

Critique Notes (Part 3)

Rosa Luxemburg's Concept of Crisis in a Contemporary Theoretical Context

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This issue of *Critique* includes a series of essays on Luxemburg in the contemporary context. It does not duplicate essays on her life and it does not try to repeat proofs that underconsumption is not enough to explain crises. There are many essays on both. In the post-USSR phase of history Luxemburg essays and conferences, with the accompanying articles have proliferated.

Luxemburg's Appeal

There are three aspects to the question of Luxemburg's contemporary place in Marxist political economy. In the first place, Marxist and socialist writers have turned to Luxemburg as an exemplar of independent Marxist thinking. Given the relatively limited number of Marxist political economists down to the end of World War I, she stands out both as unorthodox and revolutionary.

However, in the second place, the more common basis of why she is often cited is a combination of a tribute to a Marxist heroine killed by the right and social democracy, and the need to show an alternative to Stalinism, often confused with Leninism. Stalinism found her an embarrassing Marxist revolutionary who they could not entirely repudiate. Instead they proclaimed her a great revolutionary heroine, assassinated by the Social Democrats at the behest of the right, and essentially buried her writings as wrong-headed. In opposition to this Stalinist line, therefore, Luxemburg appears as a modern democrat alternative not just to Stalin but also to Lenin. She appears as principled to the end, unlike Lenin, in this interpretation.

This view is not new. Paul Mattick, for one, argued a variant in the 1930s and later.¹ He particularly singled out her non-concessionary anti-nationalist line in

¹ Paul Mattick, 'Rosa Luxemburg in Retrospect', Kurasje Archive; first published in *Root and Branch*, 6 (1978), transcribed by Andy Blunden, 2003, <http://www.marxists.org/archive/mattick-paul/1978/luxemburg.htm#n5> (accessed 1 August 2012).

contrast with Lenin, who he regarded as an opportunist on the national question. This point is discussed below. He also criticized Lenin on the question of democracy both inner party democracy and the control of the working class within society, in contrast with Luxemburg.

The third reason why she is read and cited today is her theory of contemporary political economy and the causation of crisis. She is usually cited as an instance of a Marxist underconsumptionist, even though she would have rejected the term as applying to herself.² Since her time there have been various Marxists who have argued for underconsumption as a cause of crisis. Today, it is commonly derided in parts of the left as a reformist viewpoint. In her case, her argument on the contradictions of capital accumulation leads to the breakdown of capitalism. She is quite explicit on this point.³ Indeed, her argument is very different from the various 'Marxist' Keynesians, like Paul Sweezy and Michal Kalecki, in that she is contending that capitalism was inherently unstable from its very inception. It was necessarily dependent on 'imperialism' from its beginning, an imperialism that involved the extraction of tribute from non-capitalist populations or sectors.⁴

It is doubtful whether many read her *The Accumulation of Capital* from cover to cover, given that she goes through a critical history of underconsumption theory in the nineteenth century. Partly as a result, she acquired a reputation as a simplistic underconsumptionist. As she criticized Lenin from the standpoint of democracy, control from below or more correctly from a viewpoint that saw the working class taking power through a process of mass education in the course of struggle, Stalin was bound to reject her. His ideologists performed their job well in his service in that they could not reject her like Trotsky, as being in the service of imperialism, the Japanese Emperor or the British secret service, as she was a popular hero who had sacrificed her life for the cause. Instead they argued that she did not understand political economy and her understanding of crisis was simplistic. The implication was that she was a great revolutionary heroine who had a superficial understanding of politics and political economy. The stereotype played into a misogynist and consequently—in reaction—a feminist picture.

Her Doctrines

The task for any Marxist theorist is to relate the laws of political economy to the subjective needs of the movement itself. This requires both an explication of the relevant laws and an understanding of the evolution of class consciousness. Luxemburg was a master of the art, like Lenin or Trotsky. Each of these theorists

² See footnote 7 below.

³ Rosa Luxemburg, *The Accumulation of Capital* (London: Routledge and Kegan Paul, 1951), pp. 466–467: 'The more ruthlessly capital sets about the destruction of non-capitalist strata at home and in the outside world, the more it lowers the standard of living for the workers as a whole, the greater also is the change in the day-to-day history of capital. It becomes a string of social and political disasters and convulsions, and under these conditions, punctuated by periodical economic catastrophes or crises, accumulation can go on no longer.'

⁴ *Ibid.*, p. 467 and *passim*.

had a different approach to Marxist theory. Lenin and Luxemburg stressed the Marxist schema of reproduction and so the technicalities of reproduction of capital. For Lenin, imperialism was the final stage of capitalism, part of a capitalism in decline. Luxemburg saw imperialism as in the nature of capitalism, and had a different argument on the stages of capitalism. Trotsky looked more at control of the surplus product, and the nature of the system itself. He characterized the particular socio-economic nature of Russia and the USSR and hence the evolution of their class relations.

Their differences were politically reconcilable. All three accepted a series of propositions, which became part of the Marxist theoretical environment. Capitalism had entered an end period, whether one called it decline, a late stage or a period of approaching breakdown. Secondly, capitalism had become imperialist. Luxemburg was different in that she saw imperialism as part of capitalism itself, but she accepted the common verbiage of an imperialist stage, implying that contemporary imperialism had its own forms. The consequence was that they all recognized the importance of a Marxist political party, although they may have differed in its form. It also meant that they had a common attitude to World War I, as an Imperialist War, that one had to prevent before it happened and oppose while it continued. Finally, they all strongly opposed the 'revisionism' of Bernstein, and hence the shift of the Social Democratic Party of Germany (SDP) and so Marxist parties in general towards an accommodation with capitalism.

Rosa Luxemburg did not compromise in her understanding of the class nature of the political economy of nations. No Marxist can argue for unity of capitalist and worker as in a nationalist movement and, like Trotsky, she remained an uncompromising opponent of nationalism. Lenin did compromise in his national formulations, when he accepted the right of nations to self-determination, and talked of the difference between oppressor and oppressed nations. One does not have to agree with Paul Mattick's political line to understand this argument.⁵

Kautsky was in a different category altogether in that he became more of a radical democrat than a revolutionary. While the simplistic critique of Kautsky as a left reformist, almost by birth, is nonsense, his political economy is always superficial, whether in his criticism of Bernstein or his characterization of imperialism as political. As Kautsky was the embodiment of the SPD's theory, Luxemburg had to aim at him, whether directly or indirectly. She was a friend of the Kautsky family, particularly with Luise Kautsky, nonetheless and that may account for her tactics. The fact is that her work, *The Accumulation of Capital* is effectively aimed at Kautsky and the leadership of the SPD, although she criticizes Lenin and other Russian Marxists and claimed that she had not aimed her shafts at anyone. In her *Anti-Critique* she is more explicit, as discussed below.

⁵ Paul Mattick, 'Luxemburg versus Lenin' (1935), in *Anti-Bolshevik Communism* (Merlin Press, 1978), transcribed by Andy Blunden (2003), proofed and corrected by Geoff Traugh (July 2005), <http://www.marxists.org/archive/mattick-paul/1935/luxemburg-lenin.htm#n24>

For Luxemburg the capitalist system had embraced the world, robbed the third world, exploited the worker, but also united workers in order to overthrow it. She provides a series of functions performed by the militarization of the economy in relation to the third world.⁶ The contradictions of the system would assist the worker to take power. She had a technical understanding of accumulation in capitalism, centred on the reproduction schemes. That left her theory appearing either unfinished or conflicted.

Her Political Economy

Her book, *The Accumulation of Capital*, which appeared in 1912, was severely criticized and rejected by the Social Democrat Party journals and newspapers. As she points out, this was rather odd as Kautsky himself had argued an almost identical thesis 10 years earlier:⁷

Now, what is the theory that Kautsky opposes to Tugan's? Here it is, in Kautsky's own words:

Although capitalists increase their wealth and the number of exploited workers grows, *they cannot themselves form a sufficient market* for capitalist-produced commodities, as *accumulation of capital and productivity grow even faster. They must find a market in those strata and nations which are still non-capitalist.* They find this market, and expand it, but still not fast enough, since this additional market hardly has the flexibility and ability to expand of the capitalist process of production. Once capitalist production has developed large-scale industry, as was already the case in England in the nineteenth century, it has the possibility of expanding by such leaps and bounds that it soon overtakes any expansion of the market. Thus, any prosperity which results from a substantial expansion in the market is doomed from the beginning to a short life, and will necessarily end in a crisis.

⁶ Luxemburg, *op. cit.*, chapter on Militarisation of Economy.

⁷ Rosa Luxemburg: 'The Accumulation of Capital-An Anti-Critique', in Ken Tarbuck (ed.), *Rosa Luxemburg and Nikolai Bukharin: Imperialism and the Accumulation of Capital* (London: Allen Lane, 1972), p. 79. Luxemburg continues as follows (*ibid* pp. 79–80):

Let us forget that Kautsky calls this theory by the dubious name of an explanation of crises caused 'by under-consumption'. Marx ridicules this in the second volume of **Capital** (p. 410).

Let us forget that Kautsky sees only the problem of crises, without noticing that capitalist production poses a problem apart from ups and downs in the state of business.

Finally, let us forget that Kautsky's explanation – that the consumption of capitalists and workers does not grow 'fast enough' for accumulation, which therefore needs an 'additional market' – is rather vague and makes no attempt to understand the problem of accumulation in its exact terms.

We are only interested in what Kautsky shows in black and white as his own and the commonly accepted opinion among 'orthodox Marxists':

1. That capitalists and workers alone do not represent a sufficient market for accumulation.
2. That capitalist accumulation needs an additional market *in non-capitalist strata and nations*.

So far one thing is certain: in 1902, when attacking Tugan-Baranovsky, Kautsky refuted the same assertions which the 'experts' use to oppose my **Accumulation**.

This, in short, is the theory of crises which, as far as we can see, is generally accepted by 'orthodox' Marxists and which was set up by Marx

Indeed, the last two sentences are borne out from a relevant reading from Marx: 'The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit'.⁸

Nonetheless, Luxemburg does stress the realization aspect most strongly, as is clear from her comment.⁹ On the other hand, Marx ought not to be interpreted as simply arguing for an underconsumption thesis, since a moment's thought will show that the effect of this sentence could be seen as effectively incorporating all other current interpretations as well, that is, disproportionality between the sectors, falling rate of profit or all combined.

Lenin saw capitalism as developing through a mature form followed by decline and overthrow. Logically, there is an early stage but he does not discuss that. Luxemburg did not make these distinctions in the same way although she does use the term decline in relation to capitalism.¹⁰ For Lenin, finance capital and its export of capital were the essence of imperialism, and the basis of its decay. For Luxemburg capitalism was inherently unviable without expansion into less developed countries. Luxemburg does see stages of capitalism, but she calls them phases. They are: 'the struggle of capital against natural economy, the struggle against commodity economy, and the competitive struggle of capital on the international stage for the remaining conditions of accumulation'.¹¹

Accumulation

In modern times 'inducement to invest' has come to be a central term in economic terminology, even if not in bourgeois economics. Joan Robinson in her introduction to the English edition of Luxemburg's *The Accumulation of Capital*,¹² raises the issue. She points out that Marx effectively did not need to discuss the question because he argued that capitalists compete among one another to innovate in order to raise or maintain profits. As she points out, Luxemburg¹³ makes this point. That is true, but it is not the whole truth. For Marx and Marxist political economy, accumulation is the life-blood of capitalism. It is in the nature of capital itself that it must invest in order to exist. It is self-expanding value. In other words, it is not a question of competition, to remain in the game, as it were, but that capital is only capital because it is a never-ending process of expansion. In so doing it raises productivity, but that is

⁸ Karl Marx: *Capital*, Vol 3. (Chicago: Charles Kerr and Co, 1909), p. 568.

⁹ See the last sentences in footnote 7.

¹⁰ Luxemburg, *The Accumulation of Capital*, op. cit., p. 466.

¹¹ Ibid., p. 368.

¹² Ibid., p. 21.

¹³ Ibid., p. 40.

a consequence rather than a cause. The expansion of capital and so the business of making money is its own goal. In fact, the holding of money that is not invested as capital is not in itself capital and in not investing the capitalist ceases to be a capitalist and capitalism malfunctions.

The fact that capital is not invested at the present time is shown, for example, by the almost obscene figure of over US\$27 trillion held in one bank for management administrative purposes.¹⁴ The holders of the accounts involved have to pay the bank rather than the other way around. This has been discussed a number of times in previous *Critique* Notes, but the theoretical meaning requires to be explored. Here we clearly have a negative inducement to invest or a negative drive to accumulate.

For Luxemburg, as for Joan Robinson, the apparent problem, on which she places particular stress, is lack of demand for the goods being produced. However, the issues are different. If the drive to accumulate is blunted or even negated, then the essence of capitalism is undermined and capital is in decline or even decay. Luxemburg had not met the phenomenon as it showed itself during the Great Depression. It, nonetheless, was present in her lifetime in the form of finance capital. The capitalist class, particularly in the UK, found that it was no longer as profitable to expand production and preferred to hold money with which to invest in other countries, especially in Europe and the United States as well as the colonies.

At the time when Luxemburg was writing, not long before World War I, competition was overtaken by monopoly and finance capital, which was the subject of the work by Rudolf Hilferding, *Finance Capital*.¹⁵ Lenin digested that book and took most of it on board in order to write his work on *Imperialism, the Last Stage of Capitalism*.¹⁶

The reason for the refusal to invest may be traced to a systemic decline in the rate of profit or, as Lenin preferred, to the growth of monopoly making a restriction on the total produced necessary to maintain profits.

Curiously, Luxemburg seems to have ignored Hilferding's basic theses, for her purposes, apart from her rejection of his view that capitalist crisis was based on the potential disproportionality of the sectors in the reproduction schema, which could be managed by the state. She based herself directly on Marx, particularly on Volume 2 of *Capital*.¹⁷ As various critics have made clear, this was illegitimate because that work was unfinished and Marx's notes themselves make clear that he specially adjusted the figures in order to make them fit a possible capitalist equilibrium. Luxemburg may have gone down in history as a Marxist critical of Marx, but she was criticizing Marx for something he did not hold.

¹⁴ Bank of New York–Mellon states on its web site that it has US\$27.1 trillion held 'in custody or administration', <http://www.bnymellon.com/about/companyprofile.html>

¹⁵ Rudolf Hilferding, *Finance Capital. A Study of the Latest Phase of Capitalist Development*, edited by Tom Bottomore (London: Routledge & Kegan Paul, 1981).

¹⁶ Vladimir Ilyich Lenin, *Imperialism, the Highest Stage of Capitalism*. Lenin's Selected Works, Vol. 1 (Moscow: Progress Publishers, 1963), pp. 667–766.

¹⁷ Karl Marx, *Capital*, Vol. 2, Part 3: 'The Reproduction and Circulation of the Aggregate Social Capital' (Moscow: Progress Press, 1977).

The Argument in More Detail

It is not necessary to become an 'algebraic Marxist' in order to understand and develop this theory. We can assume that prices are ultimately determined by values, whether we can work out the equations or not. It is inherently obvious that, if abstract labour is the source of value, and there can be no other determinant of prices, then that is the end of the matter. The alterations within the relationships resulting in higher profits being dependent on the rate of constant to variable capital is a matter of arithmetic or algebra. Nothing more is added to total value to make up prices.

Marx had shown that, using the reproduction schema, the conditions for continued capitalist accumulation were both subject to a mismatch but also to a dynamic equilibrium. In fact, the examples used by Marx were specially designed to work out. That is evident for anyone who replaces his figures or who reads his notes. Many writers have worked on the reproduction schema since Luxemburg, adding in the complications, *inter alia*, resulting from using not values but prices of production.

In turn, Marx's prices of production have been shown to be consistent with values by a series of writers. Others have rejected Marx's argument, arguing that it is impossible to have both profits and total prices equal to their value equivalents. Whatever the result, the point is that the reproduction schema provide a picture of a capitalism that will have a series of crises, unless the state sector intervenes in time. The underlying essence of capitalism is that of free enterprise or non-planning, so that one would expect a series of crises. However, these types of crises can be regarded as largely episodic or cyclical. It is not clear that they are fatal for the system. The matter is summarized in the next paragraph.

There had been a discussion over the nineteenth century, summarized by Luxemburg, as to the cause of the problem. The inequality at the heart of the system, where workers sell their labour power to capitalists, who own the means of production, at which the workers work, with the worker receiving a minimal wage while the capitalists takes the surplus value, lies at the heart of the drive towards crises within the system. There is either an insufficiency of purchasing power to buy the products in the economy, given that capitalists save and invest their returns in an unplanned manner, or there is overproduction of investment goods in relation to the consumer goods sector. In other words, there is a tendency towards both underconsumption and/or disproportionality between the consumer and producer goods sectors. A system that inspires hatred and envy because of the manifest inequality in both control and income has a limited life, but one which has almost total loss of economic control every 10 years or so, in which part of the population is thrown out of work and loses its means of livelihood, looks doomed. As a result, the discussion among Marxists in the German Social Democrat Party posed the question whether capitalism would collapse.

Luxemburg argued that capitalism was inherently unstable in all periods, being stabilized by an external non-capitalist economy, in part by imperialist control over non-capitalist economies, and in part by non-capitalist sectors in the metropolitan heartland. The difference with Lenin and other Marxists was that they did not place the same stress on underconsumption. As indicated above in her comments on Kautsky, Luxemburg did not accept that she was an underconsumptionist. Indeed Joan Robinson's comments in praise of Luxemburg are inappropriate.

Paul Sweezy, in his highly influential textbook,¹⁸ still used today, after 70 years, makes fun of her viewpoint by quoting Bukharin saying that she had made a simple logical error. Paul Sweezy, himself, in that textbook produces a confused picture of the reproduction schemes that in the end fails to clarify the distinction between disproportionality and underconsumption. He himself takes what may be called a dynamic underconsumptionist viewpoint, and effectively became the foremost left Keynesian. Although he criticizes Luxemburg as a simplistic underconsumptionist, her description of the problem in the *Anti-Critique*¹⁹ is almost identical to what Sweezy wrote, 30 years later, in 1942, as an explanation of crises.

In reality, one could say that Luxemburg was pointing out that inequality in production, with the capitalist class controlling the surplus value produced, was subject to a necessarily unplanned process. Capitalism was necessarily a form of atomized production. This could only mean that the relationship between the sectors could never be exact but would necessarily build up over time into a disproportion, whether of producer goods vs consumer goods or consumer goods vs workers demand, or both, which demanded resolution. There can be no doubt that she was correct in this regard, but her actual formulations appear insufficient.

Luxemburg was probably also correct in arguing that the disproportions were hidden for a time as capitalism grew, through demand from pre-capitalist or more likely early capitalist sectors. She was anxious to counter the reformist tendencies of the dominant figures in the German SPD. For this purpose she criticized a series of Marxist or early Marxist political economists, including Lenin, and those critical of the Narodniki.

The tendency of commentators on Luxemburg is to concentrate on the equations of $c_1 + c_2 = V_1 + V_2$ in simple reproduction and their counterparts with accumulation, adding in the investment of both departments on the one side and the luxury consumption on the other side. It is obvious that they can be made to equate, as Marx showed, but equally obvious that there is no reason for them normally to equate in any one year, rather than within a cycle of some kind. Marx deliberately doctored the figures to make them equate relatively quickly and Luxemburg takes him to task for so doing. It is further quite clear to anyone who has played with the

¹⁸ Paul Sweezy, *Theory of Capitalist Development* (London: Dennis Dobson, 1942 and New York: Monthly Review Press, 1970).

¹⁹ Ken Tarbuck (ed.), *Rosa Luxemburg and Nikolai Bukharin: Imperialism and the Accumulation of Capital* (London: Allen Lane, 1972), pp. 49–60.

figures that a rising organic composition of capital makes an equilibrium highly unlikely, except in the context of some kind of cycle or some other source of balance.

However, in the end Luxemburg is clearly saying that capital is self-expanding value and permanent accumulation is its impersonal objective imperative, which the individual capitalist has to obey. Ever increasing expanding capital with constant real or relative wages has to be explained.

Imperialism as Stabilization

The word 'imperialism' is generally applied across social systems, precisely because it has existed for thousands of years. The essence of imperialism lies in the exaction of tribute. The form of that tribute has altered with the social system. Within the Roman Imperium both before and during the Empire itself, tribute was crucial to the continuance of Rome and the continued form of the ancient mode of production. Orthodox historians seldom discuss the economic function of imperialism, preferring to discuss its political forms.

The initial form of extraction of tribute used by capital, which Marx called 'primitive accumulation', evolved what was effectively robbery of the third world for gold, spices and raw materials, as well as slaves, down to the nineteenth to twenty-first centuries, where the form of tribute is one of the returns of capital from the colonies. The fact that tribute runs across modes of production allowed it to flow over the stages of capitalism, although in Lenin's formulation it is only allowed to re-appear because it is a throwback, reflecting the decline of capitalism.

The export of capital in a developed capitalism led to a flow of profits, dividends, interest and repayments from the third world to the imperial countries. In early capitalism Spain, Holland and others extracted gold and spices, for example, from the colonies, but this was the mechanism, whereby the initial capital was accumulated and labour power was separated from the means of production, on which the industrial revolution was based. Marx, of course, called this period 'primitive accumulation of capital' as usually translated, although a better, truer translation might refer to the 'initial' accumulation of capital.

Luxemburg preferred to call both stages 'imperialist'. Lenin kept to Marx's terminology for the early period and then confined the term to the declining phase of capitalism.

To put the two phases together under the term 'imperialism' emphasizes what is in common, the exaction of tribute, not the form of that tribute, whether in its production or in its export. The direct extraction of the product, or forcible robbery, combined with the expropriation of the lands of the peasantry and their conversion into an urban proletariat in the early period of capitalism is not the same thing as the export of capital and the use of colonial labour at low wages.

For Luxemburg, however, the crucial issue was not the actual form of expropriation but the fact that the surplus product was extracted from what she

termed a non-capitalist source. This is the kernel of her whole political economy. Capitalism could only accumulate by super-exploiting a non-capitalist country or sector. As quoted above, Kautsky had put this concept forward 10 years before Luxemburg. Indeed, it would appear that this was the generally accepted version of capitalist accumulation at the time.

Today there are Marxists who accept this assumption, such as for instance Paul Le Blanc.²⁰ Most other Marxist theorists reject the whole of Luxemburg's argument.²¹

Critique of Luxemburg

Luxemburg looks for the source outside a capitalist framework, but there are two problems with her hypothesis. The first lies in the question as to whether her non-capitalist source of demand is actually non-capitalist. There cannot be a demand for goods produced unless money is offered to purchase the goods, or goods that equate to money. Luxemburg spends over 100 pages in the last section of the book *The Accumulation of Capital* showing how that becomes possible with the subjection of non-capitalist societies to modern capital. She shows how communal property becomes private property and labour power becomes a commodity itself in the colonies. The problem with this argument is that one can surely argue that those colonies have effectively become part of global capitalism, albeit in a less developed and subordinate form. Furthermore, in the last chapter on the military sector, she talks of the peasant, artisan and petite bourgeois non-capitalist sector forming a basis for the financing of the military sector. In short, her concept of what is capitalist and what is non-capitalist is dubious.

The critical assumption which lies at the heart of Luxemburg's originality lies in this underlying argument: that only those who directly sell their labour power to capital, and the capitalists, are within capitalism. The individual farmer who uses his own labour and that of his family to produce agricultural goods, using farming machinery, and family-owned, albeit mortgaged, land appears to be non-capitalist from her point of view. The family cannot operate on the basis of capitalist and worker, but it nonetheless fulfils the needs of capital. The plumber, the electrician, the building repair person operate as self-financed individuals or self-owned firms and they would also fall outside her definition of capitalism. Under modern conditions where a large part of the economy involves the state sector providing education, health and a welfare state, it might appear that most of the economy is outside capitalism, according to her definition.

²⁰ Paul Le Blanc, 'Rosa Luxemburg and the Global Violence of Capitalism', <http://www.marxsite.com/Rosa%20Luxemburg%20and%20the%20Global%20Violence%20of%20capitalism.htm> (accessed 1 August 2012).

²¹ This is perhaps the most usual viewpoint from the time when Bukharin effectively wrote a book polemicizing with her. Nikolai I. Bukharin, 'Imperialism and the Accumulation of Capital' in Ken Tarbuck (ed.), op. cit., p. 153ff.

On the one hand, this argument appears obviously fallacious, as the concept of capitalism necessarily involves flows of money that go into the capitalist system and the sectors subordinated to the control of capital. On the other hand, it is clear that there is some point in what she is arguing, in that capitalism is necessarily contradictory and has needed to find a way to shore itself up. She also sees the importance of the military sector. Implicitly, this amounts to seeing the state sector as a source of demand and so stability.

Preobrazhensky, the leading Bolshevik political economist and member of the left opposition down to 1928, in his analysis of Russia and the early Soviet Union, divided the country into a relatively developed capitalist sector and a subordinated and underdeveloped sector.²² The latter, in his analysis, tended to stabilize the relationship between the consumer goods and producer goods sectors. Like her he called the simple commodity sector non-capitalist. Technically, there is no reason why she should not have her own narrow definition of capitalism and capitalist sectors, but this would have required a whole separate analysis and explanation.

In the second place, Luxemburg does not follow out the nature of the capitalist cycle itself. To put it another way, Luxemburg does not develop a sufficient theory of the movement of capital accumulation over time. If there is an excess of goods produced in either capital or consumer goods sectors, there are other sources of absorption, such as the destruction wrought by crisis itself, by competition in which a large part of production may be destroyed as inferior to the latest and best commodity produced. Aeroplanes that use a lot of fuel are discarded in favour of those that use less fuel, goods that last without major repair replace those that are less reliable, and so on. In the normal course of the cycle, if there is genuine competition, many competitors will lose out and even leave the industry. The Monthly Review school have argued that an increasing proportion of the surplus product is effectively wasted either on the unproductive sector—like direct and indirect advertising—or on other forms of waste in the context of a monopoly capitalism.

In the third place, as indicated, she is the first Marxist theorist to point to the importance of the military sector. In a sense, this can be seen as outside the schemes of reproduction, as indeed are welfare schemes and nationalized infra-structure developments. It is also true, as I have argued elsewhere, that in the present time, capitalism is in a process of decline and transition away from its classical form and hence its sectors no longer reflect a pure capitalism. As a result, her analysis of separating sectors that are 'not capitalist' could move from 'pre-capitalist' to 'transitional forms' or a similar title, were she still alive. One could add finance capital and its use of resources, even if it were only computerization and huge buildings, and so on.

Lenin developed a theory of decline, which was turned into a caricature by Stalinism, but it implied a history of capitalism in which the system came into being

²² E.A. Preobrazhensky, *The Crisis in Soviet Industrialization. Selected Essays*, edited by D. Filtzer (White Plains, New York: Myron Sharpe, 1979): 'The Problem of Economic Equilibrium in the Mixed Economy', p. 79ff.

embryonically, matured and declined, and each stage had its own laws and peculiar forms. She does not appear to have incorporated an analysis of the changing forms of capitalism, even if she talks of decline.²³

It would have made more sense not to argue in terms of non-capitalist sources of demand, but to supplement the schemes of reproduction with an explanation of the forms outside a classical relationship of capital and labour. In fact, that would have been closer to Preobrazhensky, who places less stress on the non-capitalist aspect and more on its living subordination.

The ultimate reason for the problem is that the capitalist class invests in order to raise productivity, and as Marx pointed out, they are highly successful in so doing. However, in any one period the investment is performed in order to raise productivity for the next period. The result is that the instability is dealt with over time, but it is not a planned process, and certainly was and is chaotic. Marx makes a major point of the disorganization, the disintegration and general chaos of the downturn in the cycle. In a period of decline, the process of mediation of the contradictions becomes increasingly difficult, forcing the emergence of new forms, such as imperialism.

Summary and Conclusion

The question of crisis can be looked at in three ways. In the first instance, it can be regarded as an integral part of the capitalist system, but as a major source of conflict and disintegration within the capitalist system. At times it is a definite threat to the system. Ultimately, it becomes destructive of the system itself. In Marxist terms the capitalist system is contradictory, but the mediations between the poles of its contradictions become shallower and more difficult to establish as the system matures and declines.

Secondly, it can be looked at as a functionalist cycle. The destruction wrought by the end of the cycle deals with overproduction, and the most efficient firms and sectors survive. This is part of the creative destruction argument of such as Schumpeter. In Luxemburg's argument the system is consistently saved by its dependence on non-capitalist sectors. Thirdly, it can be considered as external to the system, and so removable.

The problem is that Luxemburg does not describe the operation of the first variant, although it is implied. Ingo Schmidt in his article in this issue is right to call her political economy more of a strategy. We live in a very different world where the ruling class is conscious of its role and of its possible supersession, where it has made concessions and the barbarism of which she spoke has arrived. The result is that the ruling class/government establishes political economic strategies in order to retain control. Her theory could be seen as an unconscious strategy by capital to maintain stability.

²³ Luxemburg, *The Accumulation of Capital*, op.cit., p. 466.

We can also interpret what she is saying in a different way to how she herself puts it. Capitalism necessarily leads to crisis. The source of crisis lies in the contradictory nature of the system. There is the drive to accumulation that necessarily leads to disequilibrium over time either between the sectors or between production and consumption or both. Hence its stability over hundreds of years must be understood as a result of the extraction of surplus value from a source other than the simple relationship within the reproduction schemes. One such source is the super-exploitation of the population of subordinated countries, allowing a raised rate of profit and providing an outlet for the goods produced in the mother country. There is a time-limit on this source as both its industrialization and the increasing militancy of the population must lead to an end to colonial status.

There are three problems even with this re-interpretation. Firstly, her conception of non-capitalist is dubious. Secondly, her historical analysis, whether of imperialism or of stages, is open to question. Thirdly, her concept of crisis is stated but not explored or developed. Fourthly, her stress tends to be on realization and one is left with the impression that she sees 'underconsumption' as ultimately leading to the end of capitalism. Yet she explicitly endorses the falling rate of profit as a fundamental law of capitalism.²⁴ Nor is her concept of 'underconsumption' quite so clear-cut as discussed above. Her political economy is explicitly written as a riposte to those who saw a peaceful end to capitalism or to a reformed capitalism, so she was concerned to show that capitalism was inherently unviable and less worried about providing a full theory of accumulation.

Today the quotation given above of the breakdown of capitalism looks more real than it did a decade ago. The question here, which she does not raise in theoretical terms, is the categorical form that it might take, whether it is breakdown, disintegration, barbarism or slow supersession.

Much of the criticism of Luxemburg is misplaced. Reading the critiques at the same time as Luxemburg's work, one gets the distinct impression that the critics either never read her works at all or only glanced at them. At the present time, there are numerous Marxist theories of accumulation, some of which have a distinct air of dogmatic righteousness, and Luxemburg reminds us of the difficulties involved in any theory of accumulation, but also its necessity in order to guide the movement for socialism.

This article tries to argue that the problem with Luxemburg's place in Marxist political economy has less to do with Luxemburg than with the relatively underdeveloped nature of Marxist political economy both in her time and the present day.

²⁴ *Ibid.*, p. 320.