 1924 and Grossman 1934. Robert Malthus (1766–1834) was a conservative English political economist.]

[144] Cunow 1898; Boudin 1907 [Kautsky's foreword was only published in the German edition, Boudin 1909. Louis B. Boudin (1874–1952) was a US lawyer, Marxist theorist and left wing member of the Socialist Party of America from its foundation until 1919]; Kautsky 1902.

[145] [The Narodniks were populists who opposed tsarism and identified with the peasantry in late 19<sup>th</sup> century Russia.]

[146] Lenin 1960b.

[147] Marx 1976, p. 742; Lenin 1960a, pp. 161, 182.

[148] Lenin 1960b, p. 58.

[149] Lenin 1960b, p. 66.

[150] Lenin 1963.

[151] Sinowjew 1924 [a section of the book is in English translation, Zinoviev 1952-3]; Lenin and Sinowjew 1921 [a collection of 74 articles, the longest articles available in English are Lenin 1964a and Lenin1964b]; Trotsky 1971; Bukharin 1929; Gorter 1915. [Grigorii Zinoviev (1883–1936) was a leader of the Bolshevik Party and the Russian Communist Party until 1925 when he moved into opposition against Stalin until he capitulated in 1928. Nikolai Bukharin (1888-1938) was a Bolshevik and Russian Communist theorist and leader. His alliance with Stalin from 1924 ended in 1929. Leon Trotsky (1879–1940) was a Marxist theorist and leader, from 1917, of the Bolshevik Party and then the Russian Communist Party. He opposed the Stalinist counter-revolution and was subjected to continuing and increasingly outrageous public campaigns of slander from 1923. He was expelled from the Soviet Union in 1929. Herman Gorter (1864–1927) was a Dutch poet and Marxist. He was a member of the Communist Party of Germany until 1920 when he was a cofounder of the Communist Workers’ Party of Germany, a council communist organisation.]

[152] [In 1905 Lenin did argue that the working class would play a leading role in the revolution against the tsar in Russia and for the establishment of a “revolutionary-democratic dictatorship of the proletariat and the peasantry”, Lenin 1962a. This would clear the way for capitalist development. But he maintained that the coming revolution was definitely not a socialist revolution, Lenin 1962a, p. 28. Only in 1917 did Lenin conclude that socialist revolution was on the immediate agenda, Lenin 1964e, p. 341.]

[153] [i.e. the Bolshevik Revolution, which took place in November 1917, according to the modern Gregorian calendar.]

[154] [Marx and Engels 1927-41. This project was terminated under Stalin. Riazonov was dismissed as the head of the Institute in February 1931.]

[155] Chayanov 1930; Chayanov 1966 [the Russian edition published in 1925 was based on an edition published in 1923, to which Grossman refers]; Chayanov 1991; Makarov 1920. [Alexander Vasilyevich Chayanov (1888–1937) was a Russian agricultural economist and advocate of peasant cooperatives. Nikolai Pavlovich Makarov (1887–1980) was a Russian agricultural economist. The International Agrarian Institute, Mezhdunarodnii Agrarnii Institut, published its journal *Agrarprobleme* in German from 1928 until 1934.]

[156] Bukharin 2012, p. 491 [emphasis in Bukharin’s original. The first quotation is from Bukharin rather than Marx, but see Marx 1976, p. 875.]

[157] [This quotation does not appear in the English, Bukharin 1979, or the German edition, Bucharin 1929, to which Grossman referred. Its sense, however, is apparent in Bukharin 1979, p. 99: the bourgeoisie “did not build capitalism, but it was built. The proletariat, as an organised collective subject, is building socialism as an organised system. If the creation of capitalism was spontaneous, the building of communism is to a marked degree a conscious, i.e. organised, process”.]

[158] [other things being equal.]

[159] Bukharin 1979, p. 65.p.

[160] Lenin 1964d. [The book was written in August-September 1917 but not published until 1918. Its perspectives, however, underpinned Lenin’s activity and published writings in the period leading up to the Bolshevik Revolution.]

[161] [Sozialdemokratische Arbeiterpartei Österreichs 1926.]

[162] Bukharin 1929, p. 265. [Bukharin’s emphasis.]

[163] Lenin 1964c, pp. 308-9, similarly p. 316.

[164] Cunow 1898, pp. 425, 427, 430.

[165] Boudin 1907, pp. 150, 235, 244 [Boudin’s emphasis].

[166] Grossmann 1929; Grossmann 1928; Grossman 2013; Grossmann 1932a; Grossmann 1932b.

[167] Mill 1900, book 4, chapter 4, pp. 481-91; Smith 1910, book 1, chapter 9, pp. 77-89. [John Stuart Mill (1806–1873) was an English political economist and philosopher. Adam Smith (1723–1790) was a preeminent Scottish theorist of classical political economy.]

[168] Marx 1989b, pp. 115, 136. [“General glut” in English in Marx’s and Grossman’s original texts.]

[169] Grossmann 1929, p. 211.

[170] Ricardo 1912, pp. 71, 73.

[171] Charasoff 1910. [Georg Charasoff/Georgii Artemovich Kharazov (1877–1931) was a Russian mathematician,

economist, physicist and proponent of psychoanalysis.]

[\[172\]](#) Marx 1981, p. 319.

[\[173\]](#) Marx 1989b, p. 165.

[\[174\]](#) Lenin 1964a, p. 214.

[\[175\]](#) Grünberg 1911.

[\[176\]](#) Grossmann 1931; Grossmann 1932b; Grossmann 1932c; Grossmann 1932d; Grünberg and Grossmann 1933.