THE COMPLETE WORKS OF ROSA LUXEMBURG

VOLUME II: ECONOMIC WRITINGS 2

EDITED BY

PETER HUDIS AND

PAUL LE BLANC

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Edited by Peter Hudis
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*Translated by Nicholas Gray
and George Shriver*

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In memory of Abdirahim Hassan (1988–2013),
and all other fallen comrades.

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Introduction: Rosa Luxemburg and the Global Violence of Capitalism

This second volume in the *Complete Works of Rosa Luxemburg* contains three key writings in which a revolutionary theorist is seeking to understand the vibrant complexities of the global economy. Luxemburg's purpose, of course, was to help a potentially revolutionary working-class majority to replace global capitalism with a socialism in which economic resources and institutions would be socially owned, democratically controlled, and utilized to allow for the free and full development of all. Her idealistic aspiration to achieve *what might be* was tempered with a tough-minded determination to comprehend *what is*.

In the preceding collection of Luxemburg's economic writings, the first volume of the *Complete Works*, we see a powerful intellect absorbing, applying, and sharing the contributions developed by Karl Marx and his collaborator Frederick Engels. Her lively intelligence compelled her to embark on a considerable amount of research, engaging with new data and the studies of other scholars, in order to bring Marx's contributions up to date and connect them with the ever-changing realities of the most dynamic economic system in human history. Yet as the editor of that volume, Peter Hudis, has noted, by 1911–12, while working on her popular exposition *Introduction to Political Economy*, Luxemburg found herself at loggerheads with Marx himself:

> She became convinced that Marx failed to adequately explain the limits to capitalist expansion in his formulae of expanded reproduction at the end of Volume 1 of *Capital*, which assumes a closed capitalist society without foreign trade. Luxemburg viewed this as a very serious error, since she took it to imply the possibility of infinite capitalist expansion—something that, if true, would reduce the effort to create a socialist society to being a subjective, utopian wish instead of an objective, historical necessity.*

The three works presented here, in new translations by Nicholas Gray and George Shriver, flow from that challenge—the centerpiece of this volume being her magnum opus of 1913, *The Accumulation of Capital: A*

Contribution to the Economic Theory of Imperialism, complemented by two shorter works.

The shortest of these, a critical-minded summary of the second and third volumes of *Capital*, was written at the request of her friend Franz Mehring for inclusion in his major biography *Karl Marx*, published in 1918. Here Luxemburg offers clear, succinct, appreciative summaries, while also indicating what she felt were the limitations of the two volumes. As she put it in her concluding sentence, "As incomplete as these volumes are, they provide something infinitely more valuable than any supposed final truth: a spur to reflection, to critique and self-critique, which is the most distinctive element of the theory that was Marx's legacy."* This very notion also concludes the third work presented here, *The Accumulation of Capital, Or, What the Epigones Have Made Out of Marx's Theory—An Anti-Critique*: "Marxism is a revolutionary outlook on the world, which must always strive toward new knowledge and new discoveries. Nothing is so abhorrent to it as to grow rigid in forms that were once appropriate but no longer are."†

* Peter Hudis, "Introduction: The Multidimensionality of Rosa Luxemburg," *The Complete Works of Rosa Luxemburg*, Vol. 1 (London: Verso, 2013), p. xiv.

Luxemburg notes that in the first volume of *Capital* "it was the workshop, the deep shaft of labor within society, in which the source of capitalist enrichment was detected"; while in the second and third (unfinished) volumes of Marx's masterwork the focus is quite different: "Warehouses, banks, the stock market, financial transactions, 'distressed landowners' and their concerns are foregrounded here. Here, the worker plays no part." She comments that the circulation of capital, the world of commerce, the actual *realization* of surplus value (which is *created* through the exploitation of the workers examined in Volume I), these processes "take place behind his back, after his hide has already been tanned," as she words it with dark humor. She adds eloquently, "Amid the noisy hustle and bustle of the throng as it conducts its business, the workers are only encountered at dawn as they trudge in droves to their factories, and at dusk when they are once again spewed out in long columns."‡

This different focus of volumes 2 and 3 is seen by Luxemburg as providing workers with a much-needed understanding that will assist in overcoming the reformist illusions common among too many trade unionists. Within the labor movement, she noted, there has been a strong inclination to argue that there is "a harmony of interests between capital and labor," which businessmen "myopically" fail to recognize, with reformist spokesmen advancing the "hope of a palliative patching-up of economic anarchy." In fact, she argues, the three volumes of *Capital*, taken together, demonstrate the system's "insatiable drive to accumulate, [which] tends to immediately surpass any constraint posed by consumption, no matter how much this consumption is expanded through the increased purchasing power of a particular social stratum or by the conquest of new markets."§

One aspect of her own economic masterwork of 1913, *The Accumulation of Capital: A Contribution to the Economic Theory of Imperialism*, is meant to be a correction of Marx and a necessary fine-tuning of the Marxist understanding of how capitalism actually works—reflecting, as Tadeusz Kowalik has noted, her passage "from being an orthodox Marxist to a creative one." Yet as the subtitle suggests, Luxemburg also saw her work as an explanation of capitalism's economic expansionism that other Marxist theorists were analyzing and debating, and which was more and more shaping the foreign policies of the world's most powerful nations. (Many of these contending analyses are collected and discussed by Richard B. Day and Daniel Gaido in their scholarly compilation *Discovering Imperialism*.)*

* See p. 461
† See p. 448.
‡ See p. 459.
§ See p. 460.

In the same year that saw the publication of her book, one finds, embedded in celebratory comments about the working-class holiday of May Day, Luxemburg's anticipation of World War I's bloody explosion, only one year away:

> The whole development, the whole tendency of imperialism in the last decade leads the international working class to see more clearly and more tangibly that only the personal stepping

> forward of the broadest masses, their personal political action, mass demonstrations, and mass strikes which must sooner or later open into a period of revolutionary struggles for the power in the state, can give the correct answer of the proletariat to the immense oppression of imperialistic policy. In this moment of armament lunacy and war orgies, only the resolute will to struggle of the working masses, their capacity and readiness for powerful mass actions, can maintain world peace and push away the menacing world conflagration … The more the struggle for peace and socialism takes root in the strongest troops of the International, the German working class, the greater is our guarantee that out of the world war which, sooner or later, is unavoidable, will come forth a definite and victorious struggle between the world of labor and that of capital.†

At the same time, Luxemburg's great work on imperialism clearly demonstrated that the world capitalist system—even in "peacetime"—naturally and consistently visited a horrific violence, what one might call a violence of the peacetime status quo, on the varied peoples inhabiting planet Earth.

Luxemburg's *Anti-Critique* resulted from the explosion of criticism generated by her *Accumulation of Capital*. The negative response came from different sections of the socialist movement, largely (but not exclusively) from those wishing to give a Marxist gloss to the contention that imperialism was "not a necessary consequence of capitalism at a certain stage of its development, but as a particular policy that could be modified." Such critics, especially the prominent Austro-Marxist Otto Bauer, were the target of the polemical restatement of her thesis contained in the *Anti-Critique*.* Written from prison in 1915, where she was consigned for opposing World War I, her *Anti-Critique* was not published until 1921, two years after she was killed by right-wing forces. Her death prevented her from responding to other criticisms, which came largely from the revolutionary wing of the Marxist movement—Vladimir Ilyich Lenin, Nikolai Bukharin, and Henryk Grossman.

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* Tadeusz Kowalik, "Luxemburg's and Kalecki's Theories and Visions of Capitalist Dynamics," in *Rosa Luxemburg and the Critique of Political Economy*, edited by Riccardo Bellofiore (London and New York: Routledge, 2009), p. 103. *Discovering Imperialism: Social Democracy to World War I*, edited by Richard B. Day and Daniel Gaido (Chicago: Haymarket Books, 2013). Also see V. I. Lenin and Nikolai Bukharin, *Imperialism and War: Classic Writings by Lenin and Bukharin*, edited by Phil Gasper (Chicago: Haymarket Books, 2015).

† Rosa Luxemburg, "The Idea of May Day on the March," in *Selected Writings of Rosa Luxemburg*, edited by Dick Howard (New York: Monthly Review Press, 1971), pp. 320–1.

I.

Rosa Luxemburg sought to keep her equanimity—as any serious revolutionary must—with a pungent honesty and a lively sense of humor.

By the time she was in her mid-forties, she confessed to an intimate friend that “in theoretical work as in art, I value only the simple, the tranquil, and the bold. This is why, for example, the famous first volume of Marx’s *Capital*, with its profuse rococo ornamentation in the Hegelian style, now seems an abomination to me (for which, from the Party standpoint, [Luxemburg joked] I must get five years’ hard labor and ten years’ loss of civil rights …).” She hastened to add that Marx’s economic theories were the bedrock of her own theoretical work, but also emphasized that her “more mature” work was in “its form … extremely simple, without any accessories, without coquetry or optical illusions, straightforward and reduced to the barest essentials; I would even say ‘naked,’ like a block of marble.”

Delving into theoretical questions—explaining the economic expansionism of imperialism that arose out of the accumulation of capital—was a creative labor through which “day and night I neither saw nor heard anything as that one problem developed beautifully before my eyes.” The process of thinking—as she slowly paced back and forth, “closely observed by [her cat] Mimi, who lay on the red plush tablecloth, her little paws crossed, her intelligent head following me”—and the actual process of writing combined in an experience of trance-like and profound pleasure.[†]

“There seem to be no fewer than three possible definitions of accumulation of capital offered by Luxemburg,” according to Paul Zarembka: “accumulation as ‘extension of capitalist production,’ as ‘amassing of money capital,’ and as ‘amassing profit.’”[*] This reflected a conceptualization that—despite her banter about Hegel—was nothing if not dialectical. Luxemburg understood capitalism as an expansive system driven by the dynamic of accumulation. Capital in the form of money is invested in *capital* in the form of raw materials and tools and labor-power, which is transformed—by the squeezing of actual labor out of the labor-power of the workers—into *capital* in the form of the commodities thereby produced, whose increased value is realized through the sale of the commodities for more money than was originally invested, which is the *increased capital* out of which the capitalist extracts his profits, only to be driven to invest more capital for the purpose of achieving ever greater capital accumulation.

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* Daniel Gaido and Manuel Quiroga, "The Early Reception of Rosa Luxemburg's Theory of Imperialism," *Capital & Class*, Vol. 37, No. 3, 2013, p. 451; Otto Bauer, "The Accumulation of Capital," in *Discovering Imperialism*, pp. 713–43.

† *The Letters of Rosa Luxemburg*, edited by Stephen Eric Bronner (Atlantic Highlands, NJ: Humanities Press, 1993), pp. 185, 204. Roman Rosdolsky, while agreeing with Georg Lukács that she was "a genuine dialectician," comments that Luxemburg "sometimes overlooked the dialectical content hiding behind Marx's 'Hegelian style,'" resulting in a lack of understanding of Marx's methodology in *Capital* that led to her own flawed critique of that work. See Roman Rosdolsky, *The Making of Marx's "Capital*," Vol. 2 (London: Pluto Press, 1989), pp. 492–3.

Yet Luxemburg was by no means satisfied simply to elaborate on what the great Karl Marx had to say about things. She was inclined to make full use of her fine critical mind to form her own judgments on one or another theoretical analysis (for example, in the second volume of Marx's *Capital*), and to look penetratingly at the world around her in developing such judgments.

II.

Luxemburg's analysis of the capital accumulation process involves a complex critique of the second volume of Marx's *Capital*. According to Luxemburg, there is a methodological problem with how Marx approaches the analysis of capitalism—creating what she sees as an insoluble contradiction. Marx, she asserts, offers "reproduction schemas," dealing with the relationship between capital goods used for industrial production and consumer goods, which prove incapable of explaining the realities of the capital accumulation process.

Volume 1 of *Capital* focuses on the production of surplus value—which Marx (following classical economists Adam Smith and David Ricardo) traces to the value-creating properties of labor. The capitalist buys (along with raw materials and tools) the ability to work, or *labor power*, of a worker, paying wages that are sufficient to provide for the worker's survival; he then squeezes as much *actual labor* out of the worker as possible, which creates sufficient value to pay the wage but also additional value—*surplus value*, which is the source of capitalist profits (which are used not only for personal consumption but to maintain and expand capitalist production). Capitalists *realize* their profits not simply through having the workers produce commodities but necessarily through the *sale* of commodities, through their being purchased. Volume 2 of *Capital* focuses on the complex processes involved in the realization of surplus value.

In his discussion, Marx assumes—in order to sketch out the process of reproduction in its "fundamental simplicity"—that (1) there are only two classes in society, workers and capitalists; (2) neither workers nor capitalists can consume or realize the bulk of the surplus value; (3) the excess surplus value that is not consumed *individually* by people is consumed *productively* by capital. In this sense, capital is not the same as the human beings who are capitalists—it is a process involving the production, appropriation, and accumulation of surplus value, a process of self-expanding value. It is this process (not the will of the individual capitalist) that drives the economic system known as capitalism.

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* Paul Zarembka, "Late Marx and Luxemburg: Opening a Development Within Political Economy," in *Rosa Luxemburg and the Critique of Political Economy*, edited by Riccardo Bellofiore, p. 72.

In his analysis of this "expanded reproduction," Marx makes a distinction between *constant capital* (tools or machinery and raw materials, the means of production) and *variable capital* (labor, equal to the sum of labor-power and surplus value). He also posits the existence of a Department I (which produces the means of production) and a Department II (which produces the means of consumption). Employing these analytical abstractions, Marx asserts that constant capital "grows big with value" by consuming that part of the social product that does not enter into the personal consumption of either the worker or the capitalist. There is an inherent drive to increase *productivity* (producing greater value with less labor), to reduce labor costs in order to maximize profits. In Marx's summary sketch, capitalist production is production for the sake of production, not production for the sake of meeting the consumer needs of either workers or capitalists.

For Luxemburg, the idea of reproduction being driven by productive consumption of *capital by capital*—or production for the sake of production—is sheer fantasy, having nothing to do with how capitalism operates in the real world. She scoffs, with an alluring irreverence, at the notion that "this never-ending merry-go-round in midair is a true theoretical reflection in theory of capitalist reality."*

While Marx focuses on *what* realizes the surplus value—constant capital—Luxemburg's focus is on *who* realizes it. She denies that the direct consumption of capital by constant capital can possibly correspond to reality. Since she—like Marx—knows it cannot be consumed either by workers or by capitalists, she insists that we must push beyond the simplifying abstractions that Marx imposes on his analysis. The real world includes more than capitalists and workers, and it includes more than an insulated capitalist economy. The solution can only be found among the noncapitalist strata in the developing world. Marx's assumption of a "closed society" without foreign trade must be transcended in order to salvage his analysis.

Luxemburg argues that the deficiencies in Marx's analysis in Volume Two of *Capital* largely resulted from the "unfinished" and "fragmentary" nature of his formulae of expanded reproduction. It can be argued, however, that Marx had, in fact, worked out the conceptual basis of his position in his critique of Ricardo's theory of accumulation in *Theories of Surplus Value*—written in 1863, a full fifteen years prior to drafting the formulae in Volume 2. Luxemburg knew these passages from *Theories of Surplus Value*, and referred to them directly in *The Accumulation of Capital*, but was not persuaded. Fixated on the notion that the realization of surplus value must be by people in the market (not by capital), she insists, "*Someone* must purchase it."* And she looks outward for the answer to the puzzle.

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* See this volume, p. 240.

III.

At the heart of the chapters of *The Accumulation of Capital* that have especially impressed many readers is Luxemburg's discussion of imperialism. Her resolution of what she considered to be problems in Marx's analysis involved focusing on the global dynamics of the capitalist system and arguing that a voracious imperialism, along with its handmaidens militarism and war, are central to capitalist development. As South African writer and activist Molefi Ndlovu put it,

> Rosa reminds us that capital uses other races to exploit territories where the white man cannot work. It must be able to mobilize world labor-power without restriction in order to utilize all productive forces of the globe—up to the limits imposed by a system of producing surplus value of surplus good produced. Thus capital permanently strives to emancipate labor-power from primitive social conditions, and its absorption by the capitalist wage system is one of the indispensable historical bases of capitalism.†

This was in dramatic contrast to the optimistic gradualism of such reformists as Eduard Bernstein, whose "revisionist" perspectives (including a defense of the presumably "progressive" nature of colonialism) had gained considerable influence in the socialist movement. But it was also in contrast to the "orthodox" Marxism personified by Karl Kautsky—who increasingly propagated a somewhat static understanding of Marx's perspective while inclined to see imperialism in terms far less grim than Luxemburg would allow. Kautsky's position would be restated influentially in the 1960s and 1970s by latter-day "democratic socialists" George Lichtheim and Michael Harrington (the latter referred to an "almost-imperialism" that could be modified by more enlightened U.S. foreign policy choices). In response to partisans of that position, Harry Magdoff insisted, as Luxemburg would have, that "imperialism is not a matter of choice for a capitalist society; it is the way of life of such a society." As the twentieth century was blending into the twenty-first, however, a number of pressures (not least being "the collapse of Communism," combined with powerful trends that have been tagged as "globalization") seemed to tilt much leftist discourse back toward the orientations of Kautsky and even Bernstein, provoking a sharp challenge—"Whatever Happened to Imperialism?"—from the prominent Indian Marxist economist Prabhat Patnaik. He warned (in 1990) that "a weakening of the revolutionary opposition to imperialism would spawn racist, fundamentalist, and xenophobic movements in the Third World."*

* See this volume, p. 114.

† Molefi Ndlovu, "Azania Shall Return: Re-founding the Struggle for Complete Emancipation from Capitalist Globalization," in *Political Power: State, Party, and Popular Power*, edited by Arndt Hopfmann and Leonard Gentle (Johannesburg: Rosa Luxemburg Foundation, 2007), p. 110.

In the face of the multiplying global complexities and crises facing us, it is hardly surprising that a growing number of analysts and activists have been inclined to look more closely at Luxemburg's incisive economic analysis of imperialism. There are several distinctive features of her analysis that sets it off from that of other leading Marxist theorists—Rudolf Hilferding, Bukharin, and Lenin. She makes a great deal of the coexistence in the world of different cultures, different types of society, and different modes of production (or forms of economy—different economic systems). Historically, the dominant form of economy worldwide was the communal hunting and gathering mode of production, which was succeeded in many areas by a more or less communistic agricultural form of economy that she characterized as a primitive "peasant economy." This was succeeded in some areas by non-egalitarian societies dominated by militarily powerful elites, constituting modes of production that she labeled "slave economy" and "feudalism." Sometimes coexisting with, sometimes superseding, these was a "simple commodity production" in which artisans and farmers, for example, would produce commodities for the market in order to trade or sell for the purpose of acquiring other commodities that they might need or want. This simple commodity mode of production is different from the capitalist mode of production, which is driven by the already-described capital accumulation process, overseen by an increasingly wealthy and powerful capitalist minority.

Three features especially differentiate the analysis in *The Accumulation of Capital* from the perspectives of other prominent Marxists.

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* See Eduard Bernstein's comments in the debate on colonial policy at the 1907 Stuttgart Congress of the Socialist International, in *Lenin's Struggle for a Revolutionary International, Documents: 1907–1916, The Preparatory Years*, edited by John Riddel (New York: Monad Press, 1984), pp. 10–11; Karl Kautsky, "Imperialism," *Discovering Imperialism: Social Democracy to World War I*, edited and translated by Richard B. Day and Daniel Gaido (Chicago: Haymarket Books, 2012); George Lichtheim, *Imperialism* (New York: Praeger Publishers, 1971); Michael Harrington, *Toward a Democratic Left* (Baltimore, MD: Penguin Books, 1969), pp. 86–218; Harry Magdoff, "Is Imperialism Really Necessary?," in Harry Magdoff, *Imperialism: From the Colonial Age to the*

Present (New York: Monthly Review Press, 1978), pp. 260–1; Prabhat Patnaik, "Whatever Happened to Imperialism?," *Imperialism: Theoretical Directions*, edited by Ronald H. Chilcote (Amherst, NY: Humanity Books, 2000), p. 314.

1) Luxemburg advances a controversial conceptualization of imperialism's relationship to the exploitation of the working class in the advanced capitalist countries. Because workers receive less value than they create, they are unable to purchase and consume all that is produced. This means that capitalists must expand into noncapitalist areas, seeking markets as well as raw materials and investment opportunities (particularly new sources of labor) outside of the capitalist economic sphere.

"Capitalism lives from noncapitalist formations," she noted, which means "it lives from their ruin," and "while this noncapitalist milieu is indispensable for capitalist accumulation, providing its fertile soil, accumulation proceeds at the expense of this milieu and is constantly devouring it." Penetration into non-capitalist economies facilitates the capital accumulation process, but capitalist accumulation "swallows up and assimilates" these economies. This constituted a new contradiction: "Capitalist accumulation can no more exist without non-capitalist formations, than these can exist alongside it. It is only in the constant and progressive erosion of noncapitalist formations that the very conditions of the existence of capitalist accumulation are given." The inevitable tendency this leads to will be that "accumulation becomes an impossibility," registering "the endpoint, the historical confines of the movement of accumulation," leading to capitalist collapse.* (We will see that Luxemburg did not conceive of this leading to a painless transition to socialism, but rather to the desperate escalation of militarism and war.)

2) Another quality of her conceptualization of imperialism is that it is not restricted to "the highest stage" or "latest stage" of capitalism. Rather, the dynamics associated with imperialism can be found at the earliest beginnings of capitalism—in the period of what Marx calls "primitive capitalist accumulation"—and which continues nonstop, with increasing and overwhelming reach and velocity, down to the present. Like Marx, Luxemburg linked colonialism and overseas expansion with the birth of capitalism, as did a variety of Marxist thinkers, including Kautsky and Bauer, but she claimed that they failed to show that this was integral to the expanded reproduction of capitalism as it reaches "maturity." At the same time, the term "imperialism" only first acquired its modern definition in the

mid-1890s, and Luxemburg did view it as a somewhat different phenomenon than the earlier colonialist expansion. It could be argued, therefore, that she would have agreed with Lenin that imperialism represented the "highest stage" of capitalism—even though they had very different explanations of it.[†]

Or as Luxemburg puts it, "even in its full maturity, capitalism depends in all of its relations on the simultaneous existence of noncapitalist strata and societies." In fact, "the accumulation of capital cannot adequately be presented under the presupposition of the exclusive and absolute dominance of the capitalist mode of production … it is inconceivable in every respect without the noncapitalist spheres that form its milieu." Quoting Marx, she concludes: "Capital does not merely come into the world 'dripping from head to toe, from every pore, with blood and dirt,' it also imposes itself on the world step by step in the same way, thus preparing its own demise amid ever more violent convulsions." This meant, in the international arena, "colonial policy, the system of international credit, the policy of spheres of interest, and war. Here violence, fraud, oppression, and plunder are displayed quite openly, without any attempt to disguise them, and it requires a lot of effort to uncover the strict laws governing the economic process beneath this turmoil of political violence and trials of strength."[*]

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* See this volume, pp. 302–3.

† I owe this correction and refinement of my previous understanding to Peter Hudis, whose substantial input shaped this paragraph.

3) A special feature of Luxemburg's contribution is her anthropological sensitivity to the impact of capitalist expansion on the rich variety of the world's peoples and cultures, which one cannot find in the key works of Hilferding, Lenin, and Bukharin.

The survey of capitalist expansionism's impact in her *Accumulation of Capital* includes such examples as the following:

- the destruction of the English peasants and artisans;
- the destruction of the Native American peoples (the so-called Indians);
- the enslavement of African peoples by the European powers;

- the ruination of small farmers in the midwestern and western regions of the United States;
- the onslaught of French colonialism in Algeria;
- the onslaught of British colonialism in India;
- British incursions into China, with special reference to the Opium Wars;
- the onslaught of British colonialism in South Africa (with lengthy reference to the three-way struggle of Black African peoples, the Dutch Boers, and the British).

* See this volume, pp. 262, 329–30. It is Part Seven (chapters 26 to 33) in which one finds Marx's discussion of "primitive accumulation" in *Capital*, Vol. 1 (New York: Penguin, 1976).

"Each new colonial expansion is accompanied by capital's relentless war on the social and economic interrelations of the indigenous inhabitants," she writes, "and by the violent looting of their means of production and their labor power." Observing that "for the primitive societies … it is a question of their very existence," she notes that "the only possible course of action is to engage in resistance and a life-or-death struggle until they are completely exhausted, or exterminated," which meant she understood that the invariable consequence involved "permanent military occupation of the colonies, indigenous risings, and expeditions to crush these are the order of the day for any colonial regime." The economic underpinnings of such realities were always emphasized:

> The means of production and labor-power of these formations, as well as their demand for the capitalist surplus product, are indispensible to capitalism itself. In order to wrest these means of production and this labor-power from these formations, and to convert them into purchasers of its commodities, capitalism strives purposefully to annihilate them as independent social structures.

But the destructive impact of all this on the cultures of the world's peoples was emphasized by Luxemburg as by no other Marxist theorist of her time:

> The ravenous greed, the voracious appetite for accumulation, the very essence of which is to take advantage of each new political and economic conjuncture with no thought for tomorrow, precludes any appreciation of the value of the works of economic infrastructure that have been left by previous civilizations.*

These strengths in Luxemburg's analysis were drawn together, two years later, in the eloquent antiwar polemic *The Crisis of German Social Democracy* (the "Junius Pamphlet"), composed from a prison cell:

> Capitalist desire for imperialist expansion, as the expression of its highest maturity in the last period of its life, has the economic tendency to change the whole world into capitalistically producing nations, to sweep away all superannuated, precapitalistic methods of production and society, to subjugate all the riches of the earth and all means of production to capital, to turn the laboring masses of the peoples of all zones into wage slaves. In Africa and in Asia, from the most northern regions to the southernmost point of South America and in the South Seas, the remnants of old communistic social groups, of feudal society, of patriarchal systems, and of ancient handicraft production are destroyed and stamped out by capitalism. Whole peoples are destroyed, ancient civilizations are leveled to the ground, and in their place profiteering in its most modern forms is being established.
>
> This brutal triumphant procession of capitalism through the world, accompanied by all the means of force, of robbery, and of infamy, has one bright phase: it has created the premises for its own final overthrow, it has established the capitalist world rule which, alone, the socialist world revolution can follow. This is the only cultural and progressive aspect of the great so-called works of culture that were brought to the primitive countries. To capitalist economists and politicians, railroads, matches, sewerage systems, and warehouses are progress and culture. Of themselves such works, grafted upon primitive conditions, are neither culture nor progress, for they are too dearly paid for with the sudden economic and cultural ruin of the peoples who must drink down the bitter cup of misery and horror of two social orders, of traditional agricultural landlordism, of supermodern, superrefined capitalist exploitation, at one and the same time.*

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* See this volume, p. 267, 270.

It is not without interest that Lenin, in his marginal notes on *The Accumulation of Capital*, wrote: "The description of the torture of Negroes in South America is noisy, colorful, and meaningless. Above all it is 'non-Marxist.'" Luxemburg's biographer, J. P. Nettl, observes that Lenin "read *The Accumulation of Capital* in 1913, at a time when his political relations with Rosa Luxemburg were at their worst; his critical notes in the margin of the manuscript indicate that he was out to fault her wherever possible; they abound with exclamations like 'nonsense' and 'funny.'"†

The two revolutionaries—who had been quite close in the wake of the 1905 revolutionary upsurge, and would be so again in the revolutionary upsurge of 1917–19—were embroiled in one of those flare-ups of disagreement that often wrack revolutionary movements, this one on "the organization question." Luxemburg, by this time, was close to Lenin and his

Bolshevik faction and generally shared his overwhelmingly negative assessment of most non-Bolshevik elements in the Russian Social Democratic Labor Party. But when the Bolsheviks, for all practical purposes, created what Luxemburg viewed as a definitive and destructive split among Russian socialists—setting up what was essentially a separate Bolshevik party—Luxemburg (throughout 1912 and 1913) denounced the move and, to Lenin's chagrin, persistently agitated for unity.[‡]

Lenin's put-down of Luxemburg's anthropological sensibilities and humanitarian concerns as being "non-Marxist" didn't hold up. Almost half a century later, noting the criticism, Hannah Arendt commented aptly, "Who would deny today that it belonged in a book on imperialism?" In the opinion of Tadeusz Kowalik, Luxemburg's "most important contribution" can be found precisely in "her historical analysis of imperialism"—and he observes, interestingly, that "in these chapters she hardly used the tool so overwhelmingly dominant in the previous two parts of her theorizing," in which she had concentrated on correcting Marx.[§]

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[*] Luxemburg, *The Junius Pamphlet*, in *Rosa Luxemburg Speaks*, edited by Mary-Alice Waters (New York: Pathfinder Press, 1970), p. 325.

[†] J. P. Nettl, *Rosa Luxemburg*, Vol. 2 (New York: Oxford University Press, 1966), pp. 532, 533.

[‡] See Paul Le Blanc, "Lenin and Luxemburg Through Each Other's Eyes," in *Unfinished Leninism: The Rise and Renewal of a Revolutionary Doctrine* (Chicago: Haymarket Books, 2014), pp. 129–38. For Luxemburg's views on the organizational controversy, see "Credo: On the State of Russian Social Democracy," in *The Rosa Luxemburg Reader*, edited by Peter Hudis and Kevin Anderson (New York: Monthly Review Press, 2004), pp. 266–80. Aspects of Lenin's critical response can be found in "Report to Brussels" (1914), excerpted in V. I. Lenin, *Revolution, Democracy, Socialism: Selected Writings*, edited by Paul Le Blanc (London: Pluto Press, 2008), pp. 205–15.

[§] Hannah Arendt, "Rosa Luxemburg, 1870–1919," in *Men in Dark Times* (New York: Harcourt, Brace and World, 1968), p. 40. Kowalik, in *Rosa Luxemburg and the Critique of Political Economy*, edited by Bellofiore, p. 106.

IV.

The theoretical tool that Luxemburg developed in her critique of Marx may be too compelling, however, to be so easily jettisoned.

Some critics have argued that capitalism is more complex, more dynamic than Luxemburg allows.[*] Others, however, are powerfully drawn to her notion that “the accumulation of capital, as an historical process, depends upon non-capitalist social strata and forms of social organization.” David Harvey, for example, has insisted that “the notion that capitalism must perpetually have something ‘outside of itself’ in order to stabilize itself is worthy of scrutiny.” A consequence of relentlessly seeking new outlets for surplus capital and of securing cheaper inputs for the accumulation process, Harvey notes, is that “the ‘organic relation’ between expanded reproduction on the one hand and the often violent dispossession on the other have shaped the historical geography of capitalism.”[†]

Capital, Luxemburg wrote, “cannot do without the means of production and labor-power of the entire planet.”[‡] It can be argued that this is true of *all territories* indeed, including the territories of our bodies, our family life, our friendships, our creative drives, our sexuality, our dreams, and multiple community and social and cultural activities—permeated by noncapitalist dimensions and energies even in global regions where an advanced capitalist economy more and more predominates. This is reflected in voracious drives for “privatization” as well as in rampant consumerism in so-called “advanced” countries. There is also, of course, the vast noncapitalist territory that is the natural environment of our planet.

A development related to the inexorable capitalist invasion of noncapitalist territories has been the collapse of Communism and the end of the Cold War, with the transformation of what had seemed (at least to some) previously bulwarks of anti-capitalism into new territories for privatization and profiteering, neo-liberal hunting grounds, vast domains of “gangster-capitalism,” etc. This relates to yet another development highlighted by Ingo Schmidt: in the early decades of the twenty-first century, “increasing numbers of capitalists found it preferable to slow down their investments, even if this meant lower profits, and use the combined forces of unemployment, fiscal and foreign debt crises to roll back workers, welfare and developmental states.” Particularly from the 1930s to the 1970s, under the influence of labor and left-wing movements, significant segments of the capitalist economies in the advanced industrial countries, and also in many newly independent countries, had experienced welfare-state reforms and “considerable public spheres during the boom that were partially disconnected from the accumulation process.” To the extent that the neo-liberal onslaught begun in the 1980s was successful, these “noncapitalist” areas of life “could now be penetrated by capital.” Aspects of a "noncapitalist" world had been created—through revolutionary and reform struggles of the workers and the oppressed—within the framework of capitalism itself. But the Reagan and Thatcher "revolutions" and the wave after wave of austerity assaults that have followed have led to the increasing "privatization of these public spheres" and have "opened new space for capitalist expansion" in ways that conform to the dynamics that Luxemburg herself seemed to emphasize in *The Accumulation of Capital*.*

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* See Rosdolsky, *The Making of Marx's "Capital*," Vol. 1, pp. 63–72, but especially pp. 66–7. An excellent discussion can also be found in Tadeusz Kowalik, "Rosa Luxemburg," in *The New Palgrave Marxian Economics*, edited by John Eatwell, Murray Milgate, and Peter Newman (New York: W. W. Norton, 1990), pp. 247–53. Worth consulting, as well is M. C. Howard and J. E. King, *A History of Marxian Economics: Volume I, 1883–1929* (Princeton, NJ: Princeton University Press, 1989), pp. 106–15.

† David Harvey, *The New Imperialism* (New York: Oxford University Press, 2005), pp. 140, 141–2.

‡ See this volume, p. 263.

In different ways, erosions and corruptions and dispossessions have afflicted other "noncapitalist" territories in the capitalist heartland—including within the trade unions and political parties and cultural institutions of so much of the working-class movement that once represented a challenge to and massive pushback against the capital accumulation process.

In his provocative study *Rebel Cities*, David Harvey has suggested a new way of comprehending this capital accumulation process and class struggle. Utilizing the conception of "the urban commons" as a distinctive noncapitalist territory—encompassing public services and structures (ranging from parks to schools to streets to neighborhoods and more)—Harvey describes the way in which our cities have been continually shaped, demolished, rebuilt, and reshaped to advance the capital accumulation process for the profit of the few at the expense of the many. At the same time, he sees elements of a broadly conceived working-class struggle coming together for the purpose of defending the public interest of the majority and, ultimately, of establishing democratic control over the use of society's economic surpluses for the benefit of everyone. He adds an essentially revolutionary caveat—which Luxemburg would certainly have insisted upon—that "increasing the share of the surplus under state control will only work if the state itself is both reformed and brought back under popular control."†

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* Ingo Schmidt, "Capital Ideas," *Red Pepper*, May 2011, available at redpepper.org.uk.

† David Harvey, *Rebel Cities: From the Right to the City to the Urban Revolution* (New York: Verso, 2013), p. 23.

V.

While the general line of argument presented in the previous section may be in the spirit of Luxemburg's rich contributions in multiple ways, it does not conform to the central theoretical point in *The Accumulation of Capital* that surplus value can neither be realized by workers nor by capitalists, but only through the exploitation of those living in noncapitalist geographical territories. We owe it to Luxemburg not simply to blur this important point of contention that divided her from other revolutionary Marxist comrades.*

Roman Rosdolsky, in his magisterial *The Making of Marx's "Capital*," argues that Luxemburg (along with many other would-be Marxists of that time) failed to comprehend the complexity and sophistication of Marx's method. Specifically, she missed the fact that the first two volumes of *Capital* "do not go beyond the analysis of 'capital in general' whereas the third volume does and therefore represents the transition to the analysis of 'many capitals' and their interaction with one another, i.e. capital 'in its reality.'" In fact, Rosdolsky insists, her analysis suffered from a "complete neglect of Marx's category of 'capital in general'" and its role in the abstraction of "a pure capitalist society," which yield a far richer analysis than Luxemburg's assumptions allow for. According to Rosdolsky, "the 'bloodless fiction' for which Luxemburg rebukes Marx is none other than the study of the social reproduction process in the context of 'capital in general.'"†

Yet even one of her severest critics, Russian Marxist Nikolai Bukharin, hailed Luxemburg's analysis as "a daring theoretical attempt" and "the deed of a brilliant theoretical intellect." This refers to what Rosdolsky himself praises as "the valid kernel of her book." Particularly interesting, however, is the even more positive commentary of Ernest Mandel, who agrees with other critics on what he considers secondary issues, nonetheless arguing, "the final balance-sheet on Luxemburg's critique … must be a nuanced one. We cannot say baldly that she is right or that she is wrong."‡

Mandel's line of thought is worth following. He aptly summarizes Luxemburg's central contention: 1) the wages and salaries the capitalists pay to the workers cannot be the source of the accumulation of capital (capitalist profits), and 2) the surplus value the capitalists extract from the labor of the workers also cannot be the source—because this would add up to saying that "the capitalists become richer by spending their own money," which makes no sense. Hence, "additional purchasing power that has to be sucked into the process of capitalist circulation can only come from *outside* capitalist relations of production properly so called," by forcing those living outside of the capitalist sphere to "ruinously spend their revenue on capitalist commodities" and ultimately be absorbed into the global capitalist mode of production. Once this process is completed throughout the world, with the elimination of all precapitalist territories, capitalism will be unable to avoid collapse. "The main thrust of Luxemburg's argument is clear and simple," Mandel concludes, yet while "the superiority of Luxemburg over certain of her critics is obvious," her own analysis "narrowed down the problem to an excessively monocausal one." (He is especially inclined to follow Rosdolsky's defense of Marx's method here.) Nonetheless, regarding "the actual historical process of capital accumulation, Luxemburg seems fundamentally correct," according to Mandel. "Capitalism was born in essentially a noncapitalist milieu; it has immensely enriched itself by plundering that milieu; and the same value-transforming metabolism has continued to this very day." Despite its limitations on secondary questions, *The Accumulation of Capital* (especially chapters 27 to 30) "has still to be equaled in theoretical insight or economic lucidity."*

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* This good point is made by Peter Hudis in a paper presented to the Rethinking Marxism Conference, September 2013, "The Dialectic of the Spatial Determination of Capital: Rosa Luxemburg's *Accumulation of Capital* Reconsidered."

† Rosdolsky, *The Making of Marx's "Capital*," pp. 66–7, 71.

‡ Nikolai Bukharin, *Imperialism and the Accumulation of Capital*, in *The Accumulation of Capital—An Anti-Critique by Rosa Luxemburg, and Imperialism and the Accumulation of Capital by Nikolai Bukharin*, edited by Kenneth J. Tarbuck (New York: Monthly Review Press, 1972), p. 268; Rosdolsky, *The Making of Marx's "Capital*," Vol. 1, p. 2; Ernest Mandel's introduction to Karl Marx,

Capital, Vol. 2 (New York: Penguin, 1978), p. 68. For two lucid and succinct efforts to draw together the various components of Marx's three-volume work, seeking to demonstrate (in contrast to Luxemburg) that they form a coherent and satisfactory whole, see Ben Fine and Alfredo Saad-Filho, *Marx's Capital* (London: Pluto Press, 2010) and Michael Heinrich, *An Introduction to the Three Volumes of Karl Marx's Capital* (New York: Monthly Review Press, 2012).

Among Luxemburg's most appreciative and interesting commentators has been political economist Riccardo Bellofiore. While Bellofiore is critical of Luxemburg for being unable "to exploit her insights to the full," like Mandel he stresses that "her critics do not even see the problem that she is posing." He is especially impressed with her *Anti-Critique*'s "powerful, quite novel and original rereading of Marxian theory," rooted in "a class and macro-monetary picture of the economy," which he summarizes in this way:

> Capitalist production is for profit, in the form of "glittering bullion," and a constantly growing profit. Exploitation has two conditions: first, that the labor market and the production process are such that the extraction of labor and surplus labor may be fulfilled; second, "the possibility of *selling the commodities* produced by the workers *to recover, in money, the capitalists' original expenses as well as the surplus value* stolen from labor power" … and this implies, for Luxemburg, as we already know, a steadily increasing possibility of selling commodities.†

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* Mandel's introduction to Marx's *Capital*, Vol. 2, pp. 62–3, 66, 68.

† Riccardo Bellofiore, "General Introduction: Rosa Luxemburg on Capitalist Dynamics, Distribution, and Effective Demand Crises," in *Rosa Luxemburg and the Critique of Political Economy*, edited by Bellofiore, pp. 5–6, 18.

Bellofiore notes that Luxemburg's starting point in her discussion of capital accumulation involves the contention "that (i) in a monetary economy, *money buys commodities, commodities do not buy money*, and that (ii) activation of the capitalist process requires money as capital in advance, which means something akin to *cash-in-advance* constraint." He suggests that Luxemburg's analysis "may be easily restated" through the utilization of "theories of the monetary circuit"—a line of analysis that connects Luxemburg with a number of later economists, including Joseph Schumpeter, John Maynard Keynes, Michał Kalecki, Augusto Graziani, and Hyman Minsky.*

The best-known critique of, and alternative to, Luxemburg's analysis within the revolutionary Marxist camp is that advanced by those associated with the tradition of Russian Bolshevism and early Communism, represented by Lenin and Nikolai Bukharin.

Bukharin noted that—as Luxemburg herself insisted—"capitalism was already conducting ravening colonial policies at a very early stage of its development." But *inside* of the capitalist countries, during this early period, there were still plentiful "noncapitalist" sectors of the population —"peasants, small craftsmen, etc. What need was there to wander to distant lands? … Resting on the ground of her own theory, Rosa Luxemburg cannot possibly answer this question." Bukharin went on to insist that capital, "in hunting for maximum profits … looks for *cheaper* labor and, at the same time, *the highest rate of exploitation*."†

Luxemburg's very definition of imperialism was challenged. "Imperialism is the political expression of the process of the accumulation of capital," she wrote, "in its competitive struggle over the unspoiled remainder of the noncapitalist world environment." Exclaiming that "here we are faced with a whole pile of various mistakes," Bukharin elaborated:

> Firstly, capital has always fought for "the unspoiled remainder" (a more than imprecise term). Secondly, it follows from this definition that a fight for territories that have *already* become capitalist is not imperialism, which is utterly wrong. Thirdly, it follows from the same definition that a fight for already "occupied" territories is not imperialism either. Again, this factor of the definition is utterly wrong. The whole definition suffers from the basic fault that it treats the whole problem without any regard to the necessity of a specific characterization of capital as *finance capital*.‡

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* Riccardo Bellofiore, "The Monetary Circuit of Capital in the *Anti-Critique*," in *Rosa Luxemburg and the Critique of Political Economy*, edited by Bellofiore, pp. 60, 61, 62.

† Bukharin, *Imperialism and the Accumulation of Capital*, p. 248.

‡ See this volume, p. 325. Bukharin, *Imperialism and the Accumulation of Capital*, p. 253. (The translation of Bukharin has been modified slightly to harmonize with the new translation of Luxemburg.)

This last comment alludes to the more expansive analysis of imperialism developed by Russia's revolutionary Marxists—the Bolsheviks (above all Bukharin himself as well as Vladimir Ilyich Lenin) in the early years of World War I. "Imperialism is a policy of conquest," Bukharin had insisted in his 1915 work *Imperialism and World Economy*. "But not every policy of conquest is imperialism. That is why, when we speak of imperialism as the policy of finance capitalism, its conquest character is self-understood; at the same time, however, we point out what production relations are being reproduced by this policy of conquest." Bukharin added that "we imply highly developed organisms and, consequently, a certain scope and intensity of world relations; in a word, we imply the existence of a developed world economy; by the same token we imply a certain state of production relations, of organizational forms of the economic life, a certain interrelation of classes, and also a certain *future* of economic relations, etc., etc." In his 1916 work *Imperialism, the Highest Stage of Capitalism*, Lenin offered a conception no less multifaceted, involving "the capitalist threads, which in thousands of different inter-crossings" bind the global economy "into an instrument for oppressing a thousand million people (in the colonies and semi-colonies), that is, more than half the population of the globe that inhabits the dependent countries, as well as the wage slaves of capital in the 'civilized' countries."[*]

Related to the Bolshevik conceptualizations, it is worth noting the recent criticism offered by Chinese scholar He Ping, who writes that Luxemburg "could not see past the need for Western capitalist countries to create a world capitalist system involving also Eastern noncapitalist countries." Professor He emphasizes: "She could not see that once Eastern countries obtain national independence, they will play a dynamic role in changing the relationship between East and West and making progress in world history." In contrast, as early as 1913, Lenin was pointing to revolutionary upsurges ("great world storms," as he put it) in Turkey, Persia, and China, arguing that "no power on earth can … wipe out the heroic democracy of the masses in the Asiatic and semi-Asiatic countries," insisting "that the fact that Asia, with its 800 million, has been drawn into the struggle … should inspire us with optimism." The founding of the Communist International in 1919, deepened this emphasis on the peoples of "the East" as not simply victims but as an active and decisive force in the transformation of the world.[†]

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[*] Nikolai Bukharin, *Imperialism and World Economy* (London: The Merlin Press, 1972), pp. 114–15; V. I. Lenin, *Imperialism, the Highest Stage of Capitalism*, excerpted in Lenin, *Revolution, Democracy, Socialism: Selected Writings*, edited by Le Blanc, p. 237—this is from a 1920 preface to the French and German editions of Lenin's work.

† He Ping, “Rosa Luxemburg’s *The Accumulation of Capital*: East and West,” in *Rosa Luxemburg and the Critique of Political Economy*, edited by Bellofiore, p. 150; V. I. Lenin, “The Historical Destiny of the Doctrine of Karl Marx,” in Lenin, *Revolution, Democracy, Socialism*, edited by Le Blanc, p. 221. Also see, for example, *To See the Dawn: First Congress of the Peoples of the East*, edited by John Riddell (New York: Pathfinder Press, 1993).

VI.

While it is important to comprehend the distinctions between different theoretical offerings among those analyzing the complex realities associated with what has been labeled “imperialism,” it can also be less than fruitful to understand them as mutually exclusive models. Understanding the actualities of capitalist development and imperialism is best seen as a collective project, with no theorist enjoying a monopoly on the truth. There are important insights that divergent or partially divergent theories can offer. Regardless of powerful criticisms leveled at Luxemburg’s *Accumulation of Capital*, her discussion of the workings and impacts of imperialism clearly retain considerable validity. Modern economist Joan Robinson once commented, after an extremely critical survey of *The Accumulation of Capital*, that “for all of its confusions and exaggerations, this book shows more prescience than any orthodox contemporary could claim.”*

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* Joan Robinson’s introduction to the Agnes Schwarzschild translation of *The Accumulation of Capital* (New York: Modern Reader, 1951), p. 28. Robinson felt that Luxemburg “garbles” and “brushes away” aspects of Marx’s argument, is too prone to treat some economists “with a good deal of sarcasm” and to “dismiss them as useless,” also complaining that she “neglects the rise of real wages,” focuses too closely on economic imperialism as the source of capital accumulation, and that in general Luxemburg’s “argument streams along bearing a welter of historical examples in its flood, and ideas emerge and disappear again bewilderingly” (pp. 20, 22, 28).

The importance of foreign investment and foreign aid, the process of “modernization,” and the role of the World Bank and International Monetary Fund are all anticipated in her discussion of “international credit.” Noting the dramatic increase in “the imperialist movement of capital on the world scale, especially in Asia and the part of Asia bordering on Europe (Russia, Turkey, Persia, India, Japan, China), and in North Africa,” she observed that economically developing areas—particularly newly independent countries—become targets for foreign credit that while "indispensable for the emancipation of the emerging capitalist states … represents the surest means by which the older capitalist states can keep the emerging ones under their tutelage, retain control over the latter's finances, and exert pressure on their foreign policy and their policies on tariffs and trade." Luxemburg observed that modernization schemes, such as railroad construction, irrigation projects, etc., "almost exclusively served the purposes of imperialist policy, economic monopolization, and the political subjugation of the hinterlands," devastating the original economic and cultural patterns and relationships, drawing increasing numbers of people into the embrace of the capitalist market. Using the case of Egypt in the 1870s, she also observed that "each bout of lending represented above all an operation in usury, with a fifth to upwards of a third of the sum ostensibly lent sticking to the fingers of the European bankers." Asking, "Where were the means for these payments to come from?" she pointed to the intensifying exertions and rising tax burdens of the peasant masses and laboring poor:

> Even if the applicability of serf labor-power for modern capitalist purposes proved technically restricted at every turn, this was generously compensated from capital's point of view by its unconstrained command over the living and working conditions and the intensity and duration of exploitation of the labor-power it had acquired without expense.[*]

VII.

"Economic theory and analysis that omit imperialism and militarism from the underlying paradigm are far removed from the reality of today's world," concluded Harry Magdoff in a classic essay of the late 1960s.[†] Significantly, Magdoff pointed to Rosa Luxemburg as a primary exponent of the Marxist case that "economic processes must be understood as part of a social organism in which political force plays a leading role and in which war is as typical as peace." The consequence of this reality, he added, was that "militarism and imperialism are … major determinants of the form and direction of technological change, of the allocation of resources within a country, and of the allocation of resources, and of the allocation of resources between countries (notably between rich countries and poor countries)."[‡] To buttress the point, Magdoff cites the key passage in Luxemburg's *Accumulation of Capital*:

> Bourgeois liberal theory only takes one side of this process into consideration, namely the sphere "peaceful competition," the marvels of technology and pure commodity exchange; it thus

separates off the other dimension of capitalist accumulation, the realm of capital's thunderous shows of force, which it holds to be more or less contingent expressions of "foreign policy," from the economic domain of capital.

In reality, political violence is nothing but a vehicle for the economic process; both sides of capitalist accumulation are organically bound up with each other through the very conditions of the reproduction of capital, and it is only together that they result in the historical trajectory of capital.[§]

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[*] See this volume, pp. 304–5, 316–17.

[†] "Militarism and Imperialism," in Harry Magdoff, *Imperialism: From the Colonial Age to the Present*, p. 210.

[‡] Ibid., p. 198

[§] See this volume, p. 329.

Luxemburg's analysis of militarism connected this phenomenon to the global dynamics of capitalism as such:

> Militarism carries out a very determinate function in the history of capital. It accompanies the progress of accumulation in each of its historical phases. In the period of so-called original accumulation, i.e. at the origins of European capital, militarism plays the decisive role in the conquest of the New World and the Asian spice-producing countries; later, it plays the same role in the subjugation of the modern colonies, the destruction of the social forms of organization of primitive societies and the appropriation of their means of production, the imposition of commodity exchange in countries whose social structures constitute an obstacle to the commodity economy, the forcible proletarianization of the indigenous inhabitants and the imposition of wage labor in the colonies. Similarly, it plays the decisive role in the formation and extension of the spheres of interest of European capital in non-European regions, in the extraction of concessions for the construction of railways in backward countries, and in enforcing the claims of European capital as an international creditor. Finally, militarism plays the decisive role as a means of competitive struggle between capitalist countries over areas of noncapitalist civilization.[*]

But more than this, for Luxemburg military spending is in itself "a sphere of accumulation," making the modern state a primary "purchaser of the mass of products containing capitalized surplus value," although in fact—in the form of taxes—the workers foot the bill.[†]

In fact, the workers "foot the bill" of militarism in more ways than one —which Luxemburg emphasized in her 1915 *Junius Pamphlet*, as World War I was unfolding around her. She noted that "the world war is a turning point in the course of imperialism," when "for the first time, the destructive beasts that have been loosed by capitalist Europe over all other parts of the world have sprung, with one awful leap, into the midst of the European nations." Integral to this was "the mass destruction of the European proletariat … Millions of human lives were destroyed in the Vosges, in the Ardennes, in Belgium, Poland, in the Carpathians, and on the Save; millions have been hopelessly crippled. But nine-tenths of these millions come from the ranks of the working class of the cities and the farms. It was our strength, our hope that was mowed down there day after day, before the scythe of death." Emphasizing that not only was the World War "a blow … against capitalist civilization of the past, but against socialist civilization of the future," she concluded: "Here capitalism reveals its death's head, here it betrays that it has sacrificed its historic right of existence, that its rule is no longer compatible with the progress of humanity."‡

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* See this volume, p. 331.
† Ibid.
‡ Luxemburg, *The Junius Pamphlet*, pp. 325–6, 327.

VIII.

Much has happened since Luxemburg wrote these lines. But what she had to say so many years ago has resonated in the subsequent history of the twentieth century, and in the realities of globalization that we face in the twenty-first. To the extent that she describes realities that we must face today and tomorrow—realities that suggest a global transition to the post-apocalyptic vision captured in a film such as *Children of Men* and which Luxemburg herself referred to as "a downward slide into barbarism"—we are also faced with the question of *what we should do*, aside from writing and reading learned academic works, supplemented by protesting, in demonstrations of fluctuating size, against the accumulating calamities.

For Luxemburg herself, the solution lay first of all in the Marxist edict to bring together revolutionary socialist perspectives with a growing working-class movement—which, in her case, added up to the Social Democratic movement and then the first stirrings of the early Communist movement. What she brought to these movements was a clarity, which permeates *The Accumulation of Capital*, regarding the impossibility of gradually reforming the negative aspects of capitalism out of existence. Given the very nature of the system, it would be necessary to overthrow it, with reform struggles being an integral part of a revolutionary strategy for fundamental social transformation. This assumed, of course, the centrality of the working class—the emerging majority in our capitalist-penetrated world—as a vibrant and creative force (despite exploitation and oppression) that is capable, ultimately, of effectively resisting capitalist degradation and bringing into being a world based on a socially owned, democratically controlled, and humanistically motivated economy. Luxemburg conceptualized such working-class struggles assuming form through the structures and activities of a socialist political party, trade unions, and social movements (including those opposing militarism, imperialism, and war)—but she also saw revolutionary possibilities coming into being through the interplay of such organizations with spontaneous or semi-spontaneous mass action, generated through inevitable capitalist crises. A consideration of Luxemburg's own life and time suggest that such revolutionary possibilities existed, although they were tragically not actualized.*

* These concluding comments draw from Helen C. Scott and Paul Le Blanc, "Introductory Essay," in Rosa Luxemburg, *Socialism or Barbarism: The Selected Writings of Rosa Luxemburg*, edited by Paul Le Blanc and Helen C. Scott (London: Pluto Press, 2010), pp. 30–1. On specifics of Luxemburg's life and times, as well as revolutionary possibilities, see Paul Frölich, *Rosa Luxemburg: A Revolutionary Life* (Chicago: Haymarket Books, 2010); J. P. Nettl, *Rosa Luxemburg*, 2 vols. (London: Oxford University Press, 1966); William Pelz, *The Spartakusbund and the German Working-Class Movement, 1914–1919* (Lewiston, NY: Edward Mellen Press, 1987); Pierre Broué, *The German Revolution, 1917–1923* (Chicago: Haymarket Books, 2006).

In our own time, in much of the world (certainly in the United States), the fundamental goal of combining socialist perspectives and the actual working-class movement—the precondition for the solution that Luxemburg envisioned—seems far from realization. Yet the grim realities and consequences of the capital accumulation process continue to move forward.

Paul Le Blanc

The Accumulation of Capital: A Contribution to the Economic Theory of Imperialism

Translator's Remarks on Terminology

Grenze and *Schranke*: German has two words that can ordinarily be translated into English as "limit"—*Grenze* and *Schranke*. In his speculative philosophy, Hegel makes a distinction between these two terms: a *Grenze* is a limit (or boundary, border, endpoint) that defines a finite entity qualitatively or quantitatively, whereas a *Schranke* implies a barrier, restriction or limitation that is, or ought, to be overcome (a cognate of *Schranke* is *beschränken*, "to restrict").[*] In Hegel's speculative idealism, the movement of spirit is ultimately infinite, insofar as it overgrasps (*übergreift*) other entities and finds itself at home in them: in this movement, the restrictions or confines of finitude are overcome.

In his mature critique of political economy, Marx adopted this Hegelian distinction, but related it to a different, but in many respects homologous, object: to capital rather than spirit. Thus, in the *Grundrisse*, Marx argues that value—as money, or the general form of wealth—is "according to its concept the quintessence of all use-values; but since it is always only a definite amount of money (here, capital), its quantitative limit [*Schranke*] is in contradiction with its quality. It is therefore in its nature constantly to drive beyond its own barrier [*Schranke*]."[†] As self-valorizing value, capital is thus characterized by the drive to infinite expansion; accordingly, Marx identifies "the tendency of capital to relate to every limit [*Grenze*] on its self-valorization as to a barrier [*Schranke*]."[‡] Yet Marx identifies a secular contradiction within capital, the "barriers [*Schranken*] within its own nature," such that it "will drive toward its own suspension [*Aufhebung*]."[§] Capital's intrinsic tendency to develop the productive powers of social labor ultimately restricts the scope for surplus value production, which is its own *condicio sine qua non*: "By its nature, therefore, [capital] posits a barrier [*Schranke*] to labor and value-creation, in contradiction to its tendency to expand them boundlessly. And in as much as it both posits a barrier [*Schranke*] specific to itself, and on the other side equally drives over and beyond every barrier [*Schranke*], it is the living contradiction."[¶] In the third volume of his *Capital*, Marx makes a similar argument, this time specifically in relation to the law of the tendency of the rate of profit to fall: “Capitalist production constantly strives to overcome these immanent barriers [*Schranken*], but it overcomes them only by means that set up the barriers [*Schranken*] afresh and on a more powerful scale. The only true *barrier* [*Schranke*] to capitalist production is *capital itself*.”*

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* Cf. Hegel’s discussion of “Limitation and the Ought” and “Transition of the Finite into the Infinite” in G. W. F. Hegel, *Hegel’s Science of Logic*, translated by A.V. Miller (Amherst, NY: Humanity Books, 1999), pp. 130–7; see also G. W. F. Hegel, *The Encyclopaedia Logic*, translated by T. F. Geraets, W. A. Suchting and H. S. Harris (Indianapolis, IN: Hackett, 1991), pp. 148–52.

† Karl Marx, *Grundrisse*, translated by Martin Nicolaus (New York: Penguin, 1973), p. 270.

‡ Ibid., p. 422 (translation modified—*N. G.*).

§ Ibid., p. 410.

¶ Ibid., p. 421.

Rosa Luxemburg, of course, did not have access to Marx’s *Grundrisse* (it was first published in 1939–41), and her knowledge of Hegel, especially of the larger *Logic*, was apparently limited. However, she was thoroughly acquainted with the three volumes of Marx’s *Capital*, and it is thus no coincidence that she adopts the same conceptual distinction between *Grenze* and *Schranke* in relation to the trajectory of capital accumulation (even if her conception of what constitutes the barrier to, or restriction upon, capitalist accumulation diverges from that presented by Marx in the above-cited passages). It thus seemed appropriate to preserve this distinction in translating *The Accumulation of Capital*. Accordingly, I have rendered *Grenze* as “limit,” and *Schranke* variously as “restriction,” “confines,” “constraint,” and “barrier.”

Ursprüngliche Akkumulation; *primitive Akkumulation*: Marx’s concept of *ursprüngliche Akkumulation*, which he derives from Adam Smith’s notion of “previous accumulation,” is often translated into English as “primitive accumulation”; † I have opted to follow Martin Nicolaus, translator of *Grundrisse*, in rendering it as “original accumulation,” which is closer to Marx’s term and best renders its intended sense. In the few instances where Luxemburg herself uses the term “*primitive Akkumulation*,” I have translated it as “primitive accumulation.”

Tote Produktionsmittel; *lebendige Produktionsmittel*: Luxemburg introduces a distinction between *tote Produktionsmittel* ("non-living means of production") and *lebendige Produktionsmittel* ("living means of production"). This echoes Marx's conceptual distinction between *tote Arbeit* (dead labor) and *lebendige Arbeit* (living labor);[‡] in order to retain this resonance, I have chosen to translate these terms as "dead means of production" and "living means of production" respectively.

Form; *Gestalt:* Luxemburg uses *Form* ("form") and *Gestalt* ("shape") interchangeably. I have opted to translate these almost exclusively as "form," particularly in the compounds *Wertgestalt* ("value-form"); *Geldgestalt* ("money-form"); *Warengestalt* ("commodity-form"); *Gebrauchsgestalt* ("use-form"); *Naturalgestalt* ("natural form"); *Sachgestalt* ("material form"); *Kapitalgestalt* ("capital-form").

A NOTE ON ETHNIC DESCRIPTIONS, "RACE" AND GENDER

In the spirit of Luxemburg's writing and her political engagement, I have attempted to translate the ethnic descriptions used by Luxemburg into English terms that would not generally be considered offensive. In the case of *Indianer*, all of the terms that might be used are contested ("American Indians"; "Native Americans"; "indigenous peoples"; "first peoples"; etc.). Of these, "American Indians" would seem to meet with the most approval by those the term is intended to designate. However, some reject any such all-embracing term, preferring to identify only as members of individual "tribes" or "nations," such as Cherokee, Cree, etc. Luxemburg's references to "race" (*die weiße Rasse*, "the white race"; *andere Rassen*, "other races"), which would undoubtedly be regarded as problematic from a contemporary perspective, have been left unmodified. Similarly, I have not attempted to render her language gender-neutral.

Nicholas Gray

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* Karl Marx, *Capital*, Vol. 3, translated by David Fernbach (New York: Penguin, 1981) p. 358.
† Karl Marx, *Capital*, Vol. 1, translated by Ben Fowkes (New York: Penguin, 1976), p. 873.
‡ See for example Marx, *Capital*, Vol. 1, p. 322.

Foreword

The impetus for the present work came while drafting an introduction to economics for the same publisher; the latter work remains unfinished as a result of my commitments to the Party school and to agitation. When, after the Reichstag election in January 1912, I once again set about completing this popularization of Marxian economic theory, at least in outline, I came up against an unexpected difficulty.[*] I couldn't quite manage to present the total process of capitalist production in its concrete relations and in terms of its objective historical confines with sufficient clarity. On closer examination, I came to the insight that this was not merely a question of presentation, but that there was a problem that was theoretically bound up with the content of the second volume of Marx's *Capital*, and which simultaneously has a bearing on the practice of contemporary imperialist politics and its economic roots. If my attempt to formulate this problem in a scientifically precise manner has been successful, then it seems to me that, beyond any purely theoretical interest, the present work should have some implications for our practical struggle against imperialism.

—December 1912

* This refers to her *Introduction to Political Economy*, which Luxemburg began working on in 1908. In November 1911 she encountered what she called a "puzzling subject"—the inherent barriers to the continued expansion of capitalism. At that point, she temporarily broke off work on the *Introduction to Political Economy* and began writing *The Accumulation of Capital*, which was completed at the end of 1912. She returned to work on the *Introduction* during her imprisonment, from 1915 to 1918. See *The Complete Works of Rosa Luxemburg*, Volume I: Economic Writings 1, edited by Peter Hudis (New York: Verso, 2013), pp. 89–300.

Section I
The Problem of Reproduction

Chapter 1. The Object Under Investigation

One of Karl Marx's enduring contributions to economic theory was to pose the problem of the reproduction of total social capital. Significantly, in the history of economics, there have only been two attempts at an exact exposition of this problem: one by [François] Quesnay, the founder of the Physiocratic school,* at its very inception; and the other by Marx, at its conclusion. In the intervening period, bourgeois economics was constantly troubled by this question, and yet it was unable to formulate it consciously, let alone solve it, and certainly never in its pure form, in isolation from the interference of related problems. However, due to the fundamental importance of the question, it is to a certain extent possible to retrace the trajectory of economic science in general through these attempts.

* The Physiocratic school was a movement of French economists in the mid-eighteenth century, founded by Quesnay and Anne-Robert-Jacques Turgot. It held that the wealth of nations was derived solely from agricultural labor. In representing the first modern systematic economic theory, it helped pave the way for classical political economy.

In what does this problem of the reproduction of total social capital consist? The literal meaning of "reproduction" is simply repeated production—i.e. repetition or renewal of the process of production, and at first sight it may be difficult to see how the concept of reproduction differs from that of production (the latter being generally understood), or why such a new and unfamiliar term is required. However, it is precisely the very repetition, the continual recurrence of the process of production, that constitutes an important moment in itself. In the first instance, the regular repetition of production is the general precondition and foundation of regular consumption, and is thus a prerequisite of human civilization in each of its historical forms. In this sense, the concept of reproduction contains a historical moment, one that is defined by the history of civilization. Production cannot be resumed—there can be no reproduction—unless certain preconditions are fulfilled: tools, raw materials, and labor-power must be available as the result of the preceding period of production.

However, in the most primitive stages of human cultural development, at the origins of human domination over external nature, the possibility of resuming production in this way was more or less a matter of chance. So long as hunting and fishing formed the main foundations of social existence, the regular repetition of production was frequently interrupted by periods of general starvation. In the case of some primitive peoples, the exigencies of reproduction as a regularly recurring process assumed a traditional and socially binding form already at a very early stage in certain ceremonies of a religious character. Thus, according to the exhaustive research of [W. Baldwin] Spencer and [Francis James] Gillen,* the totem cult of the Australian aborigines is fundamentally merely the means for the transmission, in the petrified form of a religious ceremony, of certain practices that have been repeated since time immemorial by the different social groups in order to secure and maintain their animal and vegetable food-sources. Yet the cycle of consumption and production that characterizes reproduction became possible only with cultivation with the hoe, the taming of domestic animals, and with livestock rearing for food production. In this way, the concept of reproduction itself appears as something more than mere repetition: it encompasses a certain level of society's domination over external nature, or, expressed in economic terms, a certain level of the productivity of labor.

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* See Baldwin Spencer and Francis James Gillen, *The Native Tribes of Central Australia* (London: Macmillan, 1899). Their work accumulated a mass of empirical data on the traditional customs, languages, and beliefs of the Australian aborigines, about which they were highly sympathetic. It has undergone many reprints, most recently by Cambridge University Press in 2010.

On the other hand, the process of production is itself a unity of two different, if closely interconnected moments: (1) technical conditions—i.e. the determinate configuration of relations between humans and nature; (2) social conditions—i.e. the determinate configuration of relations between humans themselves. Reproduction depends to the same degree on both of these moments. The extent to which reproduction is bound up with the technical conditions of human labor and is itself the result of a certain level of the productivity of labor has just been indicated. However, the corresponding social forms of production are no less decisive. In a primitive communist agrarian community, reproduction, along with the whole planning of economic life, is determined by all those who work and by their democratic organs: the decision to resume labor, its organization, the provision of its necessary conditions (raw materials, tools, and labor-power)—in sum, the determination of the scale of reproduction and its division—are the result of the planned cooperation of the whole community within its borders. In a slave economy or on a feudal estate, reproduction is enforced and regulated in all details by personal relations of domination, which implies that the scale of reproduction is constrained by the corresponding right of disposal of the ruling élites over larger or smaller pools of the labor-power of others. In a society based on capitalist production, reproduction is configured in a very particular way, as a mere glance at certain of its more distinctive moments reveals. In every other society known to history, reproduction is regularly undertaken to the extent that its preconditions—i.e. the availability of means of production and labor-power—make this possible. It is only external factors, such as a devastating war or a great plague, resulting in depopulation and consequently the massive annihilation of labor-power and of the available means of production, that cause a complete or near total interruption of reproduction for long periods of early civilizations. Similar phenomena can to some extent be brought about by despotic forms of planned production, such as when thousands of fellaheen in ancient Egypt found themselves bound to several decades' forced labor in the construction of the pyramids by the decree of the Pharaoh; when Isma'il Pasha detailed 20,000 fellaheen to work as serfs on the Suez Canal in modern Egypt;[*] or when, around 200 BC, the Emperor Qin Shi Huang, founder of the Qin dynasty, caused 400,000 people to perish of hunger and exhaustion, thus sacrificing a whole generation, in order to extend the Great Wall along China's northern frontier.[†] The result in all such cases was that vast stretches of arable land were left fallow and that regular economic life was interrupted for long periods. In each of these instances, the causes of the interruption of reproduction were clearly visible and transparent: the plan of reproduction as a whole was determined unilaterally by the dominant power within a relation of domination.

In societies based on capitalist production, the reality is somewhat different. As can be observed, in certain periods all the necessary material means of production and labor-power are available, and yet the consumption needs of society are not met, reproduction being either completely interrupted, or occurring only on a much reduced scale. In this instance, it is not despotic interference with the economic plan that causes problems in the process of reproduction. It is not technical conditions that determine whether reproduction is undertaken here or not, but a purely social one—namely that only those products are produced that can be expected to be realized‡ (i.e. exchanged against money) with any certainty, and furthermore, they must not merely be realized, but at a determinate, country-specific rate of profit. In this case it is profit, as an end in itself and as the determining moment, that regulates not only production but also reproduction—i.e. it does not merely determine how the labor process is configured, what labor is carried out, and how the products are to be distributed; it also decides the question of whether, on what scale, and in which direction the labor process is to be resumed after the conclusion of a period of labor. "If production has a capitalist form, so too, will reproduction."[1]

The process of reproduction as a whole in capitalist society thus constitutes a peculiar and most complicated problem as a consequence of these purely socio-historical moments. Indeed, the external character of the capitalist process of reproduction reveals its specific historical peculiarity: it comprises not only production but also circulation (the process of exchange)—it is the unity of both.

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* The evacuation of the Suez Canal started in 1859 and lasted ten years; modern estimates are that over 30,000 corvée laborers were employed in building it. Several thousand died while doing so.

† The wall, constructed between 220 and 206 BC, connected a large number of existing walls that had been built over the preceding centuries, some going back as far as the seventh century BC. Almost all of today's wall was built much later, during the Ming Dynasty (1368–1644).

‡ Luxemburg uses "realize" in a way that diverges from Marx, for whom it is the *value* of a commodity that is realized in exchange.

Capitalist production is first and foremost production by countless private producers without any planned regulation, and exchange constitutes the only social connection between them. Here, reproduction only ever has the experiences of the preceding labor period to go on as a guide in determining social needs. These experiences, however, remain the private experiences of individual producers, and they find no synthesizing social expression. Furthermore, these are never positive and direct experiences of the needs of society, but indirect and negative ones, which only allow conclusions to be drawn retrospectively from the corresponding price fluctuations as to whether there has been an excess or a deficit in the mass of products produced in relation to effective demand.

Nonetheless, reproduction is continually undertaken by the individual private producers on the basis of the experiences of the preceding period of production. As a consequence, there is inevitably an excess or a deficit again in the following period, with individual branches of production developing independently, so that an excess might be produced in one branch and a deficit in another. However, as nearly all individual branches of production are technically interdependent, an excess or a deficit in some of the larger leading branches of production generates the same phenomenon as a knock-on effect in most of the others. Accordingly there results a periodic alternation between a general surplus and a general shortfall in the mass of products relative to social demand. It follows, then, that in capitalist society, reproduction assumes a peculiar configuration—i.e. one that differs from that of all other historical forms of production. In the first place, every branch of production moves independently within certain limits, in a way that leads to periodic interruptions of reproduction of shorter or longer duration. Secondly, the deviations from social requirements in reproduction in the individual branches periodically combine so as to generate an all-round disparity, resulting in a general interruption in reproduction. Capitalist reproduction, then, presents a most distinctive figure. In all other economic forms, reproduction proceeds as a regular and uninterrupted cycle, except in cases of external, violent interference. Capitalist reproduction, however, to use a well-known expression of [Jean-Charles-Léonard] Sismondi's, can only be presented as a continuous sequence of individual spirals coiling upwards in an increasing radius from a narrow base, and eventually becoming extremely large.[*] This is followed by a contraction, and a new spiral starts again with small loops, tracing the same figure until the next interruption.

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* See Jean-Charles-Léonard Simonde de Sismondi, *Nouveaux principes d'économie politique, ou de la richesse dans ses rapports avec la population* (New Principles of Political Economy, or Wealth in its Relationship with Population), Vol. 1 (Paris: Delaunay, 1819), p. 119. For the English

version, see *New Principles of Political Economy*, translated by Richard Hyse (New Brunswick, NJ: Transaction Publishers, 1991).

This periodic fluctuation between the extreme expansion of reproduction and its contraction to the point of partial suspension—i.e. what is described as the periodic cycle of recession, boom, and crisis—is the most striking peculiarity of capitalist reproduction.

It is very important, however, to establish from the outset that although the periodic economic cycle (i.e. the cycle between phases of economic expansion and contraction) and crisis are essential moments of reproduction, they do not constitute the problem of capitalist reproduction in itself—they are not the actual problem. The periodic economic cycles and crises are the specific *form* of the movement that characterizes the capitalist mode of production, but they are not the movement itself. In order to present the problem of capitalist reproduction in its pure form, it must instead be considered quite apart from this periodic cycle and crises. Strange as this may appear, the method is quite rational; it is indeed the only investigative method that is scientifically viable. In order to present and solve the problem of value in its pure form, price fluctuations must be disregarded. The vulgar economic conception always attempts to solve the problem of value in terms of fluctuations in supply and demand. Classical economists, from Adam Smith to Karl Marx, tackle the problem in the opposite way, pointing out that fluctuations in the reciprocal relation between demand and supply can merely explain deviations of price from value, not value itself. In order to discover the value of a commodity, it must be initially assumed that demand and supply are in a state of equilibrium—i.e. that the price and value of commodities coincide. Thus, the scientific problem of value begins at the very point where supply and demand cease to have an effect. The same is valid for the problem of the reproduction of total social capital in the capitalist economy.[*] The periodic economic cycle and crises have the effect that capitalist reproduction fluctuates as a rule around the level of the total requirements of society that are backed by the ability to pay (the total effective demand of society), sometimes rising above and sometimes falling below this level, contracting occasionally to the point of an almost complete interruption of reproduction. However, if a longer period is considered, spanning a whole cycle with its alternating phases of expansion and contraction, it will be seen that the boom and the crisis—i.e. the most extreme overextension of reproduction and the low-point of its contraction, or its interruption—offset each other, such that an average, a mean volume of reproduction can be worked out for the whole cycle. This average is no mere theoretical construct; it is also a real, objective fact. For in spite of the sharp rises and falls in the course of a cycle, in spite of crises, the needs of society are always more or less satisfied, reproduction continues on its winding course, and there is a continuous development of productive forces. Yet how does this occur, if cycles and crises are disregarded? The real question begins here, and fundamentally, the attempt to solve the problem of reproduction in terms of the periodicity of crises represents just as vulgar an economic approach as the endeavor to solve the problem of value in terms of fluctuations in supply and demand. Nevertheless, it will be seen that, as soon as it has established the problem of reproduction in a halfway conscious manner or at least has some intimation of it, economic theory consistently reveals an unwitting tendency to transform it into the problem of crises, thus barring its own way to a solution. In what follows, capitalist reproduction is always to be understood as the average, or the mean, given over the course of the alternating phases of expansion and contraction within an economic cycle.

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* This sentence was left out of Agnes Schwarzschild's translation of *The Accumulation of Capital*.

Aggregate capitalist production is carried out by an unrestricted and constantly changing number of private producers, who produce independently of one another, without any social control other than the observation of price fluctuations, and without any social connection between them other than the exchange of commodities. How is actual total production constituted out of these innumerable, disconnected movements? If the question is posed this way—and this is the first general form in which the problem presents itself directly—what is overlooked is that the private producers in this case are not simply producers of commodities but *capitalist* producers, and that the total production of society is not simply production for the sake of satisfying social needs *per se*, nor is it simple commodity production; instead it is *capitalist* production. It can now be observed how the problem is altered by these facts.

A producer who produces not only commodities, but also capital, must above all generate surplus value. Surplus value is the capitalist producer's final goal—it is the motive that drives him. The commodities produced must, once they have been realized, cover his expenses and, in addition, yield him a sum of value that does not correspond to any outlay on his part, and that is pure surplus. From the standpoint of this generation of surplus value, the capital advanced by the capitalist is divided into two parts, even if he does not know it himself and despite the nonsense about fixed and circulating capital with which he deludes himself and the world: one part represents his expenses on means of production such as buildings, raw materials, auxiliary materials, and machinery, and the other part is spent on wages. Marx calls this first part, whose value is transferred unchanged to the product through its utilization in the labor process, constant capital; the second part, which leads to an increase in value, to the creation of surplus value through the appropriation of unpaid wage-labor, he terms variable capital. From this standpoint, the value composition of every commodity produced by capitalist production may normally be expressed by the formula: $c + v + s$, where c stands for the value of the constant capital—i.e. the portion of value that is transferred to the commodity corresponding to the consumption of means of production, v stands for the value of the variable capital advanced in the form of wages, and s stands for the surplus value—i.e. the increase in value deriving from the unpaid part of wage-labor. Each of the three components of value are contained together in the concrete form of the produced commodity—in each individual commodity and in the total mass of commodities viewed as a unity, no matter whether the commodities in question are cotton textiles or ballet performances, cast-iron pipes or liberal newspapers. The production of commodities is not an end in itself for the capitalist producers: it is a mere means to the appropriation of surplus value. As long as this surplus value is contained in the form of the commodity, however, it is useless to the capitalist. Once it has been produced, it must be realized, transformed into the pure form of its value—i.e. into money. For this to occur, and for surplus value to be appropriated in the form of money by the capitalist, his total capital expenditures must shed their commodity-form and return to him in the form of money. Only when this has been achieved, when the total mass of commodities has been exchanged for money according to their value, has the aim of production been fulfilled. Just as it previously corresponded to the value-composition of commodities, the formula $c + v + s$ now refers to the quantitative composition of the money that proceeds from the sale of the commodities: one part, c, recompenses the capitalist for his expenditures on the means of production which have been used up; another part, v, covers his expenses on wages; the final part, s, forms the anticipated surplus, the "pure profit" of the capitalist in cash.[2] However, this metamorphosis of capital from its original form, which represents the starting point of all capitalist production, into dead and living means of production (i.e. raw materials, machinery, and labor-power), then from these into commodities through the living labor process, and finally from commodities back into money (in fact into *more* money than at the outset) through the process of exchange—this turnover by capital is not sufficient for the production and appropriation of surplus value. The aim and driving motive of capitalist production is not surplus value *per se*, in whichever amount, but unconfined surplus value, ceaselessly expanding into an ever-larger quantity. This can only be achieved repeatedly through the same magical means: through capitalist production—i.e. through the appropriation of unpaid wage-labor in the process of production of commodities and through the realization of the commodities so produced.

In capitalist society, then, constantly renewed production, or reproduction as a regular phenomenon, is thus driven by a completely new motive, one unknown to any other form of production. In every other form of economy known to history, the determining moments of reproduction are the unremitting consumption requirements of society, whether these are the democratically determined consumption requirements of all the workers taken together in an agrarian communist rural commune or the despotically determined requirements of an antagonistic class society, a slave economy, a feudal estate, or similar. In the capitalist mode of production, the consumption requirements of society have no bearing on the motive driving production by the individual private producer—the only figure relevant here. For him, there is only effective demand, and this only as an indispensable means to the realization of surplus value. The manufacture of products for consumption that satisfy those requirements of society that are backed by the ability to pay—the effective demand in society—is thus in fact a law of necessity for the individual capitalist, just as much as it is a detour from the standpoint of the actual motive: the appropriation of surplus value. Furthermore, it is this motive that drives the continual resumption of reproduction. In capitalist society it is the production of surplus value that transforms the reproduction of life-needs as a whole into a *perpetuum mobile*. Reproduction, for its part, whose starting point in the capitalist mode of production is always capital, and, more precisely, capital in its pure value-form (i.e. in the money-form) can evidently be undertaken only if the products of the preceding period—commodities—have been transformed into their money-form (i.e. if they have been realized). Thus the successful realization of the commodities produced in the preceding period of production appears as the first condition of reproduction for the capitalist producers.

A second important circumstance can now be considered. In a private economic system, it is the individual capitalist who determines the scale of reproduction at his own discretion and as he sees fit. His driving motive, however, is the appropriation of surplus value, or rather, the fastest possible appropriation of surplus value. An acceleration in the appropriation of surplus value is only possible, however, through the expansion of capitalist production, which is what generates surplus value. In terms of surplus value production, a large-scale enterprise enjoys advantages over a small one in every respect. Thus the capitalist mode of production does not merely generate a constant incentive to reproduction in general, but also a drive to continually *expand* reproduction—i.e. to resume production on a greater scale than previously.

This is not the end of the story. The capitalist mode of production does not merely generate the drive to endless expansion of reproduction through the hunger for surplus value of the capitalist, but it also transforms this expansion into a veritable law of necessity, an economic condition of existence for the individual capitalist. Under the rule of competition, the most important weapon of the individual capitalist in the struggle for market share is to cheapen his commodities. However, all lasting methods for reducing the costs of production of commodities—in contrast to those that bring about an additional increase in surplus value through depressing wages or extending labor-time, and that can themselves run into various obstacles—result in an expansion of production. Whether it is a question here of savings on buildings and tools, or the use of more efficient means of production, or the wide-ranging replacement of manual labor by machinery, or the timely exploitation of favorable market conditions for the procurement of cheap raw materials—in all these cases, the large-scale enterprise has advantages over its small- and medium-scale counterparts.

Within very broad limits, these advantages increase in direct proportion to the expansion of the enterprise. Competition itself forces any expansion by some capitalist enterprises to be matched by the others as a condition of their existence. In this way is constituted an unremitting tendency toward reproduction at an ever-increasing scale, endlessly spreading automatically, wavelike, across the entire surface of private production.

For the individual capitalist, the expansion of reproduction is expressed as his transformation of a portion of the appropriated surplus value into capital, such that he *accumulates*. Accumulation, the transformation of surplus value into active capital, is the capitalist expression of expanded reproduction.*

Expanded reproduction is no discovery of capital. On the contrary, it has been the rule throughout history in every form of society that has been characterized by economic and cultural progress. Simple reproduction—the mere constant repetition of the production process on an unaltered scale—is in fact possible, and can be observed over long periods in the history of social development. This is the case in the ancient agrarian communist village communities, for example, in which the increase in population is not met by a gradual expansion of production, but rather by the periodic expulsion of offspring and the founding of equally tiny and self-sufficient offshoot communities. Ancient forms of small-scale handicraft production in India and China provide similar instances in which production is repeated in the same forms and on the same scale as a tradition handed down from one generation to the next. In all these cases, however, simple reproduction is both the source and reliable indication of a general economic and cultural stagnation. None of the decisive progress in production or the great monuments of civilization, such as the great waterworks of the East, the Egyptian pyramids, Roman military roads, Greek arts and sciences, or the development of handicrafts and cities in the Middle Ages would have been possible without expanded reproduction, since only a progressive expansion of production beyond immediate requirements and a constant increase in the population and in its needs form the economic foundation and the social impetus for significant advances by civilization.

In particular, exchange, the concomitant emergence of class society and its historical progress up to the capitalist form of economy, would have been unthinkable without expanded reproduction. In capitalist society, however, expanded reproduction acquires some new characteristics: in the first instance, as has been shown, it becomes a necessary law for the individual capitalist. Simple reproduction, or even reduced reproduction, are in fact not excluded by the capitalist mode of production—indeed they constitute periodic manifestations of crisis after the equally periodic overextension of reproduction in the expansionary phase of the cycle. Nonetheless, the general movement of reproduction (over and above the periodic fluctuations corresponding to the alternating phases of the economic cycle) is in the direction of an endless expansion. For the individual capitalist, the inability to keep pace with this general movement implies elimination from the competitive struggle, and economic death.

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* This paragraph was left out of Schwarzschild's translation of *The Accumulation of Capital*.

There are yet further dimensions to be considered here. In every mode of production based on a purely or predominantly natural economy—in the agrarian communist village community in India, the Roman *villa* with its slave labor, or the medieval feudal estate—expanded reproduction is only related in its concept and its aim to the volume of products, the mass of objects that are produced for consumption. The goal of consumption governs the scale and character of the individual labor process as well as of reproduction in general. Things are different in a capitalist economy. Capitalist production is not production for the purpose of consumption, but the production of value. Value relations govern the entire production process as well as the reproduction process. Capitalist production is not the production of consumer goods, nor is it merely the production of commodities: instead it is the production of surplus value. Expanded reproduction, in capitalist terms, means the extension of surplus value production. Surplus value production does indeed proceed in the form of commodity production, and thus, in the last instance, as the production of consumer goods. During the course of reproduction, however, discrepancies between these two facets are continually caused by variations in the productivity of labor. As productivity increases, the same amount of capital and of surplus value represents a progressively larger volume of consumer goods. The expansion of production in the sense of the production of a larger mass of use-values does not necessarily imply expanded reproduction in the capitalist sense. Conversely, capital may, within certain confines, extract a greater surplus value through an increase in the rate of exploitation (e.g. through depressing wages) without producing a larger volume of goods. However, in both of these cases, the elements of expanded reproduction are produced as capital, since these elements are surplus value both as a magnitude of value and as a quantity of material means of production. As a rule, an increased production of surplus value is brought about by an expansion in capital, which in turn is the result of the process whereby a part of the appropriated surplus value is turned into new capital supplementing the original capital, no matter whether the capitalist surplus value is used for the expansion of the old enterprise or to start up a new one as an independent offshoot. Expanded reproduction in the capitalist sense thus has a specific expression as the growth of capital through the progressive capitalization of surplus value or, to use Marx's term, *the accumulation of capital*. The general formula of expanded reproduction under the rule of capital can be expressed as follows: $(c + v) + s/x + s'$, where s/x stands for the capitalized part of the surplus value appropriated in the earlier period of production, and s' stands for the new surplus value generated by the expanded capital. A part of this new surplus value is itself capitalized. This constant flux between the mutually conditioning processes of surplus value appropriation and the capitalization of surplus value forms the process of expanded reproduction in the capitalist sense.

So far, however, only the general, abstract formula for reproduction has been attained. What follows is a closer examination of the concrete conditions that are necessary for this formula to be realized.

Once it has successfully shed its commodity-form on the market, the appropriated surplus value presents itself as a determinate sum of money. This form is the absolute form of its value, in which it can begin its circuit as capital. At the same time, however, in this form it is only on the cusp of its circuit. Money itself creates no surplus value.

In order that the part of surplus value allocated to accumulation can actually be capitalized, it must assume the concrete form that first allows it to act as productive (i.e. surplus value–generating) capital. Therefore, like the original capital, it, too, must be divided into two parts: a constant part, in which it presents itself as dead means of production; and a variable part, and in which it takes the form of wages. Only then can it instantiate the formula $c + v + s$, following the example of the original capital.

However, neither the capitalist's good intention to accumulate, nor his "thrift" or "abstinence" in allocating the larger part of his surplus value to production rather than squandering it on personal luxuries, are sufficient for this purpose. The concrete forms that he intends to give to his additional capital must also be available to him on the market, i.e. in the first place, precisely those material means of production—raw materials, machinery, etc.—that he requires for the kind of production he has chosen and planned, in order to give the constant part of capital its productive form. Secondly, however, it must also be possible to carry out the transformation of the portion of capital that has been designated as variable capital, and for this, there are two prerequisites. Above all, there must be sufficient additional labor power available on the labor market in order to set the additional capital in motion, and furthermore, since workers cannot live on money, sufficient additional means of subsistence must be available on the commodity market for the newly employed workers to acquire in exchange for the variable part of capital they have received from the capitalist. If all of these preconditions are given, then the capitalist can set his capitalized surplus value in motion in order to generate new surplus value as capital-in-process. However, his task is still not complete. The new capital, including the surplus value that has been generated, is still for the time being contained in the form of a new, additional mass of commodities of whichever kind. In this form, the new capital is still only advanced, and the surplus value it has generated remains in a form that is useless to the capitalist. In order for the new capital to fulfill its vocation, it must slough off its commodity-form and, together with the surplus value it has created, revert to the capitalist in the pure form of value, as money. If this is not successfully completed, then the new capital and the surplus value are completely or partially lost, the capitalization of surplus value is miscarried, and accumulation does not taken place. So that accumulation can actually occur in practice, an absolutely essential requirement is that the additional mass of commodities produced by the new capital win a place on the market for itself, so that it can be realized.

Thus it can be seen that expanded reproduction under capitalist conditions, i.e. as the accumulation of capital, is bound up with a whole series of circumstances peculiar to this form. A closer examination can now proceed. The first condition is that production must generate surplus value, for surplus value is the elementary form that increased production must take in order to be possible at all in a capitalist economy. This condition must be fulfilled in the production process itself, in the relation between capitalist and workers, in the production of commodities. The second condition is the following: so that the surplus value which has been allocated to the expansion of reproduction can be appropriated, it must, after the first condition has been met, first be realized, i.e. transformed into the money-form. This condition leads the investigation to the commodity-market, where the contingencies of exchange determine the subsequent fate of the surplus value, and thus also that of future reproduction. The third condition is that, once the precondition has been fulfilled that the surplus value must be successfully realized, and a part of the realized surplus value has been allocated for the purpose of accumulation, the new capital must first assume its productive form—i.e. the form of dead means of production and labor-power; furthermore, the part of capital exchanged against labor-power must take on the form of means of subsistence for the workers. This condition leads the analysis back to the commodity market and to the labor market. If the necessary requirements are given here, and expanded reproduction of commodities takes place, then the fourth condition arises: the increased mass of commodities in which the new capital, including the new surplus value, presents itself, must be realized—i.e. it must be transformed into money. Only when this transformation has been successfully completed has expanded reproduction in the capitalist sense taken place. This last condition leads once again back to the commodity market.

Thus capitalist reproduction, like production itself, is played out as a constant back and forth between the point of production and the commodity market, between the private office or factory-floor, where "unauthorized access is strictly prohibited," where the sovereign will of the individual capitalist is the highest law, and the commodity market, which is a law unto itself, impervious to will or reason. However, the very arbitrariness and anarchy prevalent in the commodity market make the individual capitalist painfully aware of his dependence on society, on the *ensemble* of its individual producing and consuming members. For the expansion of his reproduction, the individual capitalist requires additional means of production and labor-power along with means of subsistence for the latter, and yet the availability of these depends on moments, circumstances, and processes that occur behind his back, completely independently of him. In order to realize his increased mass of products, he requires a greater market for his wares; however, the actual increase of demand in general, and of demand for his kind of commodity in particular, is something he is completely powerless to determine.

The conditions enumerated here, all of which are expressions of the immanent contradiction between private production and consumption and their social interconnection, are not new moments, only emerging in reproduction. They are rather the general contradictions of capitalist production. However, they present themselves as particular difficulties of the process of reproduction for reasons that can now be elucidated. From the perspective of reproduction, and specifically that of expanded reproduction, the capitalist mode of production does not merely reveal its general fundamental character, but it also appears as a continuous process moving according to a determinate rhythm: what comes to the fore here is the specific way in which the various cogs of its production periods interlock. From this perspective, the general question is *not* how each individual capitalist is able to find the requisite means of production and labor-power available on the market, and how he can sell the commodities he has had produced on the market, when there is a complete absence of social control or planning to harmonize production and demand. The answer to this question is that, on the one hand, the drive of the individual capitals to extract surplus value and the competition between them, along with the automatic effects of capitalist exploitation and capitalist competition, provide for the production of all kinds of commodities, including means of production, and also have the effect that a growing class of proletarianized workers in general lies at the disposal of capital. On the other hand, the unplanned character of these interconnections is expressed in the fact that supply and demand are only brought into line with one another through constant deviations from their equilibrium—through hourly price fluctuations, through periodic alternations between the phases of the economic cycle, and through periodic crises.

From the perspective of reproduction the question is posed differently: how it is possible that the unplanned supply of means of production and labor-power on the market, and the unplanned and incalculably fluctuating market conditions for the sale of commodities, can secure for the individual capitalist his accumulation requirements—i.e. the additional amounts and different types of means of production and labor-power he needs, along with the requisite growth in the market for his commodities, all in the appropriate quantitative ratios? The problem can be stated more precisely. Consider a capitalist whose production is expressed in the previously given formula in the following proportions: $40c + 10v + 10s$, so that the constant capital is four times as large as the variable capital, and the rate of exploitation is 100 percent. The mass of commodities thus represents a value of 60. It will be assumed that the capitalist is in a position to capitalize half of his surplus value, and that he adds this to his original capital according to the same composition of capital. The following production period would then be expressed according to the formula as follows: $44c + 11v + 11s = 66$. It will be further assumed that the capitalist is still in a position to capitalize half of his surplus value, and indeed continues to do so each year. For him to accomplish this, it is essential not only that he find generally available to him means of production, labor-power, and markets for his wares, but also that these be given in the definite proportions that correspond to the progress of his accumulation.

Chapter 2. Analysis of the Process of Reproduction in Quesnay and Adam Smith

Thus far, reproduction has been considered from the standpoint of the individual capitalist, who is its typical representative or agent, for reproduction is indeed undertaken entirely by individual private capitalist enterprises. This consideration has already revealed sufficient difficulties associated with the problem. However, the complications increase and become extraordinarily convoluted, as soon as attention is turned from the individual capitalist to the *ensemble* of capitalists.

Even a cursory glance reveals that capitalist reproduction at the level of society as a whole cannot simply be regarded as the mechanically computed aggregate of all the individual private capitalist processes of reproduction. It has been shown, for instance, that one of the fundamental prerequisites for expanded reproduction by the individual capitalist is a corresponding increase in his opportunities to sell his wares on the commodity markets. Now, as far as the individual capitalist is concerned, this increase does not necessarily have to result from an absolute extension of the market as a whole, but it can be achieved through the competitive struggle at the cost of other individual capitalists, such that the losses incurred by another capitalist or capitalists who have been forced from the market can accrue to him as gains. Through this process, the deficit in reproduction imposed upon one capitalist corresponds to the expanded reproduction of the other. One capitalist will be able to undertake expanded reproduction, whereas the other will not even manage simple reproduction, and at the level of capitalist society as a whole, a local adjustment will merely be registered, but there will be no quantitative change in reproduction. Similarly, expanded reproduction can be set in train by one capitalist using the means of production and labor-power that have been set free by the bankruptcy of other capitalists—i.e. by their total or partial suspension of production.

These everyday occurrences demonstrate that the reproduction of total social capital constitutes something other than the reproduction of the individual capitalist raised to some immeasurable order of magnitude, and that reproduction processes of the individual capitalists in fact continually intersect and can cancel each other out to a greater or lesser degree. Before the mechanism and laws of capitalist reproduction can be examined at the level of total social capital, it is necessary to ask what is meant by the reproduction of total social capital; the question must be raised whether it is even possible at all to construe something like total reproduction from the tangled web constituted by the countless movements of individual capitals, shifting from moment to moment in accordance with uncontrollable and incalculable laws, partly running a parallel course, and partly intersecting and cancelling each other out. Is there any such thing as a total social capital, and if so, to what does this concept correspond in reality? This is the first question that the scientific investigation of the laws of reproduction must pose itself. The founder of the Physiocratic school, Quesnay, who approached the problem with classical fearlessness and simplicity at the dawn of economics and of the bourgeois economic order, merely took for granted the existence of total social capital as a real, active entity. His famous *Tableau économique*,[*] which was first deciphered by Marx, demonstrates the movement of the reproduction of total social capital in a few figures, which Quesnay notes must be considered under the form of commodity exchange—i.e. simultaneously as circulation process.

> Quesnay's *Tableau économique* shows in a few broad lines how the annual result of national production, defined in terms of value, is distributed by circulation in such a way that … simple reproduction can take place … The numberless individual acts of circulation are thereby immediately grouped together in their characteristic social movement as a mass circulation between major economic classes of society that are defined by their functions.[3]

For Quesnay, society consists of three classes: the productive class of agricultural producers; the sterile class, which comprises all activities outside of agriculture (industry, trade, liberal professions); and the class of landowners, including the sovereign and recipients of tithes. The total national product appears as a mass of means of subsistence and raw materials in the hands of the productive class to the value of 5 billion livres. Of this sum, 2 billion represents the annual operating capital of agriculture, 1 billion the annual depreciation of fixed capital, and two billion is the net revenue accruing to the landowners. Apart from this total product, the agricultural producers, who are conceived of here in purely capitalist terms as tenant farmers, have 2 billion livres in cash. Circulation now proceeds such that the class of tenant farmers pays the landowners 2 billion in cash (the result of the previous period of circulation) in rent. With this sum, the class of landowners buys means of subsistence from the tenant farmers for 1 billion and industrial products from the sterile class for the remaining 1 billion. The tenant farmers in turn buy industrial products with the 1 billion that has returned to them, and the sterile class buys agricultural products for the 2 billion they have in hand: raw materials, etc., for 1 billion as replacement for the annual operating capital, and means of subsistence for 1 billion. Thus the money finally returns to its starting point, the class of tenant farmers, the product is divided among all classes, so that consumption is secured for all of them, and at the same time both the productive and the sterile classes have replaced their means of production, and the class of landowners has received its revenue. The preconditions of reproduction are all in place, the conditions of circulation have all been met, and reproduction can begin its regular course.[4]

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* The *Tableau économique* (The Economic Table) was first published in France in a private edition in 1758. In 1759 Victor de Riqueti, Marquis de Mirabeau reprinted Quesnay's revised version of the *Tableau* in his *L'Ami des Homines*. In June 1766 Quesnay published an amended version of the *Tableau* in the *Journal de l'agriculture, du commerce et des finances* along with his *Analyse de la Formule Arithmétique du Table Économique de la Distribution des Dépenses Annuelles d'une Nation Agricole*. In the text Luxemburg refers to this 1766 version. Quesnay's study is considered the first systematic treatment of economic reproduction. For an English translation of the 1758 and 1759 editions of the work, see *Tableau économique*, edited by Marguerite Kuczynski and Ronald Meek (London: Macmillan, 1972).

It will be shown in the further course of this investigation how deficient and primitive this presentation is, despite the ingenuity of its conception. In any case, the point here is to highlight that Quesnay, at the threshold of economic science, did not entertain the slightest doubt as to the viability of an exposition of total social capital and its reproduction. It is only with Adam Smith that a more profound analysis of the relations of capital is undertaken, blurring the clear and sweeping outlines of the Physiocratic conception. Smith overturned the whole foundation of the scientific exposition of the capitalist process as a whole when he established the erroneous analysis of prices that dominated bourgeois economics for a long time after him. According to Smith's theory, although the value of commodities represents the amount of labor expended upon them, their price is at the same time only composed of three components: wages, profit on capital, and ground rent. Since this must obviously apply to commodity production as a whole, i.e. to the national product, this amounts to the baffling discovery that the value of capitalist commodity production as a whole specifically represents, and can thus replace, all wages paid and profits of capital along with rents—i.e. total surplus value—but that no portion of the value of the mass of commodities produced corresponds to the constant capital used in their production. According to Smith, $v + s$ is the formula expressing the value of the capitalist total social product. He illustrates his view using the example of corn as follows:

> These three parts (wages, profit, and rent) seem either immediately or ultimately to make up the whole price of corn. A fourth part, it may perhaps be thought, is necessary for replacing the stock of the farmer, or for compensating the wear and tear of his laboring cattle, and other instruments of husbandry. But it must be considered that the price of any instrument of husbandry, such as a laboring horse, is itself made up of the same three parts: the rent of the land upon which he is reared, the labor of tending and rearing him, and the profits of the farmer who advances both the rent of this land and the wages of this labor. Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the whole price still resolves itself either immediately or ultimately into the same three parts of rent, of labor, and profit.[5]

Sending the inquirer from pillar to post in this manner, as Marx puts it,[*] Smith constantly resolves constant capital into $v + s$. Admittedly, Smith has occasional doubts and reverts to the opposite point of view from time to time. In the second book, he states the following:

> It has been shown in the first book, that the price of the greater part of commodities resolves itself into three parts, of which one pays the wages of the labor, another the profits of the stock, and a third the rent of the land which had been employed in producing and bringing them to market … Since this is the case … with regard to every particular commodity, taken separately; it must be so with regard to all the commodities that compose the whole annual produce of the land and labor of every country, taken completely. The whole price or exchangeable value of that annual produce must resolve itself into the same three parts, and be parcelled out among the different inhabitants of the country, either as the wages of their labor, the profits of their stock, or the rent of their land.[6]

Here Smith breaks off, and immediately proceeds to give the following explanation:

> The gross rent of a private estate comprehends whatever is paid by the farmer; the neat rent, what remains free to the landlord after deducting the expense of management, of repairs, and all other necessary charges; or what without hurting his estate, he can afford to place in his stock reserved for immediate consumption, or to spend upon his table, equipage, the ornaments of his house and furniture, his private enjoyments and amusements. His real wealth is in proportion, not to his gross, but to his net rent.

> The gross revenue of all the inhabitants of a great country comprehends the whole annual produce of their land and labor; the neat revenue, what remains free to them, after deducting the expense of maintaining, first their fixed, and, secondly, their circulating capital, or what, without encroaching upon their capital, they can place in their stock reserved for immediate consumption, or spend upon their subsistence, conveniences, and amusements. Their real wealth too is in proportion, not to their gross, but to their neat revenue.[7]

* See Marx's *Capital*, Vol. 1, p. 737.

Smith thus introduces a portion of the value of the total product corresponding to constant capital, only to eliminate it the very next instant by resolving it into wages, profits, and rents. So the matter finally rests, as the following explanation shows:

> As the machines and instruments of trade, etc. which compose the fixed capital either of an individual or of a society, make no part either of the gross or the neat revenue of either, so money, by means of which the whole revenue of the society is regularly distributed among all its different members, makes itself no part of that revenue.[8]

Constant capital, which Smith calls fixed capital, is thus placed on the same level as money and does not enter into the total social product ("gross revenue") at all—it does not even exist as a portion of the value of the total product!

Since where there is nothing, even a king loses his right,[*] it is evident that only wages (*v*) and surplus value (*s*) can be realized from the mutual exchange of the total product with such a composition; constant capital can in no way be replaced, and further continuation of reproduction proves impossible. Smith indeed knew well enough—and it did not occur to him to deny it—that each individual capitalist requires constant capital in addition to a wage fund—i.e. variable capital—in order to run his business. However, constant capital mysteriously disappears without trace from total capitalist production in the above analysis of the price of commodities, such that the problem of the reproduction of total social capital is misconceived from the outset. It is clear that if the most elementary presupposition of the problem—the exposition of total social capital—was fatally flawed, then the whole analysis was bound to fail. Smith's erroneous theory was taken up by [David] Ricardo, [Jean-Baptiste] Say, Sismondi, and others, all of whom tripped up on this basic difficulty of the exposition of total social capital in their considerations of the problem of reproduction.

There was, at the very inception of scientific analysis, another problem bound up with the one presented above. This new problem can be simply formulated in the following question: what is total social capital? In the case of the individual capitalist, it is clear that his capital consists of the expenditures of his enterprise. Presupposing capitalist production (i.e. wage-labor), the value of the product of his enterprise yields him an excess over and above his expenses (i.e. surplus value), which does not serve to replace his capital, but which constitutes his net revenue that he can consume in its entirety without impinging upon his capital: this is his consumption fund. It is true that the capitalist can "save" some of this net revenue by declining to consume it himself, adding it instead to his capital. However, this is a different matter, a new process: this is the formation of a new capital, which is also replaced by ensuing reproduction along with a surplus. In any case, the capital of an individual always consists of the outlays he must make in order for production by his enterprise to occur, and his revenue is that which he consumes, or can consume, as his consumption fund. If any given capitalist is asked what are the wages that he pays his workers, he will answer that they are obviously part of his operating capital. However, if the question is posed what these wages are for the workers who receive them, then the answer cannot be that they are capital: for the workers, the wages they receive are not capital, but revenue or consumption fund. To take another example: a manufacturer of machinery produces machines in his factory; his product is a certain number of machines annually. However, this annual product, or its value, contains both the capital advanced by the manufacturer as well as the net revenue yielded. A part of the machines manufactured thus represents the revenue of the manufacturer, and it is predetermined to form this revenue in the subsequent process of circulation, through exchange. Whoever buys the machines from the manufacturer, however, obviously does not purchase them as revenue—he does not buy them in order to consume them—but to use them as means of production; for the latter, these machines are capital.

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* This is an old French proverb.

Through these examples the following result is obtained: what is capital for one capitalist is revenue for the other, and vice versa. How can any such thing as total social capital be constructed in these circumstances? Indeed, nearly every economic scientist up to Marx concluded that there is no such thing as a total social capital.[9] Smith vacillates and contradicts himself on this question, as does Ricardo. However, a certain Say makes the following categorical statement:

> It is in this way that the *total* value of products is distributed among the members of the community; I say, the *total* value because such part of the whole value produced, as does not go to one of the consuming producers, is received by the rest. The clothier buys wool of the farmer, pays his workmen in every department, and sells the cloth, the result of their united exertion, at a price that reimburses all his advances, and affords himself a profit. He never reckons as profit, or as the revenue of his own industry, anything more than the *net* surplus, after deducting all charges and outgoings; but those outgoings are merely an advance of their respective revenues to the previous producers, which are refunded by the *gross* value of the cloth. The price paid to the farmer for his wool is the compound of the several revenues of the cultivator, the shepherd and the landlord. Although the farmer reckons as *net* produce only the surplus remaining after payment of his landlord and his servants in husbandry, yet to them these payments are items of revenue—rent to the one and wages to the other—to the one, the revenue of the land, to the other, the revenue of his industry. The aggregate of all these is defrayed out of the value of the cloth, the whole of which forms the revenue of some one or other, and is entirely absorbed in that way.
>
> Whence it appears that the term *net* produce applies only to the individual revenue of each separate producer or adventurer in industry, but that the aggregate of individual revenue, the total revenue of the community, is equal to the *gross* produce of its land, capital, and industry, which entirely subverts the system of the economists of the last century, who considered nothing but the net produce of the land as farming revenue, and therefore concluded, that this net produce was all that the community had to consume; instead of closing with the obvious inference, that the whole of what had been created, may also be consumed by mankind.[10]

Say grounds this theory in his own, characteristic way. Whereas Smith seeks to provide a proof by referring each private capital to its place of production, in order to resolve it into a product of labor, but takes each product of labor in strictly capitalist terms to be a sum of paid and unpaid labor, or $v + s$, and thus comes to resolve the total social product into $v + s$, the sure-handed Say naturally rushes to “correct” these classical errors, but so doing, converts them into ordinary vulgarisms. Say’s proof rests upon the fact that, in each phase of production, the entrepreneur *pays* other people, the representatives of earlier phases of production, for means of production (which form capital *for him*), and that these people, for their part, pocket this payment as their own revenue, which partly constitutes a reimbursement for the capital advanced by them, thus providing yet another set of people with their revenue. Say converts Smith's endless chain of labor processes into an equally endless chain of reciprocal advances on revenue and their reimbursement from sales; the worker appears here on an equal footing with the entrepreneur: his revenue is "advanced" in the form of the wage, and he in turn repays it with the labor he performs. Thus the final value of the total social product presents itself as a sum of nothing but "advanced" revenues, and it goes entirely into replacing these through the exchange process. It is symptomatic of Say's superficiality that he demonstrates the social interconnections of capitalist reproduction through the example of watchmaking—a branch of production that was at the time (and partly remains today) purely based on handicrafts, in which the "workers" also figure as small entrepreneurs and the process of the production of surplus value is masked by the countless successive acts of exchange characteristic of simple commodity production.

In this way, Say gives the coarsest expression to the confusion set in train by Smith: the total mass of products manufactured annually in society as a whole is resolved in terms of its value into nothing but revenue; it is thus also consumed entirely in that same year. Thus it remains a riddle how production is renewed without capital, without means of production; capitalist reproduction appears an insoluble problem.

A comparison of the varying approaches to the problem of reproduction from the Physiocrats to Smith reveals unmistakably that progress was made in some regards, at the same time as there was regression in others. Characteristic of the Physiocrats' economic system was their assumption that agriculture alone produces a surplus—i.e. surplus value—and that agricultural labor is thus the only labor that is productive in a capitalist sense. Accordingly, the *Tableau économique* shows that the "sterile" class of manufacturing workers only creates value to the extent that it consumes raw materials and means of subsistence—i.e. to the value of 2 billion. At the same time, one half of all of the manufactured commodities goes in exchange to the class of tenant farmers, and the other half to the class of landowners, while the manufacturing class does not consume its own products at all. Thus the manufacturing class only reproduces the circulating capital used up in the value of its commodities, and a revenue for the class of entrepreneurs is not produced here at all. The only revenue of society over and above all capital expenditures that enters into circulation is produced in agriculture and is consumed by the landowning class in the form of ground rent, while the class of tenant farmers also only replaces its capital: 1 billion in interest from fixed capital and 2 billion in circulating operating capital, which together materially consists in two-thirds raw materials and means of subsistence, and one-third manufactured products. Furthermore, it is striking that it is only in the case of agriculture that Quesnay assumes the existence of fixed capital, which he calls "*avances primitives*," in contrast to "*avances annuelles*."* According to the latter, manufacturing is undertaken without any fixed capital, and with only annually circulating operating capital, and thus produces no part of the value of its annual mass of commodities that corresponds to the replacement of wear and tear on fixed capital (such as buildings, tools, etc.).[11]

* *Avances primitives* can be variously translated as "original advances," "original outlays," "original expenditures," or "original investment"; similarly, *avances annuelles* can be rendered as "annual advances," "annual outlays," "annual expenditures," or "annual investment."

† Although Luxemburg often refers to the "English classical school," many of the classical political economists, such as Smith and Adam Ferguson, were Scottish.

In contrast with these obvious flaws, the British classical school† makes a decisive advance with the statement that *every* kind of labor is productive, i.e. with the discovery of the creation of surplus value in manufacturing as well as in agriculture. The British classical school is referred to here, because Smith himself, alongside his clear and decisive statements to this effect, is occasionally content to lapse back into the Physiocratic conception; it is only with Ricardo that the labor theory of value is developed as fully and as coherently as is possible within the confines of the bourgeois conception. The result is that, in terms of total social production, all capital investment is held to produce a surplus, a net revenue —i.e. surplus value—in the manufacturing sector just as much as in agriculture.[12] On the other hand, Smith was led by his discovery of the productive, surplus value–creating character of *every* type of labor, in manufacturing and agriculture alike, to the conclusion that agricultural labor must produce a surplus for the class of tenant farmers over their total capital expenditures beyond the ground rent accruing to the landowning class. This was the origin of the conception of an annual revenue of the class of tenant farmers in addition to the replacement of their capital.[13] Through his systematic elaboration under the rubrics of fixed and circulating capital of the concepts of "*avances primitives*" and "*avances annuelles*" introduced by Quesnay, Smith clarified, among other things, that the manufacturing sector of social production requires a fixed as well as a circulating capital just as much as agriculture does, and consequently also a corresponding portion of value to replace the wear and tear on this fixed capital. Smith was thus well on the way to restoring order to the concepts of total social capital and revenue, and to developing a precise exposition of them. The following formulation marks the highpoint of clarity that he achieved in this regard:

> Though the whole annual produce of the land and labor of every country is, no doubt, ultimately destined for supplying the consumption of its inhabitants and for procuring a revenue to them, yet when it first comes either from the ground or from the hands of the productive laborer, it naturally divides itself into two parts. One of them, and frequently the largest, is, in the first place, destined for replacing a capital, or for renewing the provisions, materials, and finished work, which had been withdrawn from a capital; the other for constituting a revenue either to the owner of this capital, as the profit of his stock, or to some other person; as the rent of his land.[14]
>
> The gross revenue of all the inhabitants of a great country comprehends the whole annual produce of their land and labor; the neat revenue, what remains free to them after deducting the expense of maintaining, first, their fixed, and secondly, their circulating capital; or what, without encroaching upon their capital, they can place in their stock reserved for immediate consumption, or spend upon their subsistence, conveniences, and amusements. Their real wealth too is in proportion, not to their gross, but to their neat revenue.[15]

Here the concepts of total social capital and revenue are grasped more generally and rigorously than in the *Tableau économique*: total social revenue is released from its one-sided association with agriculture, and capital in both its forms, fixed and circulating, is understood more broadly as the foundation of total social production. Instead of the misleading differentiation between the two sectors of production, agriculture and manufacturing, other categories of a functional significance are foregrounded: Smith now differentiates between capital and revenue, and makes the further distinction between fixed and circulating capital. He proceeds from this basis to an analysis of the reciprocal relationship between these categories and of their transformations during the course of their social movement in production and reproduction—i.e. in the reproduction process at the total social level. Here he highlights a radical difference between fixed and circulating capital from the standpoint of society as a whole:

> The whole expense of maintaining the fixed capital must evidently be excluded from the neat revenue of the society. Neither the materials necessary for supporting their useful machines and instruments of trade, their profitable buildings, etc., nor the produce of the labor necessary for fashioning those materials into the proper form, can ever make any part of it. The price of that labor may indeed make a part of it, as the workmen so employed may place the whole value of their wages in their stock reserved for immediate consumption. But in other sorts of labor, both the price and the produce go to this stock, the price to that of the workmen, the produce to that of other people whose subsistence, convenience, and amusements are augmented by the labor of those workmen.[16]

At this juncture, then, Smith strikes upon the important distinction between workers producing means of production, and those producing means of consumption. With regard to the former, he remarks that the component of value that they create as a replacement for their wages is produced in the form of means of production (such as raw materials, machines, etc.)—i.e. that in this instance, the part of the product that is determined as their revenue exists in a natural form that cannot be consumed. As for the latter category of workers, Smith notes that here, conversely, the whole product appears in the form of consumer goods—i.e. both the part of value contained within it that replaces the wages (the revenue) of the workers, and the remaining part (Smith does not state so explicitly, but according to his reasoning, his conclusion should read: "and also the part that represents fixed capital"). It will be seen below how close Smith comes here to the pivotal point of Marx's own analysis of the problem. However, Smith does not pursue the fundamental question beyond his general conclusion that, in any case, the portion of value that is determined as being for the maintenance and replacement of fixed capital cannot be reckoned as net revenue at the total social level.

The position is different in the case of circulating capital:

> But though the whole expenses of maintaining the fixed capital is thus necessarily excluded from the neat revenue of the society, it is not the same case with that of maintaining the circulating capital. Of the four parts of which this latter capital is composed, money, provisions, materials, and finished work, the three last, it has already been observed, are regularly withdrawn from it and placed either in the fixed capital of the society, or in their stock reserved for immediate consumption. Whatever portion of those consumable goods is not employed in maintaining the former, goes all to the latter, and makes a part of the neat revenue of the society, besides what is necessary for maintaining the fixed capital.[17]

Here it is apparent that Smith simply throws everything in together into the category of circulating capital, apart from the fixed capital already employed—i.e. both means of subsistence, raw materials, and also the whole commodity capital that has not yet been realized (thus partly the same means of subsistence and raw materials once again and partly the commodities that correspond to the replacement of fixed capital according to their natural form). He thus renders the concept of circulating capital ambiguous and blurred. However, in the midst of this confusion, Smith also provides a further important distinction:

> The circulating capital of a society is in this respect different from that of an individual. That of an individual is totally excluded from making any part of his neat revenue, which must consist altogether in his profits. But though the circulating capital of every individual makes a part of that of the society to which he belongs, it is not upon that account totally excluded from making a part likewise of their neat revenues.[18]

Smith elaborates with the following example:

> Though the whole goods in a merchant's shop must by no means be placed in his own stock reserved for immediate consumption, they may in that of other people, who, from a revenue derived from other funds, may regularly replace their value to him, together with its profits, without occasioning any diminution either of his capital or theirs.[19]

Here Smith has established fundamental categories in relation to the reproduction and movement of total social capital: fixed and circulating capital; private and total social capital; private and total social revenue; means of production and means of consumption—these are all identified here as significant categories, and the ways in which they actually, objectively intersect with one another are partly indicated, even though they are partly submerged by the subjective theoretical contradictions of Smith's analysis. The concise, rigorous and classically transparent schema of the Physiocrats is dissolved here into a tangled mass of concepts and relations that at first sight appear chaotic. From this chaos, however, the interrelations within the social process of reproduction already begin to emerge. Smith grasps them in a way that is deeper, more modern and more vital than is the case in Quesnay; yet these interrelations remain trapped in the chaos, inchoate like Michelangelo's slave in the block of unhewn marble.[*]

The above is one illustration of the problem that Smith provided. He simultaneously approached it from a completely different angle, however: the analysis of value. His theory of the value-creating character of all labor, his strict differentiation of all labor within a capitalist economy into paid labor (replacing the wage) and unpaid labor (creating surplus value) and finally his rigorous division of surplus value into its two main categories of profit and ground rent all represented advances beyond the Physiocrats. Yet these very theoretical advances led Smith to the remarkable assertion that the price of each commodity consists of wages + profit + ground rent, or more concisely, in Marx's expression, $v + s$. It followed from this that the total annual production of commodities by society could also be divided without remainder in terms of their total value into these two parts: wages and surplus value. Here the category of capital has suddenly completely disappeared: society produces nothing but revenue, nothing but articles of consumption, which are also completely consumed by society. Reproduction without capital has become an enigma, and the analysis of the problem as a whole has taken a huge step backwards, behind even the Physiocrats.

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* Michelangelo produced six sculptures of slaves for the Basilica of St. Peter between 1513 and 1533. Several of them are unfinished, giving the impression that the figures are trying to free themselves from the marble.

Smith's successors took up his twofold theory from precisely the wrong angle. While his important first approximations of an exact exposition of the problem in Book 2 [of the *Wealth of Nations*] remained untouched until Marx, the basically flawed price analysis that he made in Book 1 was held up by most of his successors as a valuable legacy and either accepted without question, as with Ricardo, or rigidified into a flat dogma, as with Say. Where Smith's doubts are fertile and his contradictions suggestive, Say proceeds with all the arrogance and presumption of a vulgar intellect. Smith's observation that what is capital for one person might be revenue for another is taken by Say as grounds to declare that any distinction between capital and revenue at the level of society as a whole is absurd. By contrast, the absurd proposition that the total value of annual production is resolved into revenue alone and is consumed is raised by Say to a dogma of absolute validity. Since society consumes its total product each year without remainder, social reproduction is transformed into an annual repetition of the biblical miracle of creation.

The problem of reproduction remained in this state until the time of Karl Marx.

Chapter 3. The Critique of Smith's Analysis

The results afforded by Smith's analysis can now be recapitulated:

1. There is a total social fixed capital, but no part of it enters into net revenue. This fixed capital consists in "the materials necessary for supporting their useful machines and instruments of trade" and "the produce of labor necessary for fashioning those materials into the proper form."[20] By explicitly differentiating the production of this fixed capital from the production of direct means of subsistence, Smith effectively transforms fixed capital into what Marx calls constant capital, i.e. the component of capital that consists in all material means of production, as opposed to labor-power.
2. There is a total social circulating capital. However, after eliminating the "fixed" (i.e. constant) part of capital, only the category of means of subsistence remains; the latter does not form part of total social capital, but rather a net revenue or consumption fund.
3. The capital and net revenue of individuals do not strictly correspond to capital and net revenue at the level of society as a whole. What is merely fixed (i.e. constant) capital at the level of society as a whole may not be capital for individuals, but rather revenue or a consumption fund, i.e. in those components of the value of fixed capital that represent wages for workers and profits for capitalists. Conversely, the circulating capital of individuals may not be capital at the level of society as a whole, but rather revenue, namely insofar as it takes the form of means of subsistence.
4. The value of the annual total social product does not contain a single atom of capital, but resolves entirely into three types of revenue: wages for labor, profits on capital, and ground rents.

Anyone attempting to compose a picture of the annual reproduction of total social capital and its mechanism from the fragments of thought cited here would soon despair of the task. Ultimately, the above would seem infinitely removed from furnishing a solution to the problem of how the total social capital is renewed each year, how the consumption of all individuals is completely provided for by revenue, and how individuals can simultaneously take the standpoint of capital and revenue. However, it is necessary to gain an overview of the whole confusion of ideas and the plethora of contradictory points of view represented here in order to appreciate Marx's elucidation of the problem.

Smith's last thesis, which was sufficient to ensure the failure of classical economics in its attempt to tackle the problem of reproduction, can be considered first. Smith's bizarre notion that the value of the total social product resolves without remainder into wages, profits, and ground rents has its roots precisely in his scientific conception of the theory of value. Labor is the source of all value. Considered as values, commodities are products of labor and nothing else. However, as wage-labor, all labor performed simultaneously replaces the wages advanced and creates a surplus of unpaid labor as profit for the capitalist and rent for the landowner (this identification of human labor with capitalist wage-labor is precisely the classical element in Smith). What is true for each individual commodity must be true for all commodities taken together as a whole. As a quantum of value, the total mass of commodities produced annually by society is nothing but the product of labor, and more precisely both paid and unpaid labor, and it likewise is composed only of wages, profits, and rents. It is of course true that for all labor, raw materials, tools, etc., must also be taken into consideration. However, what are these raw materials and tools themselves if not products of labor, and indeed partly paid and partly unpaid labor, in turn? No matter how far back the sequence is traced, nor how much it is twisted and turned, still nothing in the value or the price of all commodities will be discovered that is not simply human labor. Yet all labor can be divided into a part that replaces wages, and another that goes to capitalists and landowners. For Smith, there is nothing but wages and profits—and yet there is also capital, the capital of individuals and capital at the level of society as a whole. What, then, is the solution to this blatant contradiction?

That this posed an extremely difficult theoretical problem is demonstrated by the extent to which Marx himself burrowed deep into the matter without at first making any progress or finding a way out; these attempts can be retraced in *Theories of Surplus Value*.[21] However, he did finally manage to provide a brilliant solution, and this came precisely on the basis of his theory of value. Smith was perfectly right: the value of each individual commodity, and of the total production of commodities, represents nothing other than labor. Furthermore, he was right when he stated that, from the capitalist point of view, all labor can be divided into paid labor (which replaces wages) and unpaid labor (which accrues to the various classes of owners of the means of production). However, he forgot (or rather he overlooked) the fact that labor, alongside its characteristic of creating new value, has also the attribute of transferring the old value contained in the means of production to the commodities newly produced with the latter. A baker's ten-hour working day cannot produce more value than a ten-hour working day, and from the capitalist point of view these ten hours can be divided into paid and unpaid time—i.e. into $v + s$. However, the commodities produced in these ten hours will represent more value than that corresponding to the ten hours of labor. They will also contain the value of the flour, the ovens used, the buildings where labor is performed,* the fuel, etc.—in short, the value of all the means of production required for baking. The value of the commodities resolves into $v + s$ alone under one condition alone, namely that humans work in midair, without raw materials, tools, or workshop. Since all material labor presupposes some means of production, which themselves are the result of past labor, then it must transfer this past labor—i.e. the value created by it—to the new product.

* In the case of the elements of constant capital (buildings, machinery, etc.) that are not consumed by the labor process in a given production period, this is true to the extent that these are worn out by it.

At issue here is not a process that only occurs in capitalist production; rather, these are the universal foundations of human labor, independent of the historical form of society. The employment of self-made tools of labor is the fundamental hallmark of human civilized society. The concept of past labor, which precedes all new labor and prepares the basis on which it can operate, is an expression of the relationship between humankind and nature that characterizes the history of civilization—it expresses the endless, interlocking chain of labors performed in human society, whose beginnings are lost in the grey mists of the evolution of humans as social beings, and whose end can only be brought about with the demise of human civilization itself. All human labor must thus be conceived of as being carried out with the use of means of labor that are in turn the product of previous labor. Thus each new product contains not only the new labor that gives it its final form, but also the past labor that provides its materials and tools of labor, etc. In value production—i.e. in commodity production, of which capitalist production is a form—this phenomenon does not disappear, it is merely given a specific expression. It is expressed in the dual character of commodity-producing labor, which, *qua* concrete, useful labor, produces the useful object, the use-value, on the one hand, and *qua* abstract, universal, socially necessary labor, creates value on the other. In the first of these capacities it does what human labor has always done: it transfers the past labor contained in the means of production that are used to the new product, the only difference being that this past labor also appears as value, as old value. In its second capacity it creates new value, which from the capitalist point of view resolves itself into paid and unpaid labor—i.e. into $v + s$. The value of each commodity must therefore contain both old value, transferred by labor in its quality as concrete, useful labor from the means of production to the commodity, and new value, which labor creates through its mere expenditure, through its duration, due to its quality as socially necessary labor.

Smith was unable to make this distinction, because he did not differentiate between the dual characteristics of value-producing labor, and Marx claims on one occasion to have discovered in this fundamental error in Smith's value-theory the ultimate source of the latter's bizarre doctrine that the entire mass of values produced resolves without remainder into $v + s$.[22] The failure to distinguish between the two dimensions of commodity-producing labor—concrete, useful labor on the one hand, and abstract, socially necessary labor on the other—indeed forms one of the most prominent hallmarks not only of Smith's value-theory, but of that of the entire classical school.

Untroubled by any social repercussions, classical economics recognized human labor as the sole value-creating factor and elaborated this theory to the degree of clarity that is to be found in Ricardo's exposition. The fundamental distinction between the Ricardian and the Marxian labor theory of value—a distinction that was not only overlooked by bourgeois economists, but was also mostly disregarded in popularizations of the

Marxian doctrine—is that Ricardo, according to his universal natural law–based conception of the bourgeois economy, holds value creation also to be a natural property of human labor, and thus of the individual, concrete labor of the single individual.

Such a conception is expressed even more crassly by Smith, who indeed states directly, for example, that the "propensity to exchange" is a specific trait of human nature, having failed to find it in animals such as dogs, etc.

Incidentally, although Smith doubts the existence of a "propensity to exchange" in animals, he attributes the same value-creating quality to the labor of animals as he does to human labor on those occasions when he lapses back into the Physiocratic conception:

> No equal capital puts into motion a greater quantity of productive labor than that of the farmer. Not any of his laboring servants, but his laboring cattle, are productive laborers …
>
> The laborers and laboring cattle, therefore, employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital that employs them, together with its owner's profits, but of a much greater value: Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord.[23]

This represents the most graphic expression of Smith's view that value creation is a direct physiological characteristic of labor as a manifestation of the animal organism of humans: just as the spider spins its web from its own body, so the laboring human being—*the* laboring human being per se, every human being who produces useful objects—creates value, since he is by birth a producer of commodities; just as human society rests by nature on exchange, so the commodity economy is the normal form of human economy.

It was Marx who first recognized that value is a particular social relation emerging under determinate historical conditions, and who was thus able to distinguish the two dimensions of commodity-producing labor: concrete, individual labor and undifferentiated social labor; it was through this distinction that the solution to the riddle of money first became apparent, as if suddenly illuminated by a spotlight.

In order to differentiate the twofold character of labor and to distinguish the laboring human being from the value-creating producer of commodities *statically*, within the bourgeois economy, Marx had first to differentiate the producer of commodities from the laboring human being *per se dynamically*, in the temporal sequence of history—i.e. he had to identify commodity production merely as a determinate historical form of social production. In order to decipher the hieroglyphics of the capitalist economy, Marx had, in a word, to adopt a method of inquiry diametrically opposed to the deduction of classical political economy—i.e. he was obliged to counter the belief that the *bourgeois* mode of production is human and normal with the insight into its historical transience, and it was necessary for him to invert the metaphysical deduction of the classical economists into its opposite, the dialectical deduction.[*]

It is evident from this that it was impossible for Smith to establish the clear differentiation between the two aspects of value-creating labor, such that it both transfers the old value of the means of production to the new product and simultaneously creates new value. Moreover, the latter's thesis that total value resolves into $v + s$ would seem to flow from another source. It cannot be assumed that Smith overlooked the fact that every commodity produced contains not only the value created in its immediate production, but also the value of all the means of production used up in its production. The very fact that he continually refers back from one stage of production to a previous one, sending the inquirer from pillar to post, as Marx puts it,[†] in order to resolve the total social value into $v + s$, demonstrates that he himself was well aware of the fact. Bizarrely, however, he continually resolves the old value of the means of production into $v + s$ in turn, such that $v + s$ accounts for the whole of the value contained in the commodity.

Thus, in the above-cited passage on the price of corn, Smith states the following:

> In the price of corn, for example, one part pays the rent of the landlord, another pays the wages of maintenance of the laborers and laboring cattle employed in producing it, and the third pays the profit of the farmer. These three parts (wages, profit, and rent) seem either immediately or ultimately to make up the whole price of corn. A fourth part, it may perhaps be thought, is necessary for replacing the stock of the farmer, or for compensating the wear and tear of his laboring cattle and other instruments of husbandry. But it must be considered that the price of any instrument of husbandry, such as a laboring horse, is itself made up of the same three parts: the rent of the land upon which he is reared, the labor of tending and rearing him, and the profits of the farmer who advances both the rent of this land and the wages of this labor. Though the price of the corn, therefore, may pay the price as well as the maintenance of the horse, the whole price still resolves itself either immediately or ultimately into the same three parts of rent, of labor, and profit.[24]

* For more on Luxemburg's view of the category of the "dual character of labor," see "Back to Adam Smith!" in *The Complete Works of Rosa Luxemburg*, Vol. I, pp. 79–88.

† Marx's *Capital*, Vol. 1, p. 737.

It would appear that Smith's confusion consists in the following:

> 1. All labor is carried out with means of production of some kind or other. However, that which is means of production in relation to a given labor (raw materials, tools, etc.), is itself the product of previous labor. For the baker, flour is a means of production, to which he adds new labor. However, the flour itself has been produced by the labor of the miller, for whom it was not a means of production, but a product, just like the bakery products are now. As a product, flour in turn presupposes grain as a means of production, and going back a further stage, the grain was not a means of production for the farmer, but rather his product. It is impossible to find any means of production containing value that is not itself the product of some previous labor.
>
> 2. In capitalist terms, it follows from this that all capital completely used up in the production of any commodity can ultimately be resolved into a certain quantum of labor performed.
>
> 3. The total value of the commodity, including all capital advanced, is thus simply resolved into a certain quantum of labor. Further, what is true for every commodity must also be true for the total mass of commodities produced annually by society: its total value resolves into a quantum of labor performed.
>
> 4. All labor performed in the capitalist mode of production can be divided into two parts: paid labor, which replaces wages, and unpaid labor, which generates profits and rents—i.e. surplus value. All labor carried out in the capitalist mode of production corresponds to the formula $v + s$.[25]

All of the above theses are completely correct and incontrovertible. Their elaboration by Smith is proof of the rigor and undeviating character of his scientific analysis, and of the fact that his conception of value and surplus value represents an advance beyond the Physiocrats. Yet he casually commits a gross error in his reasoning in the third thesis in stating that the total value of the annually produced mass of commodities can be resolved into the quantum of labor performed in that year, whereas he himself shows in other places that he is very well aware that the value of commodities produced by a nation in any one year also necessarily includes the labor of previous years—i.e. the labor comprised in the means of production that have been retained from this time.

Even if the above four theses are completely correct in themselves, the conclusion Smith draws from them, that the total value of every commodity and that of the annual mass of commodities produced by society resolves without remainder into $v + s$, is completely false. Smith identifies the correct thesis that the whole value of a commodity represents nothing other than social labor with the false one that all value represents nothing other than $v + s$. The formula $v + s$ expresses the function of living labor under capitalist economic relations—i.e. it expresses the following double function: (1) the replacement of variable capital (wages); (2) the creation of surplus value for the capitalist. Wage-labor fulfills this function while it is employed by the capitalist, who both retrieves the variable capital he has advanced in the form of wages and pockets the surplus value. The formula $v + s$ thus expresses the relation between wage-laborer and capitalist, a relation that is concluded each time with the production of the commodity. When the commodity is sold, and the relation $v + s$ is realized in money for the capitalist, the relation is extinguished and leaves no trace upon the commodity itself. In no way can it be seen from the commodity and its value in which relation, or whether at all, its value has been produced by paid and unpaid labor; only one fact is beyond doubt, which is the circumstance that the commodity contains a certain quantum of socially necessary labor that is expressed in its exchange. It is as much a matter of complete indifference for exchange itself as it is for the use of the commodity whether the labor that it represents can be divided into $v + s$ or not. In relation to exchange, all that counts is its value-magnitude, whereas in relation to its use, it is only its concrete constitution, its usefulness that matters. The formula $v + s$ merely expresses the intimate relationship between capital and labor, as it were, the social function of wage-labor, which is completely extinguished in the product. It is different with the part of capital advanced that has been invested in means of production—i.e. constant capital. Apart from wage-labor, the capitalist must procure means of production, since all labor requires certain raw materials, tools, buildings, etc., for it to be carried out. The capitalist character of this condition of production is manifested in the fact that these means of production appear as c, as *capital*—i.e. (1) as the property of a person other than the laborer, separated from labor-power, as the property of those who do not work themselves; (2) as a mere advance, an outlay for the purpose of generating surplus value. Constant capital, c, appears here merely as the foundation for $v + s$. However, constant capital is an expression of something more than this—namely the function of the means of production in the human labor process, irrespective of its sociohistorical form. Raw materials and tools of labor are required just as much by the inhabitant of Tierra del Fuego making his family canoe, the communist peasant community in India tilling its communal lands, the Egyptian *fellah* cultivating his village lands or building pyramids for the Pharaoh, the Greek slave in the small workshops of Athens, the feudal serf, the master craftsman of the medieval guild or the modern wage-laborer. Means of production, themselves the result of human labor, are the expression of the contact between human labor and natural matter and are thus the eternal and universal precondition for the human production process. The figure c in the formula $c + v + s$ thus expresses a determinate function of the means of production, one that is not extinguished when labor ceases. While it is completely irrelevant both for the exchange and the use of the commodity whether it has come into being through paid or unpaid labor, through wage-labor, slave labor, *corvée*,* or any other kind of labor, it is of decisive importance for the use of the commodity whether it is itself a means of production or a means of consumption. The fact that both paid and unpaid labor were used in the production of a machine is only of significance to the manufacturer of the machine and to his workers; for the company that acquires the machine through exchange, only its character as means of production, its function in the production process, is of any importance. Furthermore, just as every producing society since time immemorial has had to make allowances for the important function of the means of production by ensuring that those means of production are produced in each period of production that are required for the following period, it is equally the case that capitalist society can only undertake its production of value according to the formula $v + s$ (i.e. through the exploitation of wage-labor) if the necessary quantity of means of production for the formation of constant capital is available as the fruit of the preceding period of production. This specific interconnection between each past period of production and the following one, which forms the universal, eternal foundation of the social process of reproduction and consists in the fact that a portion of the products of each period is determined as forming the means of production of the following period, was overlooked by Smith. He was not interested in the specific function of the means of production in the production process in which they are used, but only in the fact that they are themselves a product of the capitalist employment of wage-labor like any other commodity. For Smith, the specifically capitalist function of wage-labor in the process of production of surplus value completely obscured the eternal, universal function of the means of production in the labor process. Remaining within the bourgeois horizon, Smith completely failed to see the universal relation between human beings and nature behind the particular social relation between wage-labor and capital. It would seem, then, that herein lies the real source of Smith's fanciful thesis that the total value of annual social production resolves into $v + s$. Smith overlooked the fact that constant capital, as the first term in the formula $c + v + s$, is the necessary expression of the universal social foundation for the capitalist exploitation of wage-labor.

The value of each commodity must thus be expressed in the formula $c + v + s$. The question now becomes to what extent this applies to total commodity production in society. Smith's doubts on this score can now be considered, namely his argument that the fixed and circulating capital, and revenue, of individuals do not strictly correspond to the same categories from the standpoint of society as a whole (point 3 above). According to Smith, that which is circulating capital for one person is not capital for others, but revenue, e.g. the capital advanced as wages. This claim rests upon an error. When the capitalist pays wages to workers, he does not transfer his variable capital to the workers, such that it is transformed into their revenue; rather he gives up the value-form of his variable capital in return for its natural form: labor-power. Variable capital always remains in the hands of the capitalist: first in the money-form, then in the form of the labor-power that he has purchased, and later in the form of a component of the value of the commodities produced, finally returning to him, together with an increment, in the form of money from the proceeds of the commodities sold. The workers, on the other hand, never gain possession of variable capital. Their labor-power is never capital to them, but it is a capacity, an asset—indeed it is the only asset that they possess. When they sell it and receive money as wages in return, these wages are likewise not capital to them, but rather the price of the commodity that they have sold. Finally, the fact that the workers buy means of subsistence with the wages they have received has as little to do with the function that this money fulfills as variable capital in the hands of the capitalist as does the private use that any seller of a commodity makes of the money received for it. Therefore it is not the capitalist's variable capital that is transformed into workers' revenue, but rather the price of the labor-power sold as a commodity by workers, while the variable capital remains in the hands of the capitalist and continues to operate as such.

* *Corvée* labor is a labor tax, in which members of a community are obligated to perform services for the society (or state) on a compulsory basis. It is the earliest form of taxation in human history.

Equally erroneous is the notion that the capitalist's revenue (his surplus value), which, in the above example of the manufacturer of machines, is incorporated in machines that have not as yet been realized, is fixed capital for another person, i.e. for the buyer of the machines. It is not machines or machine-parts that constitute revenue for the manufacturer of machines, but the surplus value incorporated in them, i.e. the unpaid labor of his wage-laborers. After the sale of the machine, this revenue remains in the hands of the manufacturer of machines—it has merely changed the form in which it appears, and has been converted from the form of machines to that of money. Conversely, the buyer of the machine has not come into possession of fixed capital through this purchase, for he already had this in his hands as a certain money-capital. Through his purchase of the machine, he has merely given his capital the adequate material form for it to function productively. Both before and after the sale of the machine, the revenue (the surplus value) remains in the hands of the manufacturer of machines, and the fixed capital in the hands of the other person, the capitalist buyer of the machine, just as in the first example variable capital always remained in the hands of the capitalist and revenue in the hands of the worker.

What caused the confusion in Smith and in all his successors was that they confused the use-form of commodities with their value-relations in the capitalist exchange of commodities, and further that they did not separate out the individual circuits of capitals and of commodities that intersect at every turn. One and the same act of exchange can represent the circulation of capital when viewed from one side, and the simple exchange of commodities for the satisfaction of consumption needs from the other. The false proposition that what is capital for one person is revenue for another, and vice versa, can thus be reduced to the correct proposition that what is the circulation of capital for one person is the simple exchange of commodities for another, and vice versa. This merely expresses the capacity for capital to transform itself in its circuit, and the way in which different spheres of interest in the social process of exchange interlock; however, this in no way overcomes the sharply defined existence of capital, in both its distinctive forms as constant and variable capital as opposed to revenue.

Nevertheless, Smith did get very close to the truth with his claims that the capital and revenue of individuals do not strictly correspond to these categories at the level of the totality; the problem was merely that further mediations were required for a clear exposition of these relations.

Chapter 4. Marx’s Schema of Simple Reproduction

The formula $c + v + s$ will now be considered as the expression of the total social product. Is this a mere theoretical construct, an abstract schema? Or is there a real content immanent within this formula when it is applied to society as a whole—i.e. does it have an objective social existence?

It was Marx who first established constant capital, c, as a theoretical category of fundamental significance. However, Smith himself, although he operates exclusively with the categories of fixed and circulating capital, actually transforms fixed capital, albeit unconsciously, into constant capital—i.e. he includes not only means of production that are expended over the course of several years under this category, but also those that are entirely consumed annually in production.[26] His very theory that total value resolves into $v + s$, and the arguments that he offers for it, lead him to distinguish two categories of the conditions of production: living labor and all dead means of production. On the other hand, when he attempts to construct the social process of reproduction on the basis of individual capitals and revenues, “fixed capital” (i.e. in reality, constant capital) is omitted.

Each individual capitalist employs certain material means of production in order to produce his commodities, such as buildings, raw materials, and tools. It is obvious that the aggregate of material means of production used by individual capitalists is required for the total production of commodities in a given society. The existence of these means of production in this society is a very real fact, even if they only exist in the form of private, individual capitals. This is the expression of the universal, absolute condition of social production in all its historical forms. The particular capitalist form manifests itself in the fact that the material means of production function precisely as constant capital, c; that is, they function as capital, as the property of those who do not work, as the opposite pole to proletarianized labor-power, as the counterpart to wage-labor. Variable capital, v, is the sum of wages actually paid in the society in the course of a year’s production. This fact, too, has a real objective existence, even if variable capital is manifested as innumerable individual wages. In every society, the quantity of labor-power actually engaged in production and its annual maintenance is a question of fundamental importance. The particular capitalist form of this category—i.e. variable capital—implies the following: the workers' means of subsistence confront them as (1) wages, i.e. as the price of the labor-power that they have sold, and as the property of others, of non-workers, the owners of the material means of production; (2) as a sum of money—i.e. as the mere value-form of their means of consumption. Variable capital expresses both the fact that workers are doubly "free"—they are personally free and also free of all means of production—and the fact that commodity production is the general form of production in the given society.

Finally, surplus value, *s*, represents the aggregate of surplus values obtained by the individual capitalists. Surplus labor is performed in all societies, and will also have to be carried out in a socialist society, for instance. This is true in three senses: first, as a quantity of labor for the maintenance of non-workers (those unable to work, children, the elderly, the disabled, public servants, and the so-called liberal professions, who do not immediately participate in the production process);[27] second, as an insurance fund of society in case of natural disasters that threaten to cause a shortfall in the annual mass of products (crop failure, forest fires, floods, etc.); and third, as a fund for the expansion of production, whether as a result of an increase in population, or of the cultural enhancement of needs. The capitalist form of surplus labor expresses itself in the following: first, in the fact that surplus labor is performed as surplus value—i.e. in the commodity-form, and such that it can be realized as money; and second, that it manifests itself as the property of the non-working owners of the means of production.

Similarly, taken together, both terms in the expression $v + s$ ultimately represent an objective quantity that has a universal validity—namely the total sum of living labor performed in society in the course of a year. Every human society, whatever its historical form, must take heed of this fact, both in relation to the results that have been achieved and to the existence and availability of labor power. The division into $v + s$ is also a universal phenomenon, independent of the particular historical form of society. The capitalist expression of this division does not only manifest itself in the qualitative particularities of the two terms highlighted above, but also in their quantitative relationship: variable capital tends to be reduced to the physiological and social minimum necessary for the existence of the workers, and surplus value tends to increase continually at the cost of, and relative to, variable capital.

Finally, the latter circumstance expresses the predominant characteristic of capitalist production, namely that the generation and appropriation of surplus value is the actual goal and driving motive of this production.

It can be seen, then, that the relations underlying the capitalist formula for the total social product are universally valid and that they are the object of conscious regulation by society in every planned form of economy, whether by the *ensemble* of the workers and their democratic organs in a communist society or by the property-owning core and its despotic power in a society resting upon class rule. There is no planned regulation of the whole within the capitalist form of production. In reality, the totality of capitals and commodities in society consists in a sum of innumerable fragmented individual capitals and individual commodities.

The question thus arises whether these aggregates have any more significance in capitalist society than mere statistical agglomerations, and imprecise and fluctuating ones at that. What is expressed at the level of society as a whole, however, is that the completely independent and autonomous individual existence of private capitalist enterprises is merely a historically conditioned form whose foundation is constituted by social interrelations. Although the individual capitals act completely independently, and regulation by society is utterly lacking, the total movement of all capitals occurs as a unified whole. This total movement also manifests itself in specifically capitalist forms. In every planned form of production, regulation above all concerns the relation between the total labor already performed, the labor to be performed, and the means of production, or, in terms of the formula given above, the relation between ($v + s$) and c. To formulate it another way, this is the relation between the requisite means of subsistence and the requisite means of production—again, in terms of the formula, the relation between ($v + s$) and c. In the capitalist form, however, the social labor necessary for the maintenance of dead means of production as well as that of living labor-power is treated as a unified whole, as capital, and is contrasted with the surplus-labor performed, i.e., with surplus value, s. The relation between these two magnitudes, s and ($c + v$) is a real, objective, tangible relation of capitalist society: it is *the average rate of profit*, which treats each private capital only as a part of a common whole, the total social capital, and allocates the total surplus value extracted from society to each private capital according to its size, irrespective of the actual quantity of surplus value produced by the latter. Total social capital and its counterpart, total social surplus value, are thus not merely real entities with an objective existence—indeed the relation between them, the average rate of profit, governs and directs the whole exchange. The average rate of profit does this by determining the quantitative relations of exchange of individual kinds of commodities independently of their particular value relations; furthermore, it governs the social division of labor (i.e. the allocation of corresponding portions of capital and labor-power to the individual spheres of production); finally, it drives the development of the productivity of labor both by stimulating individual capitals to pioneer new labor processes in order to secure a higher than average profit, and by causing the technical advances achieved by individual capitals to be extended to the whole of production, etc. In short: total social capital completely governs the apparently autonomous movements of individual capitals through the average rate of profit.[28]

The formula $c + v + s$ thus does not merely correspond to the value-composition of each individual commodity, but also to the aggregate of commodities produced by capitalist production in society. This is only the case in relation to the value-composition—the analogy cannot be taken further.

The above formula is perfectly correct, then, if the aim is to analyze the total product of a society engaging in capitalist production as a totality (as the product of one year's labor) into its respective components. The term c indicates how much past labor (i.e. labor performed in previous years) is transferred into this year's product in the form of means of production. The term $v + s$ represents the value-component of the product exclusively created by new labor in the current year. Finally, the relation between v and s reveals the division of the annual workload of society between the maintenance of workers and that of non-workers. This analysis remains correct and pertinent also for the reproduction of individual capitals irrespective of the material form of the product generated by them. To the capitalist of the machine industry, c, v, and s all reappear in the form of machines or machine components. For his colleague in the branch of sugar production, c, v, and s emerge into the world from the production process in the form of sugar. For the proprietor of a music hall, they are objectified in the bodily attractions of the dancers and the "eccentrics" who appear on stage. They differ from one another in the undifferentiated product only as *aliquot parts of value*. This is quite sufficient for the reproduction of the individual capital, for it begins in the value-form of capital—i.e. its starting point is a certain sum of money yielded by the realization of the product that has been produced. The formula $c + v + s$, then, is the given foundation for the division of this sum of money into one part for the purchase of material means of production, another part for the purchase of labor-power, and a third part for the personal consumption of the capitalist—in the case where simple reproduction occurs, which is the initial assumption here. In the case of expanded reproduction, this third part is itself divided between a component for the personal consumption of the capitalist and another for the expansion of capital. It goes without saying that, having divided his money-capital in this way, the capitalist must turn once again to the commodity market in order to acquire the material presuppositions of production: raw materials, tools, etc., and labor-power. The individual capitalist takes it as given that he will actually find the means of production and labor-power that he needs for his business available to him on the market, as does his scientific ideologue, the vulgar economist.

The situation is different with regard to total social production. From the standpoint of society as a whole, commodity exchange can only bring about an all-round redistribution of the individual components of the total social product, but it cannot alter its material composition. Whether this redistribution occurs or not, the reproduction of the total social capital can only take place if the total social product resulting from the previous period of production contains the following: first, sufficient means of production; second, enough means of subsistence for the maintenance of the same amount of labor power as in the previous period; third (last but not least), the requisite means of consumption in order to maintain the capitalist class and the strata appended to it "in a manner befitting their station." This leads onto a new domain, from the sphere of pure value-relations to that of material considerations. At issue now is the use-form of the total social product. What is a matter of complete indifference* to the individual capitalist becomes one of grave concern for the collective capitalist.* For the individual capitalist, it is neither here nor there whether the commodities he produces are machines, sugar, fertilizer, or newspapers for freethinking intellectuals, provided only that he can find takers for them, so that he can extract his capital together with surplus value. For the collective capitalist, on the other hand, it is crucial that its total product should have a very determinate use-form. Three kinds of things must be found in this total product: means of production for the renewal of the labor process; simple means of subsistence for the maintenance of the working class; and means of consumption of a higher (necessarily luxurious) quality for the maintenance of the collective capitalist itself. These requirements are not general and vague ones—instead they are precisely determined in a quantitative sense. If the question is posed which quantities of these three categories are required by the collective capitalist, a precise specification is given in the value-composition of the previous year's total social product (still assuming simple reproduction, which forms the starting point here). The formula $c + v + s$, which has thus far been interpreted (both in the case of total social capital and in that of individual capitals) as a merely quantitative division of total value, i.e. of the amount of labor incorporated in the annual product of society, now appears simultaneously as the given foundation for the *material* division of the product. It is clear that, in order to undertake reproduction on the same scale, the collective capitalist must find the following available in its new total product: means of production corresponding to the magnitude of c; simple means of subsistence for workers corresponding to aggregate wages, v, and as many refined means of consumption for itself and its appended strata as is required by the magnitude of s. The value-composition of the annual social product thus translates itself into the material form of the product in the following manner: if simple reproduction is to take place, the total social constant capital must reappear as the corresponding quantity of means of production, the total social variable capital as the corresponding quantity of workers' means of subsistence and total social surplus value as the corresponding quantity of capitalists' means of consumption.

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* "*Was dem Einzelkapitalisten völlig Hekuba …*" Luxemburg employs a figure of speech deriving from Shakespeare's *Hamlet:* "What's Hecuba to him, or he to Hecuba/That he should weep for her?" (Act 2, Scene 2).

* That is, the capitalist class as whole.

Here a tangible difference between the individual capitalist and the collective capitalist is encountered. The former constantly reproduces his constant and variable capital as well as his surplus value such that (1) all three components appear in the same material form within his homogeneous product; and (2) the actual material form of his product is entirely indifferent to him—indeed this will vary from one individual capitalist to the next. The collective capitalist reproduces each component of the value of its annual product in a different material form—to be more precise, constant capital, *c*, as means of production; variable capital, *v*, as means of subsistence for the workers, and *s* as means of consumption for the capitalists. For the reproduction of the individual capital, value-relations alone are the decisive factor, and the material conditions for such reproduction are presupposed as a phenomenon of commodity exchange whose occurrence can be taken as given. For the reproduction of the total social capital, however, both value-relations and material considerations are at issue. Moreover, it is evident that the individual capital can focus on pure value considerations and treat material conditions as if regulated by a divine law only insofar as total social capital itself allows for these material conditions. If the total social constant capital were not reproduced annually in the form of the corresponding amount of means of production, then each individual capitalist would pace the commodity-market in vain with his constant capital realized in money, unable to find what he needed to satisfy the material conditions of his individual reproduction. From the standpoint of reproduction, then, the general formula for total social capital, $c + v + s$, is not sufficient—and this, incidentally, is further proof that the concept of reproduction is something real, and more than a mere paraphrase for the concept of production. Instead, the exposition of total social capital must make distinctions of a material character, presenting it in its three main divisions rather than as a single whole. Alternatively (for the sake of simplification, since this can initially do no harm from a theoretical point of view), total social capital can be considered in terms of two divisions, or departments: the production of means of production, and the production of means of consumption for workers and capitalists. Each department must be considered separately in its own right, and such that the fundamental conditions for capitalist production are adhered to in each. At the same time, however, the reciprocal connections between both departments from the point of view of reproduction must be indicated, for it is only by considering them in their interconnection that the foundations of the reproduction of total social capital as a whole can be derived.

Thus a certain modification occurs in the exposition of total social capital and its total product when compared with an exposition of reproduction that takes the individual capital as its starting point. Quantitatively, as a magnitude of value, the total social constant capital, c, is composed of the exact sum of the individual constant capitals, and the same applies to the other terms, variable capital, v, and surplus value, s. However, the form in which they appear is altered. Whereas the constant capital of the individual capitals reemerges from the production process as a component of the value of an endless variety of objects for use, in the total social product it emerges concentrated, as it were, in a determinate quantity of means of production. Likewise, whereas the variable capital and surplus value of the individual capital resurface as portions of a colorful hotchpotch of commodities, in the total social product they emerge concentrated in corresponding amounts of means of consumption for workers and capitalists. This is also the fact roughly struck upon by Smith in his observation that the categories of fixed capital, circulating capital, and revenue in relation to the individual capitalist do not correspond to the same categories in relation to society as a whole.

The following conclusions have thus been reached:

1. Like the production of the individual capitalist, the total production of society, regarded as a whole, can be expressed in the formula $c + v + s$.

2. Social production is divided into two departments: production of means of production, and the production of means of consumption.

3. Both departments are organized as capitalist production, i.e., as surplus value production, and thus the formula $c + v + s$ applies to them both.

4. The two departments are interdependent, and must therefore exhibit certain quantitative relations between each other. More precisely, one department must produce all the means of production for both departments, while the other must produce all the means of consumption for the workers and capitalists of both departments.

On the basis of these considerations, Marx constructs the following schema of capitalist reproduction:*

I. $4{,}000c + 1{,}000v + 1{,}000s = 6{,}000$ means of production
II. $2{,}000c + 500v + 500s = 3{,}000$ means of consumption.[29]

The figures in this schema represent value-magnitudes (i.e. quantities of money) that have been chosen arbitrarily, but whose ratios are exact. The two departments are differentiated from one another in terms of the use-form of the commodities produced in each. The reciprocal circulation between them occurs as follows: Department I supplies the means of production for the entire process of production, i.e. both for itself and for Department II. From this it follows that the total product of Department I (6,000 I) must be equal to the value of the sum of constant capitals of both departments (I $4{,}000c$ + II $2{,}000c$) in order to ensure the smooth continuation of reproduction (here simple reproduction is still assumed—i.e. reproduction on the same scale). Similarly, Department II supplies means of consumption for society as a whole, i.e. both for its own workers and capitalists, and for those of Department I. Accordingly, for consumption and production to proceed smoothly and to be renewed on the same scale, the total mass of means of consumption supplied by Department II should be equal in value to the combined revenues of all employed workers and capitalists in society—here: 3,000 II = I ($1{,}000v + 1{,}000s$) + II ($500v + 500s$).

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* The following units can be understood as millions of working hours, or, from a capitalist standpoint, expressed in money, any given currency unit.

The above is merely the expression in value relations of the foundation not only of capitalist reproduction, but of reproduction in every society. In every productive society, regardless of its social form—whether this be the primitive small village community of the Bakairí of Brazil,[*] the *oikos*[†] of a Timon of Athens with its slaves, or the imperial *feudal estates* of Charlemagne—the mass of labor at society's disposal must be allocated such that means of production and means of consumption are produced in sufficient quantities. More precisely, the former must be sufficient both for the direct production of means of consumption and for the future replacement of the means of production themselves; the means of consumption must in turn suffice for the maintenance of the workers employed in their production and in the production of means of production, and, further, for the maintenance of all non-workers. Accordingly, then, Marx's schema, with its general proportions, represents the absolute, universal foundation for social reproduction, with only the qualification that, in this instance, socially necessary labor manifests itself as value, means of production as constant capital, the labor necessary for the maintenance of workers as variable capital, and the labor required for the maintenance of those who do not work as surplus value.

In capitalist society, however, circulation between the two great departments depends on the exchange of commodities—i.e. on the exchange of equivalents. The workers and capitalists of Department I can only receive as many means of consumption from Department II as the former department can supply the latter with its own commodities—i.e. means of production. However, the requirements of Department II in terms of means of production are measured by the size of its constant capital. It follows from this that the sum of variable capital and surplus value in the production of means of production—here, I (1,000*v* + 1,000*s*)—must be equal to the constant capital in the production of means of consumption—in this instance, II (2,000*c*).

An important qualification should be made in relation to the above schema. The constant capital given for its two departments is in reality only a part of the constant capital employed by society. The latter is divided into (1) fixed capital (buildings, tools, draught animals, etc.), which functions for a number of periods of production, but whose value only partially enters into the product in proportion with its own wear and tear; and (2) circulating capital (raw materials, auxiliary materials, fuel for heating and lighting), whose value enters completely into the new product. However, from the point of view of reproduction, only that part of the means of production that actually enters into the production of value is to be considered; the remaining part of fixed capital that is not absorbed by the product and that continues to operate should be kept in mind, but it can be disregarded for the purposes of a precise exposition of social circulation without compromising the accuracy of the latter. This can be easily demonstrated.

* The Bakairí are an indigenous tribe of the Matto Grosso, in southern Brazil. As of 2014, they totaled less than 1,000 people, living in about a dozen villages. For a recent study, see Debra Picchi, *The Bakairí Indians of Brazil: Politics, Ecology, and Change* (Long Grove, IL: Waveland Press, 2000).

† The *oikos* was the ancient Greek equivalent of a household.

Let it be assumed that the constant capital in Departments I and II that actually enters into the annual product of these departments (6,000*c*) consists of 1,500*c* fixed capital and 4,500*c* circulating capital, where the 1,500*c* fixed capital represents the annual wear and tear on buildings, machines, draught animals, etc. This annual wear and tear represents, say, 10 percent of the total value of the fixed capital employed. In reality there is now 15,000*c* fixed capital + 4,500*c* circulating capital in the two departments together, such that total social capital now equals 19,500*c* + 1,500*v*. However, the whole fixed capital, whose lifetime is assumed here to be 10 years (corresponding to an annual wear and tear of 10 percent), must only be replaced after this time has elapsed. In the meantime, a tenth of its value enters annually into social production. Assuming wear and tear to the total social fixed capital occurs at the same rate, such that it has the same lifespan, then it would have to be replaced in its entirety all at once every ten years. This is not the case, however. The various use-forms and different components of fixed capital have varying lifetimes, as wear and tear varies for the different kinds of fixed capital and indeed among individual items within each kind. As a result, fixed capital in no way needs to be replaced or reproduced in its concrete use-form all at once; instead, its replacement is staggered throughout the social process of production: while some parts are replaced, others continue to function in their original form. The 10 percent annual wear and tear on fixed capital assumed in this example does not mean, therefore, that every ten years the entire fixed capital to the value of 15,000*c* must be reproduced all at once, but that on average a part of the total social fixed capital corresponding to one-tenth of its value must be replaced annually. Accordingly, Department I, which has to provide all the means of production employed in society, must produce use-forms of fixed capital (i.e. buildings, machines, etc.) to the value of 1,500*c* annually, corresponding to the actual wear and tear on fixed capital, in addition to the reproduction of all raw and auxiliary materials, etc., of circulating capital to the value of 4,500*c*. Together, these total 6,000*c*, which corresponds to the values chosen for the schema. If Department I continues to replace one-tenth of total social fixed capital in its use-form annually, the result will be that every ten years the total social fixed capital will have been replaced lock, stock, and barrel; it follows therefore that the reproduction of that part of fixed capital whose value was previously disregarded is in fact completely accounted for in the above schema.

In practice, this process becomes apparent in the fact that every capitalist sets aside a certain sum of money from his annual production for the depreciation of fixed capital after his commodities have been realized. These individual annual amortizations must amount to a certain sum before the capitalist has actually replaced his fixed capital or substituted other more efficient items for it. This alternation between setting aside annual reserves of money for the replacement of fixed capital and the periodic expenditure of these accumulated reserves to this end does not occur in a synchronized way for all individual capitalists, however; instead these cycles are staggered through time, with the result that at any one time some capitalists are still setting aside reserves while others are already replacing their fixed capital. Consequently, a part of fixed capital is replaced every year. The monetary processes here only disguise the real process that characterizes the reproduction of fixed capital.

On closer examination, it can be seen that this is as it should be. It is true that the whole of fixed capital takes part in the production process, but only as a mass of objects of use. Buildings, machines, and draught animals are employed in the labor process as physical wholes. Only a part of their value enters into value production, however—and their particularity as fixed capital consists in precisely this fact. Just as in the process of reproduction (assuming simple reproduction) it is only a matter of replacing the values that have been consumed as means of consumption and means of production during annual production in their natural form, fixed capital only figures in relation to reproduction to the extent that it has actually entered into the commodities produced. The remaining value component that is embodied in the whole use-form of fixed capital is of decisive importance for production as a labor process, but for the purposes of the annual reproduction of society as a process of value formation, it does not exist.

Moreover, the process that finds expression here in value relations applies equally to every non–commodity-producing society as well. If, for example, the construction of the famous Lake Moeris (the miraculous lake that was “man-made” according to Herodotus)* and the Nile canals that feed it in ancient Egypt required 10 years labor by 1,000 fellaheen, and if the maintenance of this, the most magnificent irrigation system in the world, required the full labor-power of another 100 fellaheen every year (the figures here are of course arbitrarily chosen), then it may be said that the Moeris basin and canals were reproduced anew every 100 years, even though of course in reality the entire complex was not reconstructed anew once every century. That this is true is demonstrated by the fact that, when the stormy vicissitudes of political history and foreign conquest entailed the usual gross neglect of ancient cultural monuments, as for example by the British in India, or when the understanding for the requirements of ancient cultures in terms of their reproduction had faded, the entire Lake Moeris—its water, causeways, and canals, with the two pyramids at its center, the colossus upon it and other wondrous artefacts—disappeared without trace as if it had never been built. Only ten lines in Herodotus, a dot on Ptolemy’s map of the world, and traces of ancient cultures, large towns, and cities bear testimony to the rich life that formerly sprang from this magnificent irrigation system, where today arid deserts stretch across inner Libya* and lifeless swamps extend along the coast.

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* Lake Moeris, in northern Egypt, was actually formed through natural processes by 3000 BC, but its transformation into a major reservoir during the massive irrigation works built during the Middle Kingdom (in the 1800s BC) led many, including Herodotus, to falsely presume that it was man-made. Although originally a freshwater lake, it today consists of salt water.

There is only one instance in which Marx’s schema of simple reproduction can appear unsatisfactory or deficient from the standpoint of fixed capital, namely the issue of the production period in which the total fixed capital was first created. In actual fact, society disposes over more previously performed labor than corresponds to the part of fixed capital that enters into the value of the annual product and is in turn replaced from it. In the figures of the current example: total social capital does not amount to 6,000*c* + 1,500*v* as in the schema, but rather 19,500*c* + 1,500*v*. Although 1,500*c* of the fixed capital, which in this example amounts to 15,000*c*, is annually reproduced in the form of corresponding means of production, the same amount is annually consumed in production itself. Although the whole fixed capital is completely replaced in its use-form, as a quantity of objects, after 10 years, society then possesses 15,000*c* fixed capital, as it does every year, while it only contributes 1,500*c*; it possesses 19,500*c* constant capital in total, whereas it only creates 6,000*c*. Obviously it must have created this surplus of 13,500*c* through its labor; it possesses more accumulated past labor than the above reproduction schema can yield. Each annual social working day relies on previously performed and accumulated annual working days as its given basis, and this is also the case at the outset of the reproduction schema. However, this question of past labor as the basis of all present labor leads back in an infinite regress to the "beginning of all beginnings," which is as meaningless for the economic development of humankind as it is for the natural development of matter. The reproduction schema does not purport to present the moment of inception, the social process *in statu nascendi*, nor should it—instead it grasps this process in full flow, as a link in "existence's never-ending chain."† Past labor is always the precondition of the social process of reproduction, however far back it is retraced. Just as social labor has no end, it has no beginning either. The original foundations of the process of reproduction are lost in the mythical dawn of civilization, as is the historical origin of Herodotus's Lake Moeris. With technological progress and cultural development, the means of production change their form: crude paleoliths are replaced by sharpened tools, stone implements by elegant bronze and iron ones, the tools of the artisan by steam-powered machines. Yet all these changes in the form of the means of production and in the social forms of the production process do not alter the fact that society always disposes of a certain amount of objectified past labor as the basis for its labor process, and thus for its annual reproduction.

* That is, what is now the Libyan Desert in western Egypt.

† The phrase comes from the conclusion of Goethe's poem, "Grenzen der Menschheit."

In the capitalist mode of production, the past labor of society that is accumulated in the means of production takes the form of capital, and the question of the origin of this past labor that forms the foundation for the process of reproduction becomes the question of the genesis of capital. This is certainly much less mythical, indeed it is written in letters of blood in modern history as the chapter of so-called original accumulation.* The very fact, however, that simple reproduction cannot be conceived except under the presupposition of past, accumulated labor exceeding in scale the labor performed annually for the maintenance of society, represents an *aporia*† within simple reproduction and demonstrates that it is a mere fiction not only for capitalist production, but for the progress of civilization in general. In order merely to be able to represent this fiction itself in a precise way, as a schema, it is necessary to assume (as the presupposition of such a fiction) that a previous process of production has yielded results corresponding not to simple, but to expanded reproduction. This fact can be illustrated by comparing the total social fixed capital with a railway. The durability of the various components of the railway, and thus also their annual rate of wear and tear varies greatly. Elements such as viaducts and tunnels can last for centuries, locomotives for decades, but other component parts of rolling stock will be used up in very short periods, and partly in only a few months. However, a certain average lifespan can be calculated, say thirty years, which corresponds to an annual depreciation of one-thirtieth of the railway's total value. This loss in value is now continually replaced through the partial reproduction of the railway (which may take the form of repairs): today a carriage is replaced, tomorrow a component of a locomotive, and the day after tomorrow a stretch of track. In this manner, the original railway is replaced by a new one over the course of thirty years (on the assumption made here), the same amount of labor being performed by society year in, year out, such that simple reproduction takes place. Yet the railway can only be reproduced, but not produced, in this way. In order to be able to put it into use and to gradually make good its gradual wear and tear, the railway must have been completed in the first place. The railway can be repaired part by part, but it cannot be made ready for use in the same way—today an axle, tomorrow a carriage. For this is precisely what characterizes fixed capital: materially, as a use-value, it always enters into the labor process in its totality. In order to complete its use-form in the first place, society must concentrate a greater amount of labor on its production. In terms of the present example, it must concentrate the amount of labor that it expends over thirty years on repairs into, say, two or three years for the production of the railway. In this period of the construction of the railway, society must accordingly perform a greater than average amount of labor, thus resorting to expanded reproduction; when the railway has been completed, society can choose to return to simple reproduction. Of course the total social fixed capital at any given time should not be imagined to be a single, coherent, useful object or a complex of useful objects, having to be produced all at once. However, all the more important instruments of labor, buildings, means of transport, and agricultural infrastructure require a greater concentrated expenditure of labor, which applies equally to the modern railway and the airplane as it does to the rough stone wedge and the handmill. It follows that simple reproduction is only conceivable in periodic alternation with expanded reproduction; the latter is not merely conditioned in general by the progress of civilization and population growth, but also by the economic form of fixed capital, or the economic form of the means of production corresponding to fixed capital in any society.

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* This concept has entered the Marxist lexicon in the Anglophone literature as "so-called primitive accumulation." See *Capital*, Vol. 1, pp. 873–6.

† An impasse or extreme philosophical difficulty.

Marx does not directly address this contradiction between the form of fixed capital and simple reproduction. What he highlights is only the necessity of a constant "overproduction"—i.e. expanded reproduction in connection with the irregular rate of wear and tear of fixed capital that is higher in one year and lower in another, and that would result in a deficit in reproduction in the case that simple reproduction were strictly complied with. Here he examines expanded reproduction from the point of view of an insurance fund of society for fixed capital, and not from the standpoint of its own production.[30]

In a completely different context, Marx appears to confirm completely, albeit indirectly, the conception outlined above. In his analysis of the transformation of revenue into capital in *Theories of Surplus Value*, Volume 1, Part 2, he discusses the peculiar reproduction of fixed capital, whose replacement in itself provides a fund for accumulation, and he draws the following conclusions:

> But the point we want to make here is the following: Even if the total capital employed in machine building were only large enough to replace the annual wear and tear of machinery, it would produce much more machinery each year than required, since in part the wear and tear

merely exists nominally, and in reality it only has to be replaced *in natura* after a certain number of years. The capital thus employed, therefore, yields annually a mass of machinery that is available for new capital investments and anticipates these new capital improvements. For example, the factory of the machine builder begins production, say, this year. He supplies £12,000 worth of machinery during the year. If he were merely to replace the machinery produced by him, he would only have to produce machinery worth £1,000 in each of the 11 following years and even this annual production would not be annually consumed. An even smaller part, if he invested the whole of his capital. A continuous expansion of production branches of industry that use these machines is required in order to keep his capital employed and merely to reproduce it annually. (An even greater [expansion is required] if he himself accumulates.) Thus even the mere reproduction of the capital invested in this sphere requires continuous accumulation in the remaining spheres of production.[31]

If the manufacturer of machines in Marx's example is thought of as representing the sphere of production of fixed capital for the whole society, then it follows that, if simple reproduction is adhered to in this sphere, i.e. if society expends the same quantity of labor on the production of fixed capital annually (which is impossible in practice), then it must undertake an expansion of production in the remaining spheres of production each year. If it maintains simple reproduction here, too, then it must expend only a small part of the labor employed in the creation of fixed capital on its mere replacement once it has been created. Alternatively, to formulate the problem the other way round: from time to time, society must periodically resort to expanded reproduction, even presupposing simple reproduction for the whole, in order to construct the large-scale infrastructure of fixed capital.

With the progress of civilization, it is not only the form of the means of production that is altered, but also the magnitude of their value—or better, the social labor accumulated in them. Society sets aside ever more labor time and labor-power over and above that necessary for its immediate maintenance, and uses them for the production of means of production on an ever-expanding scale. How, then, is this expressed in the process of reproduction? How, from a capitalist standpoint, does society create *more* capital from its annual labor than it previously possessed? This question reaches beyond simple reproduction to expanded reproduction, which will be dealt with in due course.

Chapter 5. The Circulation of Money

The circulation of money has thus far been completely left aside in the treatment of the process of reproduction. Not that money has been disregarded as the form in which value presents itself, or as the measure of value: under the assumptions made here, all relations of social labor are in fact expressed, and measured, in money. Nevertheless, it is now also necessary to examine the given schema of simple reproduction from the standpoint of money as means of exchange.

As old Quesnay himself assumed, society must be presupposed as possessing a certain sum of money alongside means of production and means of consumption in order for the social process of reproduction to be intelligible.[32] Two questions are raised: in whose possession is this money, and how much of it is there? The first circumstance that can be taken as given is that the wage-laborers receive their wages in money, which they spend on means of subsistence. From the standpoint of society, this boils down to the fact that the workers are merely allocated a certain consumption fund, as occurs in every society, whatever its historical form of production. Nevertheless, the circumstance that the workers do not receive their means of subsistence directly, but through the exchange of commodities, is just as essential for the capitalist form of production as is the fact that they do not place their labor-power at the disposal of the owners of the means of production on the basis of personal relations of domination, but through the exchange of commodities—i.e. by selling their labor-power. The sale of labor-power and the free purchase of means of subsistence by workers constitute the decisive moment in capitalist production. Both these processes are expressed in, and mediated by, the *money-form* of variable capital, *v*.

Money, then, comes into circulation in the first place through the payment of wages. *All* capitalists, from both departments, must thus in the first place cast money into circulation in amounts corresponding to the wages paid by them. The capitalists of Department I and Department II must respectively be in possession of 1,000*v* and 500*v* in money, with which they pay their respective workers. In the above schema, then, two sums of money enter into circulation in this way: I(1,000*v*) and II(500*v*). Both these sums are spent by the workers on means of subsistence—i.e. on the products of Department II. Labor-power is maintained in this way (i.e. total social variable capital is reproduced in its natural form) as the foundation for the reproduction of capital in all its other dimensions. In turn, the capitalists of Department II dispose of 1,500 of their total product: 500 to their own workers, and 1,000 to those of the other department. Through this exchange, the capitalists of Department II are now in possession of a value of 1,500 in money: 500 has returned to them as their own variable capital, and is in a position to circulate as such once more (i.e. it has provisionally concluded its movement), but 1,000 has been newly earned by them through the realization of a third of their own product. With this 1,000 in money, the capitalists of Department II purchase means of production from the capitalists of Department I for the replacement of the former's own constant capital that has been used up. Through this purchase, Department II has renewed half of the requisite constant capital (II*c*) in its natural form, and the sum of money of 1,000 has accrued to the capitalists of Department I. For the latter, this is merely the sum of money that they originally paid in wages to their workers and that now returns to them following two acts of exchange, so that it can once again function as variable capital; its movement is thus provisionally concluded. Social circulation, on the other hand, is not complete. The capitalists of Department I have not yet realized their surplus value product—this consists of means of production and is thus, from their point of view, contained in a form which is of no use to them—in order to buy means of consumption for themselves, and the capitalists of Department II have yet to renew the other half of their constant capital. These two acts of exchange correspond to one another both in terms of the magnitude of value and materially, for the capitalists of Department I receive the means of consumption from Department II, thus realizing their own surplus value, I(1,000*s*), and in turn they supply the capitalists of Department II with the missing means of production, II(1,000*c*). A new sum of money is required in order to mediate this exchange, however. It is true that the sums of money that have already been set in motion could be allowed to circulate again; there is no theoretical reason why this should not happen. In practice, however, this can be excluded, as the consumption needs of both capitalists and workers alike must be continuously satisfied; this process therefore runs parallel to the production process and is mediated by particular sums of money corresponding to it. It follows from this that the capitalists of both departments—i.e. all capitalists—must hold a reserve of money for the realization of their own surplus value in the form of consumer goods. On the other hand, the continual purchase of certain parts of constant capital, namely its circulating part (raw and auxiliary materials, lighting, etc.) also runs parallel to production—i.e. before the realization of the total product. As a result, not only must the capitalists of Department I have certain sums of money in hand in order to cover their own consumption, but so, too, must the capitalists of Department II in order to satisfy their requirements for constant capital. The exchange of I(1,000s) in means of production against II(1,000*c*) in means of consumption is thus mediated through money that is advanced partly by the capitalists of Department I for their consumption needs, and partly by the capitalists of Department II to meet their production requirements.[33] Of the sum of money that is necessary for this exchange (1,000), the capitalists of each department might advance 500 each or indeed different proportions; in any case, two things are certain: (1) their combined money reserves must be sufficient to mediate the exchange between I(1,000s) and II(1,000*c*); (2) whatever the distribution of this sum of money, after the total social exchange has been completed, each group of capitalists finds itself once again in possession of the same sum that it originally threw into circulation. The latter point is valid for total social circulation in general: after circulation has been completed, money always reverts back to its starting point, such that after this all-sided exchange, all capitalists will have achieved two goals. First, they will have exchanged their products, whose natural form was indifferent to them, against those whose natural form they require, whether as means of production or as their own means of consumption; second, the money that they themselves have thrown into circulation in order to mediate these acts of exchange will have returned to their hands.

This phenomenon is unintelligible from the standpoint of simple commodity circulation, in which commodity and money continually change places—the possession of the commodity excludes the possession of money, money takes the place given up by the commodity, and vice versa. This is also true of every individual act of commodity exchange, which is the form in which social circulation proceeds. Social circulation itself, however, is more than merely commodity exchange—it is the circulation of capital. The essence of the latter—its defining feature—is not merely that it returns capital to the capitalists as an increased magnitude of value—i.e. with surplus value—but also that it mediates social reproduction, and thus secures the natural form of productive capital (means of production and labor-power) along with the maintenance of those who do not work. Since the whole social process of circulation is set in motion by the capitalists, who are in possession of both the means of production and the money necessary for the mediation of circulation, everything must end up in their hands once again after each circuit of social capital, and more precisely it must revert to each group of capitalists and each individual capitalist in proportion to the investments made by them. Money is held by workers only temporarily while it mediates the exchange of variable capital between its money-form and its natural form; in the hands of the capitalists it is the appearance-form of a part of their capital, and as such it must always return to them.

So far circulation has only been considered insofar as it occurs between the two great departments of production. Beyond this, however, there remains the following: 4,000 from the product of Department I in the form of means of production, which stay in this department in order to renew its own constant capital of 4,000*c*; 500 in means of consumption in Department II, which likewise remain in the same department, in this case as means of consumption of its own capitalist class corresponding to its surplus value, II(500*s*).* Since production in both departments is capitalist, i.e. unregulated, private production, the division of the product of each department—means of production in the case of Department I and means of consumption in the case of Department II—among its individual capitalists can only proceed through commodity exchange, i.e. through a large number of individual transactions of sale and purchase between capitalists of the same department. In order for this exchange to occur—i.e. both for the replacement of means of production to the value of I(4,000*c*) and for the replacement of the means of consumption of the capitalist class to the value of II(500*s*)—the capitalists of both departments must be in possession of corresponding sums of money. This aspect of circulation is of no particular interest in itself, since it bears the character of simple commodity circulation, as both buyers and sellers belong here to the same category of agents of production, and it merely causes money and commodities to change places within the same class and department. Nonetheless, the money that is required for this circulation must be held by the capitalist class in advance, and it forms a part of their capital.

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* These numerical units here can be understood as millions of working-hours, or, from a capitalist standpoint, expressed in money, any given currency unit.

Thus far there is nothing remarkable about the circulation of total social capital in itself, even when the circulation of money is considered. That society needs to be in possession of a certain sum of money for the purposes of this circulation appears a priori as self-evident for two reasons: first, the general form of the capitalist mode of production is commodity production, which means that the circulation of money is given; second, the circulation of capital is dictated by the constant transformation of the three forms of capital: money capital, productive capital, and commodity capital. In order to facilitate these transformations, money must also be available so that it can play the role of money capital. Finally, since this money functions as capital—the schema deals exclusively with capitalist production—it is a given that this money must be in the possession of the capitalist class, like capital in all its forms, and is thrown by it into circulation, only to return to it out of circulation.

Only one detail stands out at first glance. If all the money circulating in society is thrown into circulation by the capitalists, it then follows that they must also advance the money needed for the realization of their own surplus value themselves. It appears as if the capitalists as a class had to pay their own surplus value with their own money, and, given that the corresponding money must also already be in the possession of the capitalist class before the respective realization of the product of each period of production, it can seem at first sight that the appropriation of surplus value is not based on the unpaid labor of wage-laborers, as is really the case, but is instead the result of the mere exchange of commodities, for which the capitalist class itself supplies the corresponding amount of money. A little reflection dispels this false semblance.* After circulation has run its general course, the capitalist class finds itself still in possession of its sum of money, which has either returned to it or remained in its hands, while it has also purchased and consumed means of consumption of an equal value (it should be noted that the main presupposition of the reproduction schema is retained here—i.e. the renewal of production on the same scale, and the use of the entire surplus value produced for the personal consumption of the capitalist class).

* That is, a false semblance, *fata morgana*—not a mere illusion. A false semblance, as against a mere illusion, must *necessarily* appear, given the nature of the object of investigation. The difference between illusion and *falscher Schein*, "false semblance," is that the former is subjective, whereas the latter is an objective phenomenon. *Erscheinen* means "to appear" in the sense of "to become manifest."

Besides, the false semblance vanishes completely if the focus is broadened beyond one period of reproduction, in order to consider the way in which a number of successive periods interconnect. The money that the capitalists throw into circulation in order to realize their own surplus value is nothing other than the money-form of their surplus value from the previous period of production. Although it is true that the capitalist must advance money from his own pocket in order to purchase his means of consumption (since his newly produced surplus value is in a natural form that he cannot consume, and its natural form that he can consume is in the possession of others), this money that he now advances in fact first accrued to him from the realization of his surplus value from the preceding period. This money will once again return to him once he has realized his surplus value that is contained in the commodity-form. What can be deduced over the course of several periods, then, is that, in addition to all the natural forms of its capital, the capitalist class regularly plucks its own means of consumption from circulation, while it retains possession of its original sum of money, which remains constant.

As far as the individual capitalist is concerned, it can be concluded from the analysis of the circulation of money that he can never transform the full amount of his money-capital into means of production: he must always leave over a certain portion of capital in the money-form for the purposes of variable capital, for wages, and he must also set aside capital reserves over the course of the period of production for the ongoing purchase of means of production. Apart from these capital reserves, however, he must possess a supply of money for the purposes of his own personal consumption.

Hence it follows that the process of reproduction of total social capital requires the production and reproduction of the money-material. Since, under the assumption made here, this production must also be thought of as capitalist (as the Marxian schema considered here excludes all other types of production), the schema necessarily appears incomplete. To the two great departments of social production (the production of means of production and the production of means of consumption) a third should be added: the production of means of exchange. Characteristic of the latter is that they serve neither production nor consumption—instead they represent social labor in an undifferentiated commodity that is not for use. It is true that gold and gold production, and indeed exchange and commodity production, are much older than the capitalist mode of production, but it is only with the latter that money circulation has become the general form of social circulation and thus an essential element of the social process of reproduction. Only an exposition of the production and reproduction of money in its organic interconnection with the other two departments of social production would provide an exhaustive schema of the essential features of the capitalist process as a totality.

Here, however, the present approach diverges from that of Marx. The latter includes gold production (he simplifies by reducing total money production to gold production) under the first department of social production. "The production of gold, like that of metals generally, belongs to Department 1, which occupies itself with means of production."[34] This is correct only insofar as gold production in the sense of metal production is being considered, i.e. metal for commercial purposes (such as jewelry, dental fillings, etc.). However, as money, gold is not a metal, but rather the embodiment of abstract social labor, and as such it is no more a means of production than it is a means of consumption. Moreover, a mere glance at the reproduction schema itself reveals the inconsistencies that necessarily follow from the confusion of means of exchange with means of production. If a schematic representation of the annual production of gold (*qua* money-material) is added to the two departments of social production, the following three equations are obtained:

I. 4,000c + 1,000v + 1,000s = 6,000 means of production
II. 2,000c + 500v + 500s = 3,000 means of consumption
III. 20c + 5v + 5s = 30 means of exchange

The quantity of value of thirty (chosen by Marx as an example) obviously does not correspond to the quantity of money circulating annually in society, but merely to the annually reproduced part of this quantity of money, thus to the annual wear and tear on the money-material, which remains constant on average if the scale of social reproduction, the turnover time of capital and the velocity of commodity circulation all remain constant. If, following Marx, the third equation is considered as a component of the first one, the following problem arises. As in the other two departments, the constant capital of Department III, 20*c*, consists of actual, concrete means of production (buildings, tools, auxiliary materials, containers, etc.), whereas the product of this department, 30*g*, which represents money, cannot function as constant capital in its natural form in any kind of production process. If this product, 30*g*, is counted as a component of the product of the first department, 6,000*p*, there results a social deficit in means of production to the same value, thus rendering reproduction on the same scale impossible either in Department I or in Department II. The assumption thus far, which forms the foundation of Marx's whole schema, has been that the material use-form of the product of each of the two departments is the starting point for reproduction as a whole; the proportions of the schema are based on this assumption; without it, they dissolve into chaos. Thus the first fundamental value-relation was expressed in the equation: I (6,000*p*) = I (4,000*c*) + II (2,000*c*). This cannot be true for the product of Department III, 30*g*, since gold cannot be used as a means of production by both departments [for instance in the proportion I (20*c*) + II (10*c*)]. The second fundamental relation, derived from the first, was expressed in the equation: I (1,000*v*) + I (1,000s) = II (2,000*c*). This would mean that gold production withdraws as many means of consumption from the second department as it supplies the latter with means of production. This is equally incorrect, however. Although gold production withdraws from the social product both concrete means of production, which it uses as constant capital, and concrete means of consumption for its workers and capitalists in quantities corresponding to its variable capital and surplus value, its own product can no more function in any type of production as means of production as it can enter into human consumption as means of subsistence. The inclusion of money production under Department I thus violates all the material proportions and value-relations obtaining in Marx's schema, rendering it invalid.

Marx's attempt to classify gold production under Department I (means of production) also leads him to questionable results. The first act of circulation between this new subdepartment, which Marx calls Department I*g*, and Department II (means of consumption) consists as usual in the purchase of means of consumption from Department II by the workers of Department I*g* using the wages received from the capitalists to the value of I*g*(5*v*). The money used here is not yet the result of new production, but a money reserve of the capitalists of Department I*g* from the quantity of money existing previously in the country, which corresponds to the usual order of things. Now, however, Marx has the capitalists of Department II buy gold "as a commodity material" to the value of 2 with the 5 in money they received from the workers of Department I*g*; Marx thus switches from money production to the commercial production of gold, which has no more to do with the problem of money production than does the production of boot-polish. However, since there remains a sum of 3 of the I*g*(5*v*) received by the capitalists of Department II, which they do not know how to use because they cannot employ it as constant capital, Marx simply has them hoard it! In order to prevent a deficit occurring in the constant capital of Department II, which is to be exchanged in its entirety against means of production [I(*v* + *s*)], Marx finds the following way out:

> Therefore, this money must be transferred in its entirety from II*c* to II*s* no matter whether it exists in necessities of life or articles of luxury, and vice versa corresponding commodity-value must be transferred from II*s* to II*c*. Result: A portion of the surplus value is stored up as a money-hoard.[35]

This result is strange enough. In merely considering the replacement of the annual wear and tear on the money-material, suddenly a reserve of money is built up—i.e. there is a surplus in the money-material. This surplus arises, for some unknown reason, at the expense of the capitalists of the department of means of consumption, who are asked to practice abstinence, not in order to expand their own surplus value production, but to ensure that there are enough means of subsistence for the workers in the production of gold.

The capitalists of Department II, however, are poorly compensated for their Christian virtue. Not only are they unable to undertake any expansion of their production, in spite of their "abstinence," but they are not even in a position to engage in production on the same scale as before. For even if the corresponding "commodity-value" is also transferred from II*s* to II*c*, it is not only value that matters here, but also the material, concrete form of this value, and since a part of the product of Department I consists of money, which cannot be used as a means of production, Department II cannot renew its constant capital materially on the same scale. Thus, the presupposition of the schema, simple reproduction, is violated on two grounds: the accumulation of surplus value, and the deficit in constant capital. These results obtained by Marx demonstrate that gold production cannot be integrated into either of the two departments of his schema without overturning the schema itself. This occurs as a result of the very first exchange between Departments I and II. The analysis of the exchange of newly produced gold within the constant capital of Department I is not contained in the manuscripts, as Engels emphasizes.[36] This would only have compounded the inconsistencies. Moreover, Marx himself confirms the arguments presented here and settles the matter with the following statement, as brief as it is apposite: "Money in itself is not an element of actual reproduction."[37]

There is a further compelling reason for an exposition of the production of money as a third, separate department of total social production. The Marxian schema of simple reproduction is valid as the foundation and starting point for the reproduction process not only of the capitalist economic order, but also—*mutatis mutandis*—of every regulated and planned economic order, too, for instance the socialist one. The production of money, however, disappears with the commodity-form of products—i.e. with the private ownership of the means of production. It forms the *faux frais* of the anarchic type of economy under capitalism, a specific burden of the society that is based on a private economy, and is expressed as the annual expenditure of a considerable amount of labor on the production of products that serve neither as means of production nor as means of consumption. This specific expenditure of labor in a society based on capitalist production, which disappears in a socially regulated economy, is most accurately expressed as a separate department in the general reproduction process of total social capital. In this regard it is immaterial whether the putative country is one that produces gold itself, or one that obtains it from abroad. In the latter case, there is merely an additional mediation, namely the exchange of the same expenditure of social labor that would have been necessary for the production of gold.

It can be seen from the above considerations that the problem of the reproduction of total social capital is not as crude as it is often construed from a purely crisis-theoretical standpoint, in which something like the following question is posed: how is it possible, in an unplanned economy of countless individual capitals, that the total needs of society are met? The question is usually answered by referring to the constant oscillations of production around demand—i.e. to the periodic alternation between the various phases of the economic cycle. In this conception, which regards the total social product as an undifferentiated mishmash of commodities and treats social needs in a correspondingly abstruse manner, the most important aspect is overlooked, namely the *differentia specifica* of the capitalist mode of production. The problem of capitalist reproduction, as has been shown, comprises a number of precise relations that correspond both to specific capitalist categories and, *mutatis mutandis*, to the universal categories of human labor; it is the unity of these specific and universal categories in their contradiction and in their congruence that represents the actual problem. The Marxian schema represents the scientific solution to this problem.

The question to be posed now is that of the relation between the schema of the reproduction process that has been analyzed here and reality itself. According to this schema, the total social product is neatly absorbed without remainder by circulation, consumption requirements are completely satisfied, reproduction passes off smoothly, money circulation corresponds to commodity circulation, and the circuit of social capital is properly concluded. How do things look in real life? The schema and the relations it presents provide an exact foundation for the division of social labor in production regulated by planning—presupposing simple reproduction (i.e. production remaining on the same scale). In the capitalist economy, there is a complete absence of any planned organization of the total process. Here, then, nothing goes quite as smoothly according to mathematical formulae as is the case in the schema. Instead, the circuit of reproduction proceeds by means of constant deviations from the relations of the schema, as is manifested by the daily variations in prices, the constant fluctuations in profits, the incessant flow of capitals from one branch of production to another, and the periodic, cyclical oscillation of reproduction between over-extension and crisis.

In all of these deviations, however, the schema represents the socially necessary average around which these movements occur, and to which they constantly strive to return after they have diverged from it. It is this average that ensures that the fluctuating movements of individual capitals do not degenerate into chaos, and that reimposes a determinate regularity upon them, thus securing the continued existence of society in spite of the lack of planning.

If Marx's reproduction schema is compared with Quesnay's *Tableau économique*, the similarities as well as the great divergences between them are immediately apparent. These schemas, which mark the beginning and the end of the development of classical economics, are the only two attempts at an exact exposition of the apparent chaos presented by the total movement of capitalist production and consumption in their reciprocal interconnections and in their fragmentation into innumerable private producers and consumers. Both of these schemas reduce the tangled mess formed by the movements of individual capitals to a few simple, important relations, in which the possibility of the existence and the development of capitalist society is anchored in spite of its unregulated, anarchic gyrations. Both schemas unify the two dimensions underlying the movement of total social capital; accordingly, this movement is simultaneously the production and appropriation of surplus value as the movement of capital on the one hand, and the production and consumption of the material requirements of civilized human existence on the other. In both schemas, the total process is mediated by the circulation of products *qua* commodity circulation, and in both, the movement of money is merely the superficial, external expression of the movement of commodity circulation.

In the elaboration of these broad baselines, however, there is a huge gulf between the two. Quesnay's *Tableau* converts surplus value production into a pivotal point of total social reproduction, but conceives of surplus value still under the naïve, feudal form of ground rent, and thus mistakes the form taken by a part for the whole.

Likewise, it establishes the material differentiation in the mass of the total social product as the other pivotal point of social reproduction, but considers it under the naïve opposition between products of agriculture and manufacture, and thus mistakenly assumes that external differences in the materials used in human labor are constitutive of fundamental categories of the human labor process per se.

Marx conceives of surplus value production in its pure and general form (which is thus its absolute form) as the production of capital. He simultaneously takes into account the eternal material conditions of production in his fundamental distinction between means of production and means of consumption, and reduces the relation between these two to a precise value-relation.

If the question is posed why Quesnay's blithely truncated solution to the problem came unstuck with subsequent bourgeois economics, and what was necessary for the tremendous leap forward that the analysis of the problem made with Marx's schema, two major preconditions stand out. Marx's reproduction schema is based above all on the clearly defined distinction between the two dimensions of labor in commodity production: concrete, useful labor, which creates determinate use-values, and abstract universal human labor, which creates value as socially necessary labor.* This inspired fundamental insight of Marx's value-theory, which among other things allowed him to solve the problem of money, led him to differentiate and to unify both aspects in the total social reproduction process: i.e. the standpoint of value and that of material interrelations. Second, the schema rests on a sharp distinction between constant and variable capital; this reveals the internal mechanism of surplus value production for the first time and allows surplus value production to be brought into an exact relation, as a relation of value, with the two material categories of production: means of production and means of consumption.

Classical economics after Quesnay (i.e. the work of Smith and Ricardo) came close to these points of view. In Ricardo, value-theory was given a sufficiently rigorous formulation that it is often even confused with the Marxian one. From the standpoint of his value-theory, Ricardo was also able to appreciate that Smith's resolution of the price of all commodities into $v + s$, which had dire consequences for the analysis of reproduction, was false; however, he did not concern himself further with Smith's error, as he was not overly interested on the whole in the problem of total social reproduction. The Ricardian analysis even constituted a regression in comparison to Smith in certain respects, just as the latter partially represented a step backwards beyond the Physiocrats. If Ricardo elaborated the fundamental categories of the bourgeois economy (value, wages, surplus value, capital) much more acutely and in a more unified way than all his predecessors, his treatment of them was also more inflexible. Smith had a much keener sense for the living relations, for the broad movement of the whole. He was not averse to giving two different solutions to the same problem, or in the case of the problem of value, even three or four of them, and he would blithely contradict himself in different parts of his analysis; however, it was precisely these contradictions that led him to approach the whole from ever new angles, and to grasp it in its movement. The constraint that both Smith and Ricardo inevitably came up against was their limited, bourgeois horizon. In order to grasp the fundamental categories of capitalist production—i.e. value and surplus value—in their living movement and as social process of reproduction, it was necessary to conceive of this movement historically, and the categories themselves as historically conditioned forms of the universal relations of labor. This meant that the problem of the reproduction of the total social capital could only be solved by a socialist. The rise and fall of bourgeois political economy, not only in a temporal sense, but also in terms of its content, can be traced between the *Tableau économique* and the reproduction schema in the second volume of *Capital*.

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* The previous two sentences were left out of Schwarzschild's translation of *The Accumulation of Capital*.

Chapter 6. Expanded Reproduction

The inadequacy of the schema of simple reproduction is evident: it sets out the laws of a form of reproduction which can only occur as an occasional exception under capitalist relations of production. Expanded rather than simple reproduction is the rule in a capitalist economic system, much more so than in any other.[38] Nevertheless, there are two respects in which the schema has the utmost scientific importance. In practice, the largest share of the total product falls under the criteria of simple reproduction. The latter forms the broad basis on which any expansion of production beyond its previous confines occurs. Likewise, on the level of theory, the analysis of simple reproduction forms the indispensable starting point for any precise scientific exposition of expanded reproduction. The schema of the simple reproduction of total social capital thus points beyond itself to the problem of the expanded reproduction of total social capital.

The historical peculiarity of expanded reproduction on a capitalist basis has already been demonstrated: it necessarily presents itself as *the accumulation of capital*, such that this is simultaneously its specific form and its condition. This means that total social production, which, in the capitalist mode of production, is the production of surplus value, can only ever be expanded to the extent that the capital previously active in society is augmented by surplus value that it itself produces. The use of a part of surplus value—and more precisely, an increasing part—by the capitalist class for productive purposes, instead of for its personal consumption or for amassing hoards, is the basis of expanded reproduction under capitalist relations of production.

The reproduction of individual capitals constitutes an element of the expanded reproduction of total social capital, as was the case in the simple reproduction that was previously assumed. In fact, total social production proceeds only under the form of the innumerable independent movements of the reproduction of private, individual capitals. The first exhaustive analysis of the accumulation of individual capitals is given in Volume One of Marx's *Capital*, Part Seven, chapters 23 and 24.[*] Here Marx deals with the division of surplus value into capital and revenue; the circumstances that determine the accumulation of capital independently of the division of surplus value into capital and revenue, such as the rate of exploitation of labor-power and the productivity of labor; the growth of fixed capital relative to circulating capital as a moment of accumulation; and finally, the progressive formation of an industrial reserve army as the simultaneous consequence and presupposition of the accumulation process. In the course of this exposition, Marx criticizes two conceptions of bourgeois economics in relation to accumulation. The first of these is the "theory of abstinence" held by the more vulgar economists, which portrays the division of surplus value into capital and revenue and thus accumulation itself as an ethical and heroic deed of the capitalists; the second is the misconception of the classical economists, according to which the entire capitalized part of surplus value is used exclusively for the consumption of productive workers—i.e. it is spent on wages for newly employed workers. This erroneous assumption, which completely fails to consider that any expansion of production must be expressed as an increase not only in the number of workers employed, but also in the material means of production (buildings, tools, or at the very least, and in any case, raw materials), apparently rests on the false "doctrine" of Smith referred to above. The misconception that the price of all commodities resolves into nothing but wages and surplus value, with no remainder—thus completely neglecting constant capital—thus gives rise to the assumption that it is sufficient to spend more capital on wages in order to expand production.

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* These are the chapter numbers in the English edition. In the original Luxemburg referred to the German edition of Volume One of *Capital*, which has a somewhat different division of the chapters.

Remarkably, even Ricardo, who at least occasionally demonstrates an awareness that Smith's theory is erroneous, emphatically adopts its fallacious line of argument when he states:

> It must be understood, that all the productions of a country are consumed; but it makes the greatest difference imaginable whether they are consumed by those who reproduce, or by those who do not reproduce another value. When we say that revenue is saved, and added to capital,

what we mean is, that the portion of revenue, so said to be added to capital, is consumed by productive, instead of unproductive laborers.[39]

According to this bizarre conception, in which all products enter into human consumption, and which therefore leaves no place in the total social product for means of production which cannot be consumed (such as tools and machinery, raw materials, and buildings), expanded reproduction proceeds in a most peculiar fashion: simple means of subsistence for new workers are produced to the entire value of the capitalized part of surplus value instead of a part of it being used to produce luxury means of consumption for the capitalist class. The classical theory of expanded reproduction is unable to conceive of any other adjustment than those that take place within the production of means of consumption. It goes without saying from the arguments outlined above that Marx was able effortlessly to dismiss this elementary error on the part of Smith and Ricardo. Just as the regular replacement of constant capital—the material means of production—must take place alongside the production of the requisite amount of means of consumption for workers and capitalists in simple reproduction, a part of the new, additional capital must be used to increase the constant part of capital—i.e. to increase the material means of production. Here another law discovered by Marx comes into consideration. The constant part of capital, continually overlooked by the classical economists, grows constantly relative to the variable part, which is spent on wages. This is merely the capitalist expression of the general effects of the increasing productivity of labor. With technological progress, living labor can set ever greater masses of means of production in motion and process them into products in ever shorter amounts of time. From a capitalist standpoint, this implies a progressive reduction in expenditures on living labor—i.e. on wages—relative to expenditures on dead means of production. Expanded reproduction must therefore not only begin with a corresponding division of the capitalized part of surplus value into constant and variable capital, contrary to the Smithian-Ricardian assumption; with technological progress, this division must also allocate an ever-increasing relative share to constant capital and an ever-decreasing relative share to variable capital. This continual qualitative alteration in the composition of capital constitutes the specific form of appearance of the accumulation of capital, i.e. of expanded reproduction on a capitalist basis.[40]

The other side of this constant alteration in the relation between constant and variable capital is what Marx calls the formation of the relative surplus working population—i.e. which is surplus, and therefore superfluous, to the average valorization requirements of capital. The production of this reserve of unemployed industrial workers (in the broader sense, including proletarians under the command of merchant capital), which is always available, and which, for its part, forms the necessary presupposition for the sudden extension of production in the expansionary phase of the economic cycle, is included in the specific conditions for the accumulation of capital.[41]

The following four moments of expanded reproduction must therefore be derived from the accumulation of the individual capital:

1) The scale of expanded reproduction is, within certain limits, independent of the growth of capital, and can exceed it. The methods for achieving this are the increased exploitation of labor-power and of the forces of nature and increases in the productivity of labor (including increased efficiency of fixed capital).
2) The starting point for all real accumulation is the division of the part of surplus value to be capitalized into constant and variable capital.
3) As a social process, accumulation is accompanied by a constant alteration in the relation between constant and variable capital, such that the part of capital invested in dead means of production constantly grows relative to that spent on wages.
4) The concomitant and condition of the process of accumulation is the formation of the industrial reserve army.

These moments, deduced merely from the movement of the individual capital, represent an enormous step beyond the analysis of bourgeois economists. Now, however, the question is how to present the accumulation of total social capital from the starting point of the movement of the individual capital. On the basis of the schema of simple reproduction, now adapted to the perspective of accumulation, precise relations must be established both in terms of value—i.e. for surplus value production—and in terms of the material conditions of the labor process (the production of means of production and of means of consumption).

The decisive difference between expanded and simple reproduction consists in the fact that in the latter, the total surplus value is consumed by the capitalist class and its appended strata, whereas in the former, a part of the surplus value is taken from the personal consumption of its owners, but not in order to be amassed as a hoard, but rather to be transformed into active capital, i.e. to be capitalized. In order that this can occur, the new, additional capital must also find available the material preconditions for it to operate. Here, then, the concrete composition of the total social capital comes into consideration. As Marx already states in the first volume of *Capital*, while dealing with the accumulation of the individual capital:

> Annual production must in the first place furnish all those objects (use-values) from which the material components of capital, used up in the course of the year, have to be replaced. After we have deducted this, there remains the net or surplus product, which contains the surplus value. And what does this surplus product consist of? Only of things destined to satisfy the needs and desires of the capitalist class, things that consequently, enter into the consumption fund of the capitalists? If that were all, the cup of surplus value would be drained to the very dregs, and nothing but simple reproduction would ever take place.
>
> Accumulation requires the transformation of a portion of the surplus product into capital. But we cannot, except by a miracle, transform into capital anything but such articles as can be employed in the labor process (i.e. means of production), and such further articles as are suitable for the sustenance of the worker (i.e. means of subsistence). Consequently, a part of the annual surplus labor must have been applied to the production of additional means of production and subsistence, over and above the quantity of these things required to replace the capital advanced. In a word, surplus value can be transformed into capital only because the surplus product, in whose value it is, already comprises the material elements of a new quantity of capital.[42]

Additional means of production, and additional means of subsistence for the workers are not sufficient, however, to set expanded reproduction in motion —for this, additional labor-power is also required. This condition presents no particular difficulty according to Marx:

> The mechanism of capitalist production has already provided for this in advance, by reproducing the working class into a class dependent on wages, a class whose ordinary wages suffice, not only to maintain itself, but also to increase its numbers. All capital needs to do is to incorporate this additional labor-power, annually supplied by the working class in the shape of labor-powers of all ages, with the additional means of production comprised in the annual product, and the transformation of surplus value into capital has been accomplished.[43]

This, then, is the first solution given by Marx to the problem of the accumulation of total social capital. Marx does not focus further on this side of the question in the first volume of *Capital*, and does not return to the problem until the end of the second volume of his magnum opus: the concluding Chapter 21 is dedicated to the accumulation and expanded reproduction of total social capital.

Marx's schematic exposition of accumulation can now be considered more closely. He constructs a schema of expanded reproduction that follows the example of the schema of simple reproduction presented above. A comparison between them brings out their differences most clearly.

Let it be assumed that the annual total social product represents a value of 9,000 (units here can be understood as millions of working hours, or, from a capitalist standpoint, expressed in money, any given currency unit). Let the total product be divided as follows:

$$\begin{aligned} &\text{I. } 4{,}000c + 1{,}000v + 1{,}000s &&= 6{,}000 \\ &\text{II. } 2{,}000c + 500v + 500s &&= 3{,}000 \\ & &&\text{Total: } 9{,}000 \end{aligned}$$

Department I represents means of production, Department II means of consumption. A glance at the ratios between the figures shows that only simple reproduction can occur here. The means of production produced in the first department are equal to the sum of the means of production actually used up by both departments, and their mere replacement only allows the repetition of production on the same scale as previously. On the other hand, the total product of the department producing means of consumption is equal to the sum of the wages and surplus value in both departments; this shows that the available means of consumption only permit the employment of the previous number of workers, and, at the same time, that all of the surplus value is spent on means of consumption—i.e. on the personal consumption of the capitalist class.

Now let the same total social product of 9,000 exhibit the following composition:

$$\begin{aligned} &\text{I. } 4{,}000c + 1{,}000v + 1{,}000s &&= 6{,}000 \\ &\text{II. } 1{,}500c + 750v + 750s &&= 3{,}000 \\ & &&\text{Total: } 9{,}000 \end{aligned}$$

Here a double disproportion stands out. The value of the means of production produced (6,000) exceeds that of those actually employed in society as a whole (4,000c + 1,500c) by 500. At the same time, the mass of means of consumption produced (3,000) represents a deficit of 500 relative to the total wages paid to meet the needs of the workers, (1,000v + 750v) added to the total surplus value obtained (1,000s + 750s). It follows from this that, since the reduction of the number of workers employed is excluded, the consumption of the capitalist class must be less than the surplus value appropriated by it. In this way, the two preconditions for expanded reproduction on the capitalist basis are satisfied: a part of surplus value is not consumed, but is used for productive purposes, while an increased volume of means of production is produced, such that the capitalized surplus value can actually be employed for the expansion of production.

The analysis of the schema of simple reproduction has demonstrated that its fundamental social conditions are contained within the following precise relations: the sum of means of production produced (the product of Department I) must be equal in value to the constant capital of both departments, while the sum of means of consumption produced (the product of Department II) must be equal in value to the sum of the variable capitals and the surplus value of both departments. In the schema of expanded reproduction, on the other hand, precise relations must be deduced that are diametrically opposed to those of simple reproduction. The general presuppositions of expanded reproduction are that the product of Department I is greater, in terms of value, than the constant capital of both departments together, and that the product of Department II is less than the sum of the variable capitals and the surplus value of both departments, again in value terms.

This by no means exhausts the analysis of expanded reproduction, however; rather, the threshold of the problem has hardly even been reached.

The relations of the schema derived above must now be pursued in their further interaction, in the flow of circulation and the progress of reproduction. Whereas simple reproduction can be likened to a circle that is ever retraced anew, expanded reproduction resembles an ever-ascending spiral, to use Sismondi’s expression. To begin with, the loops of this spiral must be examined more closely. The first general question here is how actual accumulation occurs in both departments, given the presuppositions identified above, such that all capitalists capitalize a part of their surplus value and simultaneously find available the material preconditions of expanded reproduction.

Marx elucidates the question with the following schematic exposition.

Let it be assumed that half of the surplus value of Department I is accumulated. Thus the capitalists use 500 for their own consumption, and transform 500 into capital. As has been shown, this additional capital of 500 must be divided into constant and variable capital in order to function. Assuming, despite the expansion of production, that the ratio between constant and variable capital remains the same as in the original capital, i.e. 4:1, then the capitalists of Department I would divide up their additional capital of 500 such that they spend 400 on new means of production and 100 on new labor-power. The procurement of new means of production to the value of 400 presents no difficulties given the knowledge that Department I has already produced a surplus of 500 in means of production. Of this, ⅘ is used within Department I in order to achieve the expansion of production. However, the corresponding increase in variable capital is not sufficient, since the new, additional workforce must also find available the corresponding means of subsistence, and these can only be obtained from Department II. Thus the circulation between the two great departments now undergoes an alteration. Previously, in simple reproduction, Department I received means of subsistence to the value of 1,000 for its own workers, whereas it must now obtain a further 100 in means of subsistence for its workers. Department I will consequently begin expanded reproduction as follows: 4,400*c* + 1,100*v*.

Through its sale of additional means of consumption to the value of 100, Department II in turn is in a position to use this sum to purchase additional means of production from Department I. This indeed corresponds to the sum left over from the total excess product of Department I. Department II now acquires these means of production so that it too can expand its production. Here, too, however, there is not much that can be undertaken with additional means of production alone, as more labor-power is needed to set them in motion. Assuming that in this case, too, the previous composition of capital is maintained, i.e. that the ratio of constant to variable capital is 2:1, then labor-power to the value of 50 is required for the additional means of production to become operative. For these new workers, new means of subsistence to the value of their wages are required, and Department II itself supplies these. From the total product of

Department II, then, additional means of subsistence to the value of 50 must be used for its own workers, over and above the additional means of subsistence to the value of 100 for the new workers of Department I. The second department thus begins expanded reproduction in the following ratio: 1,600*c* + 800*v*.

Now the total product of Department I (6,000) has been seamlessly absorbed into circulation: 5,500 were necessary for the mere replacement of the old means of production used up in both departments, 400 have been employed to expand production in Department I, and 100 for a similar purpose in Department II. As far as the total product of Department II (3,000) is concerned, 1,900 of it have been used for the increased workforce in both departments. The remaining 1,100 in means of consumption serves the personal consumption of the capitalists, i.e. the consumption of their surplus value, as follows: 500 for the capitalists of Department I, and 600 for those of Department II, who have only capitalized 150 of their surplus value of 750 (100 for means of production and 50 for workers' wages).

Now expanded reproduction can proceed. If the same rate of exploitation (100 percent) is maintained as in the original capital, the next period will give the following results:

$$
\begin{array}{lr}
\text{I. } 4{,}400c + 1{,}100v + 1{,}100s & = \;\; 6{,}600 \\
\text{II. } 1{,}600c + 800v + 800s & = \;\; 3{,}200 \\
 & \text{Total: } 9{,}800
\end{array}
$$

The total social product has grown from 9,000 to 9,800; the surplus value of the first department has increased from 1,000 to 1,100, and that of the second from 750 to 800. The purpose of the capitalist expansion of production (the increased generation of surplus value) has been achieved. At the same time, the material composition of the total social product yields a new surplus of means of production of 600 (from the product of Department I of 6,600) over those actually used up (4,400 + 1,600), as well as a deficit in means of consumption, which total 3,200, relative to the wages paid (1,100*v* + 800*v*) plus the surplus value obtained (1,100*s* + 800*s*). In this way, the material foundation for, and necessity of, the employment of a part of the surplus value for the expansion of production, rather than for the consumption of the capitalist class, are already given once again.

The second expansion of production and increased surplus value generation, in its mathematically precise proportions, thus results from the first as a matter of course. Once initiated, the accumulation of capital leads mechanically ever further beyond itself. The circle has transformed itself into a spiral that winds itself ever higher as if compelled by a mathematically calculable law of nature. Assuming the same capitalization of half of the surplus value of Department I in the following years, and maintaining the same composition of capital and the same rate of exploitation, the following sequence in the reproduction of the total social capital is obtained:

2nd year:
I. 4,840*c* + 1,210*v* + 1,210*s* = 7,260
II. 1,760*c* + 880*v* + 880*s* = 3,520
Total: 10,780

3rd year:
I. 5,324*c* + 1,331*v* + 1,331*s* = 7,986
II. 1,936*c* + 968*v* + 968*s* = 3,872
Total: 11,858

4th year:
I. 5,856*c* + 1,464*v* + 1,464*s* = 8,784
II. 2,129*c* + 1,065*v* + 1,065*s* = 4,259
Total: 13,043

5th year:
I. 6,442*c* + 1,610*v* + 1,610*s* = 9,662
II. 2,342*c* + 1,172*v* + 1,172*s* = 4,686
Total: 14,348

Accordingly, after five years of accumulation, the total social product has grown from 9,000 to 14,348, the total social capital has increased from (5,500*c* + 1750*v* = 7,250) to (8,784*c* + 2,782*v* = 11,566), and the surplus value has risen from (1,000*s* + 500*s* = 1,500) to (1,464*s* + 1,065*s* = 2,529).

The surplus value for personal consumption has increased from 1,500 at the outset of accumulation to 732 + 958 = 1,690 in the final year.[44] The capitalist class has thus capitalized more, practiced more "abstinence," and still been able to live a more debonair lifestyle. Society has become richer: in material terms, it has become richer in means of production, richer in means of consumption, and at the same time it has become richer in the capitalist sense—it produces ever more surplus value. The total social product is absorbed smoothly into social circulation; it serves partly for the expansion of reproduction, and partly for the purposes of consumption. The needs of capitalists to accumulate are met by the material composition of the total social product; it is as Marx states in the first volume of *Capital*: the increased surplus value can be transformed into capital, precisely because the social surplus product originally emerges in the material form of means of production, i.e. in a form that admits of no other use than their employment in the production process. At the same time, the expansion of reproduction is carried out strictly adhering to the laws of circulation: the reciprocal provision of both departments of production with additional means of production and means of consumption takes place as the exchange of equivalents, as the exchange of commodities, such that accumulation in one department itself facilitates, and is the condition of, accumulation in the other. The complicated problem of accumulation is thus transformed into a schematic sequence of astonishing simplicity. The chain of equations initiated above can be extended *ad infinitum*. All that is required is that the following simple rules are observed. An increase in the constant capital of the first department must always correspond to a determinate increase in its variable capital; this latter increase predetermines the rate at which the constant capital of the second department can expand; this in turn must be accompanied by a corresponding increase in the variable capital of the same department; finally, the size of the increased variable capital of both departments always determines how much of the total amount of means of consumption remains for the personal consumption of the capitalist class. It can also be demonstrated that this remaining amount of means of consumption corresponds precisely in value terms to the noncapitalized part of surplus value in both departments.

As has already been noted, the continuation of the schematic development of accumulation according to the few simple rules given above knows no confines. However, it would now be opportune to question whether the remarkably smooth results obtained here are not merely given by the repetition of certain exercises in arithmetic, invariably producing the same outcome, and whether accumulation does not proceed unimpeded *ad infinitum* merely because an endless series of mathematical equations can be written down on paper.* In other words, it is high time to survey the concrete social conditions of accumulation.

* Luxemburg will also develop this point in her *Anti-Critique*, in the process of responding to such critics of *The Accumulation of Capital* as Otto Bauer. See this volume, pp. 387–449.

Chapter 7. Analysis of Marx's Schema of Expanded Reproduction

The first expansion of production went as follows:

I. $4{,}400c + 1{,}100v + 1{,}100s$	=	6,600
II. $1{,}600c + 800v + 800s$	=	3,200
	Total:	9,800

Here the interdependence of accumulation in both departments is clearly expressed. However, this relation of dependence is of a peculiar nature. Accumulation proceeds from Department I, and Department II merely follows its movement, and in effect the scale of reproduction is solely determined by Department I. Marx effects accumulation here by having half of the surplus value in Department I be capitalized, whereas only the precise proportion of the surplus value in Department II is capitalized that is necessary to secure production and accumulation in Department I. In so doing, Marx has the capitalists of Department II consume 600*s*, whereas the capitalists of the first department, who appropriate twice as much value and much more surplus value, only consume 500*s*. In the following year, he has the capitalists of Department I capitalize half their surplus value once again, and this time he "compels" the capitalists of Department II arbitrarily to capitalize more than the previous year, in accordance with the requirements of Department I, such that only 560*s* remains for the consumption of the capitalists of Department II this time—*less* than the previous year, which is at any rate a rather strange result of accumulation. Marx outlines the process as follows:

> Let accumulation now continue in Department I in the proportions; i.e. 550*s* is spent as revenue, and 550*s* accumulated. To start with, then, 1,100 I*v* is replaced by 1,100 II*c*, and 550 I*s*, remains to be realized in an equal amount of commodities II; i.e. altogether 1,650 I($v + s$). But the constant capital in Department II that has to be exchanged is only 1,600, so that the remaining 50 must be supplemented from the 800 II*s*. If we initially leave aside the money here, then the result of this transaction is:

I. 4,400*c* + 550*s* (to be capitalized); as well as 1,650(*v* + *s*) in the consumption fund for capitalists and workers, realized in commodities II*c*.

II. 1,650*c* (with 50 being added as above from II*s*) + 825*v* + 725*s* (capitalists' consumption fund).

But if the former ratio of *v* to *c* in Department II remains unchanged, then a further 25*v* must be laid out for 50*c*; this has to be taken from the 750*s*; we therefore get:

II. 1,650*c* + 825*v* + 725*s*.

In Department I, 550*s* has to be capitalized. If the earlier ratio remains the same, then 440 of this form constant capital and 110 variable capital. This 110 is ultimately obtained from the 725 II*s*, so that means of consumption to the value of 110 are consumed by the workers in Department I instead of by the capitalists in Department II, the latter being forced to capitalize these 110*s*, instead of consuming it. This leaves 615 II*s*, over out of the 725 II*s*. But if Department II transforms this 110 into additional constant capital, it needs a further additional variable capital of 55. This has again to come out of its surplus value; deducted from the 615 II*s*, it leaves 560 for the consumption of the capitalists in Department II, and we now get, after the completion of all actual and potential transfers, the following capital value:

I. (4,400*c* + 440*c*) + (1,100*v* + 110*v*) = 4,840*c* + 1,210*v* = 6,050

II. (1,600*c* + 50*c* + 110*c*) + (800*v* + 25*v* + 55*v*) = 1,760*c* + 880*v* = 2,640

Total: 8,690[45]

This passage is quoted at length here because it is a graphic illustration of how Marx achieves accumulation in Department I at the expense of Department II. He continues the harsh treatment of the capitalists of the department producing means of consumption in the following years. In the third year, according to the same rule, he has them accumulate 264*s* and consume 616*s*, this time *more* than in the two preceding years. In the fourth year he has them capitalize 290*s* and consume 678*s*, and in the fifth they accumulate 320*s* and consume 745*s*. Marx even comments:

If things are to proceed normally, accumulation in Department II must take place quicker than in Department I, since the part of I(*v* + *s*) that has to be exchanged for commodities II*c*, would otherwise grow more rapidly than II*c*, which is all it can be exchanged for.[46]

Yet the figures cited here do not merely fail to show a more rapid accumulation in Department II; they in fact demonstrate a fluctuating one. This is governed by the following rule: Marx extends accumulation ever further by having Department I produce on a broader basis; accumulation in the second department appears only as the consequence of, and condition for, accumulation in the other one: first, to absorb the excess means of production, and second, to provide the necessary increase in means of consumption for the additional workforce. In this movement, it is always Department I that retains the initiative; Department II is no more than a passive satellite. Thus, at all times, the capitalists of Department II may only accumulate so much and must consume as much as is required for accumulation in Department I. Whereas Department I continually capitalizes half of its surplus value and consumes the other half, which results in a regular expansion of production as well as of the personal consumption of the capitalist class, the dual movement in Department II proceeds in the following erratic manner:

1st year: 150*s* is capitalized, 600*s* consumed
2nd year: 240*s* is capitalized, 660*s* consumed
3rd year: 254*s* is capitalized, 626*s* consumed
4th year: 290*s* is capitalized, 678*s* consumed
5th year: 320*s* is capitalized, 745*s* consumed

There is no visible rule to this accumulation and consumption; both merely serve the requirements of accumulation in Department I. It goes without saying that the absolute figures in every equation of the schema are arbitrary; this does not detract from its scientific value. What is at issue are the relative magnitudes: these are supposed to express precise relations. The proportions of accumulation in Department I, which are clearly law-governed, now seem to have been gained at a price: the completely arbitrary construction of the proportions in Department II. This circumstance is sufficient grounds for a re-examination of the inner connections of the analysis.

It might be presumed, however, that this is merely a case of an ill-chosen example. Marx himself is not satisfied with the schema cited above, and indeed he proceeds to give a second example in order to elucidate the movement of accumulation. The figures of the equations are now arranged as follows:

$$\begin{aligned} &\text{I. } 5{,}000c + 1{,}000v + 1{,}000s &= \;& 7{,}000 \\ &\text{II. } 1{,}430c + 285v + 285s &= \;& 2{,}000 \\ & & \text{Total: }& 9{,}000 \end{aligned}$$

Here it can be observed that, in contrast with the former example, the same composition of capital exists in both departments, i.e. a ratio of constant to variable capital of 5:1. This presupposes an already significant development of capitalist production and, correspondingly, of the productive power of social labor; a considerable prior expansion of the scale of production; and finally, the development of all those circumstances that produce a relative surplus population in the working class. Here it is no longer a case of the initial transition from simple to expanded reproduction (which at any rate merely has an abstract, theoretical value) as in the first example; rather the movement of accumulation is grasped in full flow, at an already advanced stage of development. In themselves, these assumptions are completely admissible, and they do not alter anything of the rules that must guide the analysis of the development of the individual loops of the spiral of reproduction. Here Marx again takes as his starting point the capitalization of half of the surplus value of Department I:

> Let us again take it that the capitalist class in Department I consumes one half of the surplus value, or 500, and accumulates the other half. In that case (1,000*v* + 500*s*) I = 1,500 would need to be exchanged with 1,500 II*c*. But since II*c* is here only 1,430, 70 of surplus value has to be added; and this, when deducted from the 285 II*s*, leaves 215 II*s*. We thus get:
>
> I. 5,000*c* + 500*s* (to be capitalized) + 1,500(*v* + *s*) in the consumption fund for capitalists and workers.
>
> II. 1,430*c* + 70*s* (to be capitalized) + 285*v* + 215*s*.
>
> Since 70 II*s* has been directly annexed here to the II*c*, a variable capital of 70:5, or 14, is required to set this extra constant capital in motion; this 14 has to come out of the 215 II*s*, leaving 201 II*s*, and we have:
>
> II. (1,430 + 70*c* + (285*v* + 14*v*) + 201*s*.[47]

After these preliminary specifications, capitalization can proceed. It is effected as follows. In Department I, the 500*s* that is capitalized is divided into ⅚ = 417*c*, and ⅙ = 83*v*. The 83*v* withdraws a similar amount from II*s*, which in turn buys elements of constant capital, and is thus transformed into II*c*. An increase of 83 in II*c* entails a corresponding increase of ⅕ of 83 = 17. Thus, after these transactions, the following results are obtained:

I. (5,000*c* + 417*s*) + (1,000*v* + 83*s*)*v* = 5,417*c* + 1,083*v*	=	6,500
II. (1,500*c* + 83*s*) + (299*v* + 17*s*) = 1,538*c* + 316*v*	=	1,899
		Total: 8,399

The capital in Department I has increased from 6,000 to 6,500, or by 1⁄12, and in Department II from 1715 to 1899, or by just under ⅑.

Reproduction on this basis gives the following results after one year:

$$\begin{array}{lrl}
\text{I. } 5{,}417c + 1{,}083v + 1{,}083s & = & 7{,}583 \\
\text{II. } 1{,}583c + 316v + 316s & = & 2{,}215 \\
 & \text{Total:} & 9{,}798
\end{array}$$

If accumulation proceeds in the same proportions, then at the end of the second year the following equations obtain:

$$\begin{array}{lrl}
\text{I. } 5{,}869c + 1{,}173v + 1{,}173s & = & 8{,}215 \\
\text{II. } 1{,}715c + 342v + 342s & = & 2{,}399 \\
 & \text{Total:} & 10{,}614
\end{array}$$

Similarly, by the end of the third year:

$$\begin{array}{lrl}
\text{I. } 6{,}358c + 1{,}271v + 1{,}271s & = & 8{,}900 \\
\text{II. } 1{,}858c + 371v + 371s & = & 2{,}600 \\
 & \text{Total:} & 11{,}500
\end{array}$$

In three years the total social capital has increased from 6,000 I + 1,715 II = 7,715 to 7,629 I + 2,229 II = 9,858, and the total product has risen from 9,000 to 11,500.

Here accumulation proceeds uniformly in the two departments, unlike in the first example: from the second year on, half of the surplus value is capitalized, and half consumed, in Department I, as in Department II. Thus the arbitrariness of the first example would now appear to be due to the poorly chosen series of figures. Yet it still remains to be ascertained whether the smooth progress of accumulation in the present case represents something more than mathematical operations with cleverly chosen figures.

The general rule of accumulation that emerges from the first and second examples alike is the following: in order for accumulation to proceed at all, the second department must at all times expand its constant capital by as much as Department I increases (a) the portion of its surplus value that is consumed, and (b) its variable capital. This can be illustrated using the first year as an example. First of all, the constant capital of Department II must be increased by 70. What is the reason for this? It is due to the fact that this capital so far represents a value of only 1,430. If the capitalists of Department I wish to accumulate half of their surplus value and to consume the other half, then they require means of consumption for themselves and for their workers to the value of 1,500. They can obtain these from Department II only by exchanging their own product—i.e. means of production. However, since Department II could previously meet its requirements with means of production to the value of its constant capital (1,430), the exchange can only occur if Department II decides to increase its constant capital by 70, i.e. to expand its own production, which cannot be achieved other than through the capitalization of a corresponding part of its surplus value, which amounts to 285*s* in total. Of this sum, 70 must be transformed into constant capital. Here, then, the first step in the expansion of production in Department II is determined as the condition for and consequence of an expansion in the consumption of the capitalists in Department I. The analysis can now be continued. Thus far, the capitalist class of Department I was only authorized to spend half of its surplus value on its personal consumption. In order to capitalize the other half (500), it must divide it up at least according to the previous composition—i.e. it must transform 417 into constant capital, and 83 into variable capital. The first operation presents no difficulties: the capitalists of Department I possess an excess of 500 in their own product, which consists of means of production, whose natural form thus enables them to be incorporated directly into the process of production; thus an expansion of the constant capital of Department I is effected by drawing on a corresponding amount, in value terms, of this department's own product. In order to make the corresponding 83 function as variable capital, however, means of subsistence to the same value are required for the newly employed workers. Here it becomes apparent for the second time that accumulation in Department I depends on Department II: Department I must obtain additional means of consumption for its workers to a value of 83 from Department II. Since this in turn can only take place through the exchange of commodities, this requirement of Department I can only be satisfied on the condition that Department II, for its part, undertakes to accept products from Department I, i.e. means of consumption, to the value of 83. Since it has no use for means of production other than to employ them in the production process, the upshot is that Department II in turn has an opportunity that simultaneously confronts it as a necessity: it can *and* must expand its constant capital, and more precisely by a value of 83, whereby a similar amount of the surplus value of this department is in turn withdrawn from the personal consumption of the capitalists and is instead used for capitalization. The second step in the expansion of the production of Department II is conditioned by the expansion of the variable capital in Department I. Now all the material conditions for accumulation in Department I are at hand, and expanded reproduction can proceed. By contrast, in Department II there has for now merely been a twofold expansion of constant capital. A corresponding increase in its workforce is therefore required if the newly acquired means of production are actually to be used. Assuming the previous ratio is maintained, a new variable capital of 31 is necessary for the new constant capital of 153. This means that a similar quantity must in turn be capitalized from surplus value. Accordingly, the personal consumption fund of the capitalists of Department II now consists of the remainder of the surplus value (285*s*) after deductions for the twofold increase of constant capital (70 + 83) and for the corresponding increase in variable capital (31)—i.e. in total, 184 in deductions, such that a value of 101 remains. After similar operations in the second year of accumulation, Department II divides its surplus value into 158 for capitalization and 158 for the consumption of the capitalists, in the third year these amounts are 172 and 170 respectively.

This process has been examined in such detail and retraced step by step because it demonstrates clearly that accumulation in Department II is completely dependent on and dictated by accumulation in Department I. Although this dependence is no longer expressed in arbitrary alterations in the division of the surplus value of Department II, as was the case in Marx's first example of his schema, the fact of this dependence itself remains, even if surplus value is now neatly divided up into two halves—one-half for the purposes of capitalization, and one-half for personal consumption. Despite the fact that the capitalists of both departments have been put on an equal footing in numerical terms, it is clearly apparent that the whole movement of accumulation is initiated and actively driven by Department I, while Department II merely participates passively. This dependence is also expressed in the following precise rule: accumulation can only proceed in both departments simultaneously under the condition that the department of means of consumption increases its constant capital in a manner precisely corresponding to the expansion of the variable capital and the personal consumption fund of the capitalists of the department of means of production. This proportion (the increase in II*c* = the increase in I*v* + the increase in I*sc*)[*] is the mathematical foundation of Marx’s schema of accumulation, regardless of which numerical proportions are chosen to exemplify it.

It must now be verified whether this strict rule of capitalist accumulation corresponds to the actual relations.

Let the analysis first return to simple reproduction. Marx’s schema, it will be recalled, went as follows:

$$
\begin{aligned}
&\text{I. } 4{,}000c + 1{,}000v + 1{,}000s &&= 6{,}000 \text{ means of production}\\
&\text{II. } 2{,}000c + 500v + 500s &&= 3{,}000 \text{ means of consumption}\\
& &\text{Total: } & 9{,}000 \text{ total social production}
\end{aligned}
$$

Here, too, determinate proportions were established upon which simple reproduction rests. These proportions were the following:

1) The product of Department I equals (in value) the sum of the constant capitals of Departments I and II.
2) It follows from 1) that the constant capital of Department II equals the sum of the variable capital and the surplus value of Department I.
3) It follows from 1) and 2) that the product of Department II is equal to the sum of the variable capitals and the surplus value of both departments.

These relations of the schema correspond to the conditions of capitalist commodity production (reduced to simple reproduction, however). Thus, for example, proportion (2) is determined by commodity production, i.e. by the circumstance that the entrepreneurs of each department can only obtain the products of the other one through the exchange of equivalents. The variable capital and the surplus value of Department I are the expressions of this department’s requirements in means of consumption. These requirements must be satisfied from the product of Department II, yet they can only be obtained in exchange against products of Department I to the same value—i.e. means of production. Since Department II can do nothing else with this equivalent, owing to its natural form, than to use it as constant capital in the production process, this exchange determines the magnitude of the constant capital of Department II. If there were a disproportion here, e.g. if the constant capital of Department II (as a magnitude of value) were larger than I($v + s$), then it could not be entirely transformed into means of production, for Department I's requirements in terms of means of consumption would be too small. If the constant capital of Department II were less than I($v + s$), then the workforce of this department could not be employed on the same scale as previously, or alternatively the capitalists would not be able to consume all of their surplus value. In each of these cases, the presuppositions of simple reproduction would be violated.

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* Surplus consumption.

These proportions are not mere mathematical exercises, however, nor are they merely conditioned by the commodity-form of production. A simple means can be employed to demonstrate this, imagining for a moment the socialist mode of production instead of the capitalist one, i.e. an economy regulated by planning, in which the social division of labor has come to replace exchange. In this society there would likewise be a division of labor into the production of means of production and the production of means of consumption. Let it be further assumed that the technical development of labor entails the following division: two-thirds of social labor is used for the production of means of production, and one-third for the production of means of consumption. Let it be also assumed that 1,500 units of labor (e.g. working-days, working-months, or working-years) are sufficient annually under these conditions for the maintenance of the entire part of society consisting of those who work, and more precisely, according to the following assumption: 1,000 of these units are allocated to the department of means of production, and 500 to that of means of consumption, such that each year means of production from preceding periods of labor are used that themselves represent the product of 3,000 labor units. This workload would not be sufficient for society, however, since the maintenance of all non-working members of society (in the material, productive sense)—children, the elderly, the sick, state officials, artists, and scientists—requires a significant additional quantity of labor. Furthermore, every civilized society requires a certain insurance fund as protection against natural disasters. Let it be assumed that the maintenance of all non-workers, together with the insurance fund, requires precisely as much labor again as for the maintenance of those who work, and thus also as many means of production. On the assumption of the figures given above, the following schema of regulated production is then obtained:

I. 4,000c + 1,000v + 1,000s = 6,000 means of production
II. 2,000c + 500v + 500s = 3,000 means of consumption

Here c stands for the material means of production used up, expressed in social labor-time; v expresses the labor-time socially necessary for the maintenance of those who work; and s expresses the labor-time socially necessary for the maintenance of non-workers and for the insurance fund.

An examination of the proportions of the schema now gives the following results. Commodity production does not exist here, and thus nor does exchange, although there is indeed a social division of labor. The products of Department I are allocated in the requisite quantities to those who work in Department II; the products of Department II are distributed to all working and non-working people (in both departments) and to the insurance fund—not, however, because the exchange of equivalents takes place, but because social organization directs the whole process through planning, because existing needs must be met, and because production indeed knows no other purpose than the satisfaction of social needs.

Nonetheless, the quantitative proportions retain their full validity. The product in Department I must equal Ic + IIc; this means simply that all the means of production used up annually by society in the labor process must be annually replaced by Department I. The product of Department II must equal the sum of I(v + s) + II(v + s): this signifies that as many means of consumption are produced annually by society as correspond to the needs of all of its working and non-working members, alongside reserves for the insurance fund. The proportions of the schema show themselves to be as natural and as necessary in a type of economy regulated by planning as in the capitalist economy, which is founded on commodity exchange and anarchy. This demonstrates the objective social validity of the schema—even if, as mere *simple* reproduction, it can only be conceived theoretically, and in practice can only occur exceptionally, both in capitalist society as in the regulated one.

A similar examination of the schema of expanded reproduction can now be attempted, imagining a socialist society, and basing the inquiry on the schema as given in Marx's second example. From the standpoint of the regulated society, the question must naturally not be approached from Department I, but Department II. Let it be assumed that this society grows rapidly, with a concomitant increase in the means of consumption required by working and non-working people. These requirements grow so quickly, that—leaving temporarily to one side progress in the productivity of labor—a constantly growing amount of labor is necessary for the production of means of consumption. Let the requisite volume of means of consumption, expressed in terms of the social labor that they contain, increase year on year, say in the ratio 2,000—2,215—2,399—2,600, etc. Let it be assumed that, in order to produce this growing volume of means of consumption, means of production are technically required in increasing quantities, which, measured in social labor time, rise year on year in the following ratios: 7,000—7,583—8,215—8,900, etc. Let it be further assumed that for this expansion of production, the annual labor required is 2,570—2,798—3,030—3,284. {The figures correspond to the respective sums of I(v + s) + II(v + s).}* Finally, let the labor performed annually be allocated such that half of it is always used for maintaining working people themselves, a quarter for maintaining those who do not work, and the final quarter for the purpose of expanding production the following year. In this way, the proportions of Marx's second schema of expanded reproduction are obtained for a socialist society. In fact, an expansion of production in any society, even a planned economy, is only possible on the following three conditions, namely that:

1) The society has an increasing quantity of labor-power at its disposal.
2) The immediate maintenance of society does not take up the whole of its labor time in any given period of labor, so that part of this time can be devoted to making provisions for the future and its increasing requirements.
3) Means of production are produced in sufficiently increasing quantities year on year, without which a progressive expansion of production cannot be achieved.

* This bracketed sentence is by Luxemburg.

In terms of these general considerations, Marx's schema of expanded reproduction thus has objective validity—*mutatis mutandis*—for the regulated society, too.

The validity of the schema for the capitalist economy can now be examined. Here, the following question must be posed above all: what is the starting point for accumulation? It is from this standpoint that the interdependence of the accumulation process in both departments of production must be retraced. There can be no doubt that, in a capitalist economy, too, Department II is dependent on Department I insofar as the former's accumulation relies upon the availability of a corresponding additional amount of means of production. Conversely, accumulation in Department I is contingent upon a corresponding additional quantity of means of consumption for the increased workforce. However, it in no way follows from this that it is sufficient that both conditions be met for accumulation to proceed in practice and to occur year on year quite automatically, as is the impression given by the Marxian schema. The conditions for accumulation given above are merely conditions without which accumulation cannot take place. The will to accumulate may well be as present in Department I as it is in Department II. However, the will to accumulate and the technical preconditions for accumulation are not sufficient in a capitalist commodity economy. For accumulation to actually occur—i.e. for production to be expanded—another condition must be fulfilled: the expansion of effective demand for commodities (i.e. demand backed by the ability to pay). What is the source of the constantly increasing demand underlying the progressive expansion of production in the Marxian schema?

This much is clear at once: it cannot come from the capitalists of Departments I and II themselves, i.e. from their own personal consumption. On the contrary, accumulation consists precisely in the fact that they do not consume a part of surplus value themselves (indeed this part is a constantly growing one, at least in absolute terms), but rather produce goods with it to be used by others. It is true that the personal consumption of the capitalists increases with accumulation, and it may even grow in value terms. In any case, however, only a part of surplus value is used for the consumption of the capitalists. The foundation of accumulation is precisely the non-consumption of surplus value by the capitalists. For whom is production by this other, accumulated part of surplus value? According to the Marxian schema, the movement has Department I as its starting point, the production of means of production. Who needs these additional means of production? The schema answers: Department II needs them, in order to be able to produce more means of consumption. Yet who needs these additional means of consumption? The schema answers: it is in fact Department I, because it now employs more workers. The argument is apparently going round in a circle. The production of more means of consumption merely in order to maintain more workers, and the production of more means of production merely in order to employ these additional workers, is an absurdity from the capitalist standpoint. For the individual capitalist, the worker is admittedly as good a consumer, i.e. a buyer of his commodity—in the case that he can pay for it—as a capitalist or anybody else. The individual capitalist realizes his surplus value just as much in the price of the commodity that he sells to the worker as he does in the price of the commodity that he sells to any other given purchaser. This is not so from the point of view of the capitalist class as a whole. The latter allocates to the working class a precisely determined part of the total social product that corresponds to the value of variable capital. When the workers buy means of consumption, then, they merely recompense the capitalist class for the sum of wages received from it, i.e. for their allocation corresponding to the value of variable capital. They cannot give back a brass farthing more, in fact they might instead give back a lesser amount, namely if they are able to "save" in order to become small entrepreneurs, which is, however, the exception rather than the rule. The capitalist class itself consumes a part of surplus value in the form of means of consumption and retains possession of the money reciprocally exchanged for these. Who, then, purchases the products from the capitalists in which the other capitalized part of surplus value is incorporated? The schema answers that a part is taken by the capitalists themselves insofar as they produce new means of production for the purposes of expanding production, and a part by the new workers required for the operation of these new means of production. However, in order to make new workers operate with new means of production, there must be—in a capitalist economy—a prior purpose for the expansion of production, a new demand for the products that are to be manufactured.

The answer might be given that the natural increase of the population creates this increasing demand. Indeed, the increase of the population and its needs formed the starting point of the hypothetical investigation of expanded reproduction in a socialist society. There, the needs of society provided sufficient foundation for expanded reproduction: the only purpose of production was to satisfy these needs. In capitalist society, the problem is a different one. In referring to an increasing population, exactly which population is meant? The Marxian schema supposes the existence of only two classes: capitalists and workers. The growth of the capitalist class is already implied in the increasing absolute magnitude of the part of surplus value entering into consumption. In any case, it cannot consume the surplus value entirely, for this would imply a reversion to simple reproduction. Only the workers remain. The working class grows naturally, too. Yet in itself, this growth, and the basis for increasing needs that it provides, does not concern the capitalist economy at all.

The production of means of consumption corresponding to I*v* and II*v* is not an end in itself, as it is in a society where working people and the satisfaction of their needs form the foundation of the economic system. In a capitalist economy, means of consumption are not produced in Department II because the working class of departments I and II must be fed. The opposite is true. The workers in departments I and II are able to feed themselves to the extent that their labor power can be valorized under the given market conditions. This means that it is not a given number of workers and their needs that form the starting point for capitalist production, but rather that these entities are themselves constantly fluctuating "dependent variables"—i.e. variables dependent on capitalist expectations of profit. The question is therefore whether the natural increase in the working population also implies an increase in effective demand over and above variable capital. This cannot be the case. In the above schema, the only source of money for the working class is variable capital. The increase in the workforce is thus already implicit in variable capital. It is one of two things, then: either wages are calculated such that they feed the next generation of workers, in which case this next generation cannot be counted again as the foundation for expanded reproduction; or this is not the case, and young workers, the next generation, must themselves work in order to receive wages and means of subsistence. Yet in this case the next generation of workers is in fact already included in the number of workers employed. The natural increase of the population thus cannot explain the accumulation process in the Marxian schema.

An objection can be made here, however. Society under the domination of capitalism does not consist merely of capitalists and wage-laborers. Apart from these two classes there remains a large mass of the population: landowners, salaried employees, the liberal professions (doctors, lawyers, artists, scientists), the Church with its servants, the clergy, and finally the state with its officials and armed forces. None of these strata of the population can be included under the categories of capitalists or wage-laborers. They must, however, be fed and maintained by society. It might be argued that it is the demand of these strata, apart from that of capitalists and workers, that makes expanded reproduction necessary. Yet, on further inspection, this way out is only an apparent one. The landowners are, as consumers of rent (i.e. of a part of capitalist surplus value), obviously to be counted as part of the capitalist class, since, as surplus value is being considered here in its undivided, primary form, their consumption is already accounted for in the consumption of the capitalist class. The liberal professions receive their monetary means—i.e. their allocation of a part of the social product—mostly directly or indirectly from the capitalist class, which compensates them with slivers of its surplus value. To this extent, the practitioners of these professions can be counted, in their capacity as consumers of surplus value, as part of the capitalist class. The same applies to the clergy, with the qualification that it also partly receives its means from the workers, or from the wages of workers. Finally, the state, with its officials and its armed forces, is maintained by taxes, but these are levied either on surplus value or on workers' wages. In general, only two sources of revenue in society are acknowledged here—i.e. within the limits of the Marxian schema—workers' wages and surplus value. Accordingly, all the strata of the population apart from the capitalists and the workers mentioned here can be considered merely as parasites on these two types of revenue. Marx himself rejects any reference to these "third parties" as purchasers as an attempt to evade the problem:

> All members of society who do not figure directly in the reproduction process, whether as workers or not, can receive their share of the annual commodity product—i.e. their means of consumption—in the first instance only from the hands of those classes to whom this product firstly accrues—productive workers, industrial capitalists, and landlords. To this extent, their revenues are, in a material sense, derived from wages (the wages of the productive laborers), profit, and ground rent, and hence appear, in contrast to these original revenues, as derivative. On

the other hand, however, the recipients of these derivative revenues, in the sense just given, draw them by way of their social functions as king, priest, professor, prostitute, soldier, etc., and they can therefore view these functions of theirs as the original source of their revenue.[48]

Marx comments on the reference to the consumers of interest and ground rent as purchasers as follows:

> If the part of the surplus value in commodities that the industrial capitalist has to deduct as ground rent or interest for other persons with a claim on surplus value cannot be realized in the long run by the sale of the commodities themselves, there is then an end to the payment of rent and interest, and the landlords or the recipients of interest cannot serve as *dei ex machina* for the arbitrary realization of certain portions of annual reproduction. It is just the same with the expenditures of all so-called unproductive laborers, state officials, doctors, lawyers, etc., and others who, in the form of the "general public," perform "services" for the political economists by explaining what they leave unexplained.[49]

Since in this manner there are absolutely no obvious purchasers to be found within capitalist society for the commodities containing the accumulated part of surplus value, only one outlet remains: foreign trade. However, several objections arise to this method of considering foreign trade as a convenient dumping ground for commodities that are otherwise superfluous in the reproduction process. The recourse to foreign trade merely attempts to circumvent the problem confronted in the analysis by transferring it from one country to another, without solving it. The analysis of the process of reproduction does not refer to a single capitalist country alone, but to the capitalist world market, which encompasses all countries as its internal market. Marx underscores this emphatically in the first volume of *Capital* in dealing with accumulation: "Here we take no account of the export trade, by means of which a nation can change articles of luxury either into means of production or means of subsistence, and vice versa. In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world as one nation, and assume that capitalist production is established everywhere and has taken possession of every branch of industry."[50]

The analysis presents the same difficulty if the question is approached from another angle. The Marxian schema of accumulation presupposes that the part of social surplus value that is to be capitalized comes into the world already in the natural form that determines and permits its use for the purposes of accumulation: "In a word, surplus value can be transformed into capital only because the surplus product, whose value it is, already comprises the material components of a new quantity of capital."[51] Expressed in the figures of the schema:

I. 5,000c + 1,000v + 1,000s = 7,000 means of production
II. 1,430c + 285v + 285s = 2,000 means of consumption

Here 570s of surplus value can be capitalized, because it already consists of means of production; this amount of means of production corresponds to an additional quantity of means of consumption to the value of 114s, however, such that a sum of 684s can be capitalized. Yet here the assumed process, which simply converts the corresponding means of production into constant capital and means of consumption into variable capital, contradicts the foundations of capitalist commodity production. Surplus value, in whichever natural form it might be contained, cannot be directly transferred to the point of production for accumulation, but it must first be realized, transformed into money.[52] The 500s surplus value of Department I could be capitalized, but it must first be realized; it must first shed its natural form and assume its pure value-form, before it can be transformed into capital once more. This applies to every individual capitalist, but is also valid for the total social capitalist, for the realization of surplus value in a pure value-form is one of the fundamental conditions of capitalist production, and in considering reproduction from the point of view of society,

> It is necessary to avoid falling into the habits of bourgeois economists, as imitated by Proudhon, i.e. to avoid looking at things as if a society based on the capitalist mode of production lost its specific historical and economic character when considered *en bloc*, as a totality. This is not the case at all. What we have to deal with is the collective capitalist.[53]

Thus surplus value must necessarily pass through the money-form, it must first divest itself of its form as surplus product, before it assumes the latter once more for the purposes of accumulation. Who and what are the purchasers of the surplus product of departments I and II? Merely to realize the surplus value of departments I and II, there must be a market beyond these departments, according to the arguments presented above. Without this additional market, surplus value could not be transformed into money. So that this realized surplus value can also be used for the expansion of production, i.e. for accumulation, there must be the prospect of an even bigger market, which must likewise lie outside of departments I and II. This market for the surplus product must thus expand each year by the rate at which surplus value is accumulated each year. Alternatively, to put it the other way round: accumulation can only occur in proportion to the growth in the market beyond departments I and II.

Chapter 8. Marx's Attempts to Solve the Problem

It has been shown that the complete abstraction from the circulation of money in the schema of expanded reproduction, which makes the accumulation process appear so smooth and simple, leads to great inconsistencies. In the analysis of simple reproduction, this procedure was completely justified. There, production was exclusively for consumption and was calculated on this basis; as such, money served only as an evanescent mediator of the distribution of the social product between the various groups of consumers and of the renewal of capital. Here, in accumulation, the money-form fulfills an essential role: it no longer serves as mere mediator in commodity circulation, but as the appearance-form of capital, as a moment in the circulation of capital. The transformation of surplus value into the money-form is the essential economic presupposition of capitalist accumulation, even if it is not an essential moment of actual reproduction. Here, two metamorphoses of the surplus product occur between production and reproduction: it first casts off its use-form, and then it assumes the natural form corresponding to the purposes of accumulation. It is of no significance here that there are intervals of approximately a year between the individual periods of production. These intervals could instead be of several months, or the metamorphoses of individual portions of the surplus value of departments I and II could overlap in their temporal sequence. What these sequences of years really signify is not intervals of time, but a sequence of economic transformations. This sequence must be complied with, however, regardless of whether it takes more or less time: the capitalist character of accumulation must be adhered to.

Thus the question poses itself once again: who realizes the accumulated surplus value?

Marx himself senses the defect in his outwardly consistent schema of accumulation and approaches the problem repeatedly from various different angles. This is how Marx presents the problem:

> We showed in Volume 1 how accumulation proceeds for the individual capitalist. The realization of his commodity capital also brings with it the realization of the surplus product in which his

surplus value is represented. The surplus value that is transformed into money in this way is then transformed back by the capitalist into additional natural elements of the productive capital. In the next production circuit, the increased capital supplies an increased product. *But what occurs in the case of an individual capital must also occur in the overall annual reproduction*, just as we have seen that what in the case of the individual capital is the successive precipitation of its worn-out fixed components in money that is hoarded up, also finds its expression in the annual social reproduction.[54]

Marx further investigates the mechanism of accumulation precisely from this standpoint, i.e. from the point of view that surplus value must pass through the money-form, before it is accumulated:

> If capitalist A, for example, sells the quantities of commodity product that he successfully produced in the course of a year or a number of years, then he thereby successively transforms that part of his commodity product that is the bearer of surplus value—the surplus product—i.e. the surplus value that he produced in the commodity form, into money, stores this away bit by bit, and in this way forms for himself potential new money capital; potential on account of its capacity and its destiny, which is to be converted into elements of productive capital. In fact, however, he only performs simple hoard formation, which is not an element of real reproduction. His activity in this connection consists first of all simply in the successive withdrawal of circulating money from the circulation sphere, and it is of course not excluded here that the circulating money that he puts under lock and key was itself—before its entry into circulation—part of another hoard …
>
> Money is withdrawn from circulation and stored up as a hoard by the sale of commodities without subsequent purchase: If this operation is conceived as taking place on all sides, it seems impossible to explain where the buyers are to come from, since in this process—and it must be conceived as a general one, in as much as every individual capital may be simultaneously engaged in the act of accumulation—everyone wants to sell in order to hoard, and no one wants to buy.
>
> If the circulation process between the various parts of the annual reproduction were conceived as rectilinear—which would be incorrect, since, with few exceptions, it always consists of mutually opposing movements—then we would have to begin with the gold (or silver) producer, who buys without selling, and assume that all others sell to him. The total annual social surplus product (which is the repository of the entire surplus value) would therefore be transferred to him, and all the other capitalists would divide up his surplus product among themselves in due proportion in its natural gold form, the realization in kind of his surplus value; for the part of the gold producer's product that has to replace his functioning capital is already tied up and disposed of. The surplus value of the gold producer, produced in gold, would then be the only fund from which all the other capitalists drew the material with which to realize their annual surplus product. It would thus have to be equal in value to the entire annual surplus value of society, which first has to be transmogrified into the form of a hoard. These assumptions are so absurd that they are only helpful toward explaining the possibility of a general simultaneous hoard formation, and do not take reproduction itself, except that of the gold producers, a single step forwards.
>
> Before we clear up this *apparent difficulty*, we have to distinguish … etc.[55]

Here Marx describes the difficulty in the realization of surplus value as a merely apparent one. The whole of the further investigation up to the end of the second volume of *Capital* is oriented toward the overcoming of this difficulty, however. Marx first tries to solve the problem with reference to the formation of reserves resulting inevitably from the discrepancies between the various constant capitals in the circulation process. Since different individual capital assets are at different stages of their life, and a part of these assets is always only replaced after a longer period, it is clear that some individual capitalists will be replacing their assets at any given point of time, whereas others will be setting aside reserves to this end from the sale of their commodities, until these reserves have reached the necessary level for the replacement of their fixed capital. Thus the formation of reserves always runs parallel with the social process of reproduction as the manifestation, and the condition, of the peculiar turnover of fixed capital.[*]

> Let A sell 600 (= 400*c* + 100*v* + 100*s*) to B (who may represent more than one buyer). He has sold commodities for 600 in exchange for 600 in money, of which 100 represents surplus value that he withdraws from circulation and hoards up; this 100, however, is only the money-form of a surplus product that was the bearer of a value of 100.[56]

In order to grasp the problem in its pure form, Marx here assumes that all of the surplus value is capitalized, and thus abstracts altogether from that part of surplus value that is used for the capitalists' personal consumption; at the same time, A', A'', and A''' as well as B', B'' and B''', all belong here to Department I.

> Hoard formation is in no case production, and thus from the start not an increment to production. The action of the capitalist here consists in simply withdrawing from circulation the money he obtained by selling his surplus product, holding onto it and impounding it. This operation is not just performed by *A*, but at numerous points on the circulation surface by other capitalists A', A'', A''' … However A can bring about this hoard formation only insofar as he appears—as far as his surplus product goes—simply as a seller, and not also subsequently as a buyer. The precondition for his hoard formation is thus his successive production of surplus product—the repository of his surplus value that is to be realized. In the given case, where we are considering only circulation within Department I, i.e., it belongs to the category of means of production of means of production. What becomes of this, i.e., what function it serves in the hands of the buyers *B*, B', B'', etc., we shall soon see.
>
> What has first to be established is this. Even though A withdraws money from circulation for his surplus value, and hoards it, he casts commodities into circulation, on the other hand, without withdrawing other commodities for these; this enables *B*, B', B'', etc. for their part simply to cast money into circulation and withdraw commodities. In the present case, these commodities are suited to their natural form to enter the constant movement of *B*, B', etc.[57]

* This sentence was left out of Schwarzschild's translation of *The Accumulation of Capital*.

The whole process outlined here is already familiar. Marx has already presented it exhaustively in his treatment of simple reproduction, since it is indispensable for the explanation of how the constant capital of society is renewed under the conditions of capitalist reproduction. It is therefore not immediately obvious how this procedure is supposed to allow the particular difficulty that has been encountered in the analysis of expanded reproduction to be circumvented. The question now becomes the following: where are the purchasers for this additional product that the capitalists themselves do not consume and that the workers are even less in a position to consume, given that their consumption corresponds precisely in value terms to the given variable capital? Where is the demand for the accumulated surplus value, or, as Marx formulates it: from where does the money come to pay for the accumulated surplus value? If these questions are answered by referring to the process of the formation of reserves resulting from the incremental and temporally staggered replacement of constant capital by the individual capitalists, then the connection between these two phenomena remains obscure. If B, B', B'', etc., buy means of production from their colleagues A, A', A'', in order to renew their constant capital that has actually been used up, then this borders on simple reproduction, and has no bearing on the problem at hand. If it is assumed, however, that the purchase of means of production by B, B', B'', etc., serves the accumulation of their constant capital for the purposes of accumulation, then several further questions immediately arise. Above all, the following: from where do B, B', B'', etc., get the money in order to buy the additional surplus product from A, A', A'', etc.? As far as they are concerned, they can only have obtained the money from the sale of their own surplus product. Before they procure new means of production for the expansion of their enterprises, i.e. before they emerge as purchasers of the surplus product to be accumulated, they must first have disposed of their own surplus product—i.e. they must first have emerged as sellers. To whom have B, B', B'', etc., sold their surplus-product? As can be seen, the problem has merely been shifted from A, A', A'', to B, B', B'', but it has not been eliminated.

At one point during the analysis, it does indeed appear for a moment as though the problem has been solved after all. After a short digression, Marx takes up the thread of the investigation again in the following way:

> In the case considered here, this surplus product consists from the start of means of production of means of production. It is only in the hands of B, B', B'', etc. (Department I) that this surplus product functions as additional constant capital; but it is already virtually this, even before it is sold, in the hands of the hoard formers A, A', A'' (Department I). If we simply consider the level of reproduction on the part of Department I in value terms, then we still find ourselves within the limits of simple reproduction, for no additional capital has been set in motion in order to create this virtual excess of constant capital (the surplus product), and no more surplus labor than was performed on the basis of simple reproduction. The distinction here lies only in the form of the surplus labor supplied, the concrete character of its particular useful mode. It has been spent on means of production I*c*, instead of II*c*, on means of production for means of production instead of on means of production for means of consumption. In the case of simple reproduction, it was assumed that the whole of the surplus value in Department I was spent as revenue, i.e. on commodities from Department II; it consisted only of those means of production needed to replace the constant capital of II*c*, in its natural form … This transition, which can never be achieved without difficulty, is made easier by the fact that a number of the products of Department I can serve as means of production in both departments.
>
> It follows therefore that—simply considering the values involved—the material substratum for expanded reproduction is produced in the course of simple reproduction. It is simply the surplus labor of the working class in Department I that is spent directly in the production of means of production, in the creation of virtual extra capital in Department I. The formation of virtual additional money capital on the part of A, A', A'' (Department I)—by the subsequent sale of their surplus product, which has been formed without any monetary expenditure by the capitalists involved—is thus here simply the money-form of extra means of production in Department I.[58]

Here the difficulty seems to have dissolved into thin air. Accumulation requires no new sources of money: previously the capitalists consumed their surplus value themselves, and therefore needed to possess a corresponding reserve of money, since, as the analysis of simple reproduction has shown, the capitalist class must itself throw the money into circulation that is necessary for the realization of its surplus value. Now the capitalist class, or rather B, B', B'', etc., spends a part of this reserve of money on new, additional means of production to the same value in order to expand its production instead of on means of consumption. In this way, the same value in money accrues to that other part of the capitalist class, A, A', A'', etc.

> This hoard formation … in no way implies additional wealth in precious metals, but only a different function for the money that was already in circulation previously. It formerly functioned as a means of circulation, and now functions as a hoard, as virtual new money capital in the course of formation.[59]

Thus, in theory, a way out of the problem has been found. However, it is not difficult to see which circumstance has facilitated this solution: Marx takes accumulation here in its first stirrings, *in statu nascendi*, where it sprouts like a bud from simple reproduction. In value terms, production has not yet been expanded here, it has merely been reorganized, its material elements rearranged. It is therefore no surprise that the sources of money also appear as sufficient. The solution that has been found, however, only holds for a moment: it only applies to the transition from simple to expanded reproduction, i.e. to a case that can only be conceived theoretically, but bears no relation to reality. Once accumulation has been established for some time, and every period of production throws a larger mass of value onto the market than the previous one, the question arises: where are the purchasers for these additional commodities? Here the solution that has been found breaks down. Besides, it is only an apparent one. On closer scrutiny, it creates a new problem in the very moment that it appears to have provided a way out of the morass. For if accumulation is taken in the very moment of its emergence from the womb of simple reproduction, then its first presupposition is a reduction in the consumption of the capitalist class. In the very moment that the opportunity is found to undertake an expansion of production with the previous means of circulation, former consumers are lost to the same degree. For whom, then, should the expansion of production be undertaken—i.e. who will buy tomorrow from B, B', B'' (I) the increased mass of products that they have produced by "scrimping and saving" in order to buy new means of production from A, A', A'' (I)?

As can be seen, this constitutes a merely apparent solution to a problem that is all too real, and Marx returns to the question the very next instant, in which B, B', B'' set aside money in order to buy the surplus-product of A, A', A'' from them:

> Insofar as the products that B, B', B'', etc. (Department I) produce go back again into their production process in kind, it is self-evident that a part of their own surplus product is proportionately transferred directly into their productive capital, and functions here as an extra element of constant capital. To this extent, however, these cannot realize the surplus product of A, A', A'', etc. (Department I). But in other cases, where does the money come from? We know B, B', B'', etc. have formed their hoards just like A, A', A'', etc. by the sale of their respective surplus products, and have now reached the point at which their money capital, which is simply virtual money capital accumulated as a hoard, is supposed to function effectively as additional money capital. But now we are going round in circles. There is still the question as to the origin of the money that the B's (Department I) have earlier withdrawn from circulation and accumulated.[60]

The answer promptly given by Marx appears surprisingly simple once more:

> We already know, however, from considering simple reproduction, that a certain quantity of money must exist in the hands of the capitalists in Departments I and II so that they may exchange their surplus product. There the money whose only use was to be spent as revenue on means of consumption returns to the capitalists to the extent that they advanced it for the exchange of their respective commodities; here the same money similarly reappears, but with its function changed. The *A*'s and *B*'s (Department I) supply one another with the money for transforming their surplus product into additional virtual money-capital, and alternately cast the newly formed money-capital into the circulation sphere as a means of purchase.[61]

This marks a regression to simple reproduction. It is quite true that capitalists *A* and capitalists *B* are always gradually accumulating a reserve of money for the periodic renewal of their constant (fixed) capital, and thus mutually help each other to realize their product. Yet this reserve that is amassed does not fall from the sky. It is merely the gradual precipitation of the value of the fixed capital that is transferred incrementally to the products and realized piecemeal through their sale. In this way, the reserve that has been built up can only ever be sufficient for the renewal of the former capital, and cannot serve for the purchase of an additional constant capital over and above this. This scenario remains within the confines of simple reproduction. Alternatively, a part of the means of circulation that had previously served the personal consumption of the capitalists now appears as a new, additional source of money to be capitalized. However, this merely marks a reversion to the brief, exceptional moment that is only conceivable in theory: the transition from simple to expanded reproduction. No headway has been made beyond this original leap; in fact all that has been achieved is to go round in a circle.

The capitalist formation of reserves, then, cannot provide a solution to the difficulty. This was foreseeable, however, since the very question posed here is the wrong one. In terms of the problem of accumulation, it should not be asked "where does the money come from?" but "where does the demand for the additional product coming from capitalized surplus value come from?" This is not a technical question related to the circulation of money, but an economic question pertaining to the reproduction of total social capital. Thus even if the question that has occupied Marx until now is bracketed, i.e. where did *B*, *B′*, etc. (I) get the money from to buy additional means of production from *A*, *A′*, etc. (II), a far more important question arises after accumulation has been completed: to whom do *B*, *B′*, etc., now propose to sell their increased surplus product? Marx ultimately has them sell their products to one another.

> The various *B*'s (Department I) whose virtual new money capital comes into active operation may reciprocally buy their products (part of their surplus product) from one another, and sell to one another. To this extent, the money advanced for the circulation of their surplus product flows back to the different *B*'s—in the normal course of events—in the same measure to which they advanced this for the circulation of their respective commodities.[62]

"In that case" the problem has not been solved, for *B*, *B′*, *B″*, etc., have not after all forgone a part of their consumption and expanded their production in order to buy their increased product—i.e. means of production—from one another. Besides, this is only possible to a very restricted degree. According to Marx's assumption, there is a certain division of labor within Department I, whereby *A*, *A′*, *A″*, etc., produce means of production of means of production, and *B*, *B′*, *B″*, etc., produce means of production of means of consumption. If, then, the product of *A*, *A′*, etc., can remain within Department I, the product of *B*, *B′*, *B″*, etc., is a priori determined as being for Department II on account of its natural form. The accumulation by *B*, *B′*, etc., already points to the circulation between departments I and II. Thus the thrust of Marx's analysis itself demonstrates that if accumulation is to take place within Department I, then ultimately—directly or indirectly—there must be an increased demand for means of production in the department producing means of consumption. It is here, then, that the purchasers of the additional product of Department I must be sought.

As it turns out, Marx's second attempt at solving the problem of the capitalists of Department II indeed revolves around the demand of the capitalists of Department II. Their demand for additional means of production can only imply that they are to increase their constant capital. Here, however, the whole difficulty is clearly apparent:

> We have assumed up to now that *A*, *A′*, *A″* (Department I) sell their surplus product to *B*, *B′*, *B″*, etc. who belong to the same Department I. Say however that *A* (Department I) converts his surplus product into money by selling it to a *B* belonging to Department II. This can only happen if *A* (I) converts his surplus product into money by selling it to a *B* belonging to Department II. This can only happens if *A* (I), after he has sold means of production to *B* (II), does not go on to buy means of consumption; i.e. only by a unilateral sale on his part. Now in as much as the conversion of II*c* from the form of commodity capital back into the natural form of productive constant capital involves not only the exchange of I*vs*, but also of at least a part of I*s*, part of II*c*, this II*c*, existing in the form of means of consumption—whereas *A* now realizes this I*s* in money in a way that does not involve this exchange, but our *A* instead withdraws from circulation the money received from Department II by the sale of this I*s*, rather than exchanging it in the

purchase of means of consumption II*c*—then although the formation of additional virtual money-capital takes place on *A*'s part, on the other side an equal part of *B* (II)'s constant capital is tied up in the form of commodity capital, incapable of conversion into the natural form of productive, constant capital. In other words, a part of *B* (II)'s commodities, and at first sight a part without selling which he cannot transform his constant capital completely back into the productive form, has become unsalable; in this respect there is overproduction, which also inhibits *B* (II)'s reproduction—even on the same scale.[63]

The attempt at accumulation on the part of Department I through the sale of the additional surplus product to Department II has yielded a quite unexpected result: a deficit on the part of the capitalists of Department II, who cannot even undertake simple reproduction. Having reached this juncture, Marx immerses himself in exhaustive analysis in order to set the matter straight.

Let us now consider accumulation in Department II somewhat more closely.

The first problem in relation to II*c*, i.e. its transformation back from a component of commodity capital II into the natural form of Department II's constant capital, concerns simple reproduction. Let us take the previous schema: (1,000*v* + 1,000s) I is exchanged for 2,000 II*c*. If half the surplus product of Department I, or 500 I*s*, is now reincorporated into Department I as constant capital, then this part of the surplus product that is retained in Department I cannot replace any part of II*c*. Instead of being converted into means of consumption (and in this section of the circulation between Departments I and II there is a genuine mutual exchange, i.e. a bilateral change of place by the commodities, as distinct from the replacement of 1,000 II*c*, by 1,000 I*v*, which was mediated by the workers in Department I), it is to serve as additional means of production in Department I itself. It cannot perform this function simultaneously in both Department I and II. The capitalist cannot spend the value of his surplus product for means of consumption, and at the same time himself productively consume the surplus product, i.e. incorporate it into his productive capital. Thus instead of 2,000 I(*v* + *s*), only 1,500 i.e. (11,000*v* + 500*s*) *I is available for conversion into 2,000 IIc;* and so 500 II*c* can in fact not be transformed from its commodity form into productive constant capital II.[64]

Thus far, evidence of the existence of the problem has become more compelling, yet its solution is no closer. Moreover, the analysis suffers from the repercussions of Marx's continual recourse to the fiction of an original transition from simple to expanded reproduction—the genesis of accumulation—as the foundation for the elucidation of the problem of accumulation, instead of considering accumulation in full flow. This fiction at least offered an apparent solution for a fleeting moment as long as accumulation within Department I was merely being considered: the capitalists of Department I suddenly possessed a new reserve of money, with which they could begin capitalization, since they had forgone a part of their previous consumption. This same fiction, however, now only compounds the problem when Department II is considered. For here, the "abstinence" on the part of the capitalists of Department I manifests itself in a painful loss of consumers and their demand, which was the basis upon which production was calculated. The capitalists of Department II, who were to be recruited for an experiment to determine whether they might not be the long sought after purchasers of the additional product of accumulation in Department I, are in no position to help resolve the difficulty, since they themselves are in a tight spot and for the present have no idea what to do with their unsold product. These are the kinds of inconsistencies that are generated by the experiment of letting accumulation by some capitalists occur at the cost of others.

Marx then cites another attempt to get round the problem, only to promptly reject it as a theoretical subterfuge. The proposal in question is that the unsalable excess in Department II that results from the accumulation in Department I be considered as a necessary commodity reserve of society for the following year. Marx counters this with his usual rigor:

> (1) … this stock formation and the need for it holds for all capitalists, in both departments. Considered simply as sellers of commodities, these are distinguished only by the different kinds of commodities they sell. A stock of commodities in Department II implies a previous stock of commodities in Department I. If we ignore this stock on one side, we must also ignore it on the other. But if we bring both sides into consideration, the problem is in no way changed. (2) Just as the current year concludes on the side of Department II with a commodity stock for the next, so it began with a commodity stock on the same side left over from the previous year. In analyzing the annual reproduction—reduced to its most abstract expression—we must thus cancel out the stock on both sides. If we leave the year in question with the whole of its production, and thus also that which it transfers as a commodity stock to the next year, we must deduct from this on the other side the commodity stock that it receives from the year before, and we thus have the total product of an average year as the object of our analysis. (3) The simple fact that we did not come up against the difficulty that has now to be overcome in considering simple reproduction shows that we are dealing here with a specific phenomenon that is due merely to the different arrangement of the elements of Department I (as far as reproduction is concerned), an arrangement without which there could be no reproduction on an expanded scale at all.[65]

These comments, however, can be directed against Marx's own previous attempts to resolve the specific problem of accumulation by referring to moments that pertain to simple reproduction, for instance the formation of reserves by capitalists in line with the gradual turnover of fixed capital, which was supposed to explain accumulation within Department I.

Marx then moves on to the schematic exposition of expanded reproduction, but in the analysis of his schemas he immediately comes up against the same difficulty in a somewhat different form. He makes the assumption that the capitalists of Department I accumulate 500*s*, but that those of Department II, for their part, must transform 140*s* into constant capital in order to facilitate the accumulation of the former; he then poses the following question:

> Department II must therefore buy 140*s* for cash, without this money flowing back to it by the subsequent sale of its commodities to Department I. And this is moreover a constant and repeated process for each year's production, insofar as this is reproduction on an expanded scale. Where then in Department II is the source of money for this?[66]

In his following elaboration, Marx attempts to discover this source from various angles. First he scrutinizes more closely the expenditure on variable capital by the capitalists in Department II. Admittedly, it exists in the form of money; however, it cannot be diverted from its purpose, which is the purchase of labor-power, in order to be used for the purchase of these additional means of production.

"This constantly repeated removal from and return to the starting point—the capitalist's pocket—in no way increases the amount of money [of variable capital—*R.L.*], driving round this circuit. So this is not a source of monetary accumulation."[67] Marx then considers all conceivable means of evading the problem, only to dismiss them as such. "'But wait a minute!" he exclaims. "Isn't there a little profit to be made here?"[68] He investigates whether the capitalists could not save some of their variable capital by depressing wages under their normal, average level, and thus arrive at a new source of money for the purposes of accumulation. He naturally rejects this notion with a flick of his hand:

> It should not be forgotten, however, that the normal wage that is actually paid (and that determines the size of the variable capital, other things being equal) is in no way paid out of the good will of the capitalists, but is what has to be paid under the given conditions. This mode of explanation is thereby dispensed.[69]

Marx even entertains hidden methods of making "savings" on variable capital, such as the truck system, fraud, etc., only to remark finally: "However this is the same operation as that in case (1), only disguised and executed in a devious way. It must therefore be rejected here just like the previous case."[70] In this way, all attempts to forge a new source of money from variable capital for the purposes of accumulation are in vain: "The 376 II*v*, *therefore, does not get us any nearer the goal we have mentioned*."[71]

Marx next turns to the cash reserves kept by the capitalists of Department II for the circulation of their own consumption in order to check whether there might not be some money here that could be spared for the purposes of capitalization. He describes this attempt as even "more dubious" than the last one:

> Here it is only capitalists in the same department who confront one another, selling and buying and selling from each other the means of consumption that they have produced. The money required for this exchange functions simply as a means of circulation, and in the normal course it must flow back to the parties involved in the same degree to which they first advanced it to circulation, so it can tread the same path once again.[72]

There then follows a further attempt at an explanation, which naturally belongs in the above category of "subterfuges," and that is unceremoniously dismissed by Marx. This concerns the formation of money-capital in the hands of some capitalists of Department II through the swindling of others of the same department in their sales of means of consumption to one another. This attempt does not merit further consideration.

Then comes a more earnest proposition: "Alternatively, a portion of II*s*, that represents necessary means of subsistence is directly transformed into new variable capital in Department II."[73]

It is not quite clear how this can provide a way out of the difficulty—i.e. how it can get accumulation going. First, the formation of additional variable capital in Department II is not yet of any help, since the additional constant capital for Department II has not yet been secured, and all efforts thus far have been to achieve the latter. Second, the present investigations were in order to verify whether a source of money in Department II could be identified for the purchase of additional means of production from Department I, and not somehow to accommodate Department II's own additional product in its own production. Third, if the proposition were that the means of consumption concerned could be used again as variable capital in the production of Department II "directly," i.e. without the mediation of money, such that the corresponding amount of money from variable capital were set free for the purposes of accumulation, then it would have to be rejected. Under normal conditions, capitalist production excludes payment in kind for workers; the money-form of variable capital (the independent transaction between the worker as a seller of a commodity and the producers of the means of consumption) is one of the most essential foundations of the capitalist economy. As Marx himself emphasizes in another connection:

> We know that variable capital actually consists of labor-power, and so, too, therefore does this additional capital. It is not the capitalists in Department I who buy or store up means of subsistence from Department II for the additional labor-power that they need to employ, as the slave owners had to do. It is the workers themselves who deal with Department II.[74]

This goes for the capitalists of Department II as much as it does for those of Department I. Marx's above attempt is thus exhausted.

Marx finally refers the reader to the last part of *Capital*, Volume 2, Chapter 21, which Engels entitled "Supplementary remarks." Here the following brief explanation is given:

> The original source of money for Department II is the $v + s$ of the gold production in Department I, exchanged against part II*c*; it is only to the extent that the gold producers store up surplus value or transform it into means of production in Department I, i.e. extend their production, that their $v + s$ does not go into Department II; on the other hand, as far as accumulation of money by the gold producers themselves finally leads to expanded reproduction, a portion of the surplus value from gold production that is not spent as revenue goes into Department II for the gold producers' additional variable capital, and either requires a new hoard formation here or provides new means for buying from Department I without directly selling to it again.[75]

Thus, after all possible attempts to explain accumulation have failed, and after the inquirer has been sent from pillar to post, from *A* I to *B* I, from *B* I to *B* II, Marx finally returns to the very gold producer whose enlistment for these purposes he had dismissed at the beginning of his analysis as "fatuous." This is how the analysis of the reproduction process and the second volume of *Capital* is concluded, without having uncovered the long sought after solution to the problem.

Chapter 9. The Problem from the Standpoint of the Circulation Process

In the opinion of this author, Marx's analysis was compromised by the fact that, in his attempt to resolve the problem, he mistakenly formulated the question in terms of "sources of money." In reality, however, the question is one of actual demand, i.e. of the use to which commodities will be put, and not one of sources of money to pay for them. As far as money as a medium of circulation is concerned, it must be assumed—when considering the process of reproduction as a whole—that capitalist society always disposes of the requisite quantity of money for its process of circulation, or that it is able to create surrogates for this purpose. By contrast, the colossal social acts of exchange elicited by real economic needs are to be elucidated here. Although it cannot be overlooked that capitalist surplus value must necessarily pass through the money-form, it is a question here of attempting to identify the economic demand for the surplus product, without further concern as to the origin of the money to pay for it. For, as Marx himself states elsewhere: "The money on one side calls into being expanded reproduction on the other only because the possibility of this already exists *without* the money; for money in itself is not an element of actual reproduction."[76]

Marx himself demonstrates in another context that the question of the "source of money" for accumulation is an utterly sterile formulation of the problem of accumulation. He is in fact already confronted by the same difficulty in the investigation of the process of circulation in the second volume of *Capital*. In his consideration of simple reproduction, he poses the following question in relation to the circulation of surplus value:

> But before the commodity capital is transformed back into productive capital and the surplus value contained in it is spent, it must be turned into money. Where does the money for this come from? This question appears difficult at the first glance, and neither Tooke nor anyone else has yet answered it.[77]

Marx is uncompromising in his attempt to get to the root of the problem:

> Assume that the circulating capital of £500 advanced in the form economy-capital, whatever may be its turnover period, is the total circulating capital of society, i.e. of the capitalist class. The surplus value is £100. How then can the entire capitalist class continue extracting £600 from the circulation process, if it only ever puts £500 into it?[78]

It should be noted that the discussion here refers to simple reproduction, in which the total surplus value of the capitalist class is used for the latter's personal consumption. The question would need to be posed more precisely from the outset as follows: How can the capitalists, having put a total of £500 in money into circulation for constant and variable capital, obtain their means of consumption to the value of their surplus value, £100? It is immediately obvious that this £500, which, as capital, constantly serves to purchase means of production and pay workers wages, cannot simultaneously be used to cover the personal consumption of the capitalists. What, then, is the source of the additional sum of £100 that the capitalists need for the realization of their own surplus value? Marx immediately rejects all theoretical stratagems designed to evade the problem:

> This difficulty should not be circumvented by plausible subterfuges. For example: as far as concerns the constant circulating capital, it is clear that not all of it is laid out in the same time. While capitalist *A* is selling his commodities, and thus the capital he has advanced is assuming the money form, the capital of buyer *B*, which is present in the money-form, is assuming the form of *B*'s means of production, and it is *A* himself who produces these. By the same act through which *A* gives back its money form to the commodity capital he has produced, *B* gives his capital back its productive form, transforming it from the money form into means of production and labor-power; the same sum of money functions in the two-way process just as in every simple sale *C*—*M*. On the other hand, if *A* transforms his money into means of production again, he buys from *C*, and this latter thereby pays *B*, etc. The transaction might thus appear to have been explained.
>
> However, none of the laws put forward with respect to the quantity of money circulating for the purpose of commodity production (Volume 1, Chapter 3) are in any way altered by the capitalist character of the production process.
>
> Therefore, when it is said that the circulating capital advanced by society in the money-form amounts to £500, it has already been taken into account that this is not only the sum that was advanced at the same time, but that this sum also sets more productive capital than £500 in motion, since it serves alternately as the money fund for different productive capitals. This mode of explanation already presupposes that the money exists, whereas it is precisely its existence that is to be explained.
>
> It might further be said that capitalist *A* produces articles that capitalist *B* consumes individually and unproductively. *B*'s money thus turns *A*'s commodity capital into money, and so the same sum of money serves to turn into money both *B*'s surplus value and circulating constant capital. But here the solution to the question that is to be answered is presupposed even more directly. Namely, where does *B* get this money to meet his revenue? How did he himself manage to convert into money this part of his product's surplus value?
>
> It might be said, again, that the part of the circulating variable capital that *A* advances at any one time to his workers constantly flows back to him from the circulation sphere; only a

changing part of it is kept back by him for the payment of wages. Between the outlay and the reflux there is however a certain interval, in the course of which the money paid out in wages can serve among other things to convert his surplus value into money.

However, we know, firstly, that the greater this interval, the greater must be the quantity of money in reserve which capitalist *A* must constantly retain in his possession. Secondary, if the workers pay the money out and buy commodities with it, the surplus value contained in these commodities is also proportionately converted into money. Thus the same money that is advanced in the form of variable capital also serves to that extent to convert the surplus value into money. Without going any deeper into the question here, it is at least clear that the consumption of the entire capitalist class and the unproductive persons dependent on it keeps even pace with that of the working class; thus, on top of the money cast into circulation by the workers, money must be cast into circulation by the capitalists, if they are to spend their surplus vale as revenue; and so money for this must be withdrawn from circulation. The explanation just given would only reduce the quantity needed, and not obviate the need.

It might be said, finally: a large amount of money is always cast into circulation on the first investment of the fixed capital, and this is withdrawn from circulation again and only gradually, bit by bit, in the course of several years, by whoever threw it in. Is this sum not sufficient to convert the surplus value? The answer to this is that the sum of £500 (which also includes hoard formation for the necessary reserve fund) may well already imply the investment of this sum as fixed capital, if not by the person who cast it in, then at least by someone else. Besides, it is already presupposed, in connection with the sum that is spent on the acquisition of products serving as fixed capital, that the surplus value in these commodities is also paid for, and the question precisely arises: where does this come from?[79]

It is worth pausing to focus particular attention on this last point. For here Marx rejects any attempt to adduce the formation of reserves for the periodic replacement of fixed capital as an explanation for the realization of surplus value itself in simple reproduction. Later, when considering the much more difficult question of the realization of surplus value in accumulation, he falls back on the same explanation that he dismisses here as a “plausible subterfuge” in several of his attempts to resolve the problem.

The solution that follows has an unexpected ring to it:

The general answer has already been given: if a mass of commodities of x times £1,000 is to circulate, it in no way affects the quantity of money needed for this circulation whether the value of this commodity mass contains surplus value or not, or whether the mass of commodities is produced under capitalist conditions or not. *Thus the problem itself does not exist*. With conditions otherwise given, such as the velocity of circulation of the money, etc., a definite sum of money is required to circulate the commodity value of x times £1,000, quite irrespective of how much or how little of this value accrues to the direct producers of these commodities. In as much as a problem does exist here, it coincides with the general problem: where does the sum of money needed in a country for the circulation of commodities come from?[80]

The answer is quite correct. The question: “Where does the money for the circulation of surplus value come from?” is answered with the general question: “Where does the money come from in order to put a certain mass of commodities into circulation in a given country?" The division of the mass of value of these commodities into constant capital, variable capital, and surplus value does not exist at all from the standpoint of the circulation of money as such, and is thus meaningless from this standpoint. Thus it is only from the perspective of the circulation of money or the simple circulation of commodities that "the problem itself does not exist." The problem certainly exists from the standpoint of social reproduction as a whole, however; the point here is that it must not be formulated incorrectly, such that the answer leads back to simple commodity circulation, where the problem does not exist. The question, then, is not "From where does the money come in order to realize surplus value?" but rather "Where are the consumers for the surplus value?" It is then self-evident that the money must be in the possession of these consumers, and that it must be thrown into circulation by them. Thus Marx himself returns to the problem repeatedly, having just declared that it doesn't exist:

> Now, there are only two points of departure: The capitalist and the laborer. All third classes of persons must either receive money for their services from these two classes, or, to the extent that they receive it without any equivalent services, they are joint owners of the surplus value in the form of rent, interest, etc. The fact that the surplus value does not all stay in the pocket of the industrial capitalist, but must be shared by him with other persons, has nothing to do with the present question. The question is: How does he maintain his surplus value, not, how does he divide the money later after he has secured it? For the present case, the capitalist may as well be regarded as the sole owner of his surplus value. As for the laborer it has already been said that he is but the secondary point of departure, while the capitalist is the primary starting point of the money thrown by the laborer into circulation. The money first advanced as variable capital is going through its second circulation, when the laborer spends it for the payment of means of subsistence.
>
> Thus the capitalist class remains the sole starting point of the money circulation. If it needs £400 for the payment of means of production, and £100 for payment of labor-power, then it casts £500 into circulation. But the surplus value contained in the product, given a rate of surplus value of 100 percent, makes up a value of £100. How can the capitalist class continue to extract £600 from circulation, if it only ever puts £500 in? Out of nothing nothing comes. The entire capitalist class cannot extract anything from the circulation sphere that was not put into it already.[81]

Marx further rejects another theoretical sleight of hand that might be used in the attempt to solve the problem, namely the argument adducing the velocity of the circulation of money, which allows a greater mass of value to be brought into circulation with less money. This stratagem naturally leads to nothing, since the velocity of the circulation of money is already taken into account in the assumption that a given amount of money is required for the circulation of the mass of commodities.

This is followed, at last, by the resolution of the problem:

> In point of fact, paradoxical as it may seem at the first glance, the capitalist class itself casts into circulation the money that serves toward the realization of the surplus value contained in its commodities. But note well: it does not cast this in as money advanced, and therefore not as capital. It spends it as means of purchase for its individual consumption. Thus the money is not advanced by the capitalist class, even though this class is the starting point of its circulation.[82]

This clear and exhaustive solution is the best demonstration that the problem was not merely an apparent one. The solution does not rest on the discovery of a new "source of money" in order to realize surplus value; instead, it consists in the fact that consumers have been found for this surplus value. Marx's assumptions should be recalled here: his analysis in this instance remains within the domain of simple reproduction. This means that the capitalist class uses its entire surplus value for its own consumption. Since the capitalists are the consumers of surplus value, it is not so much a paradox but a given that they must have the money in their pockets in order to appropriate the natural form of surplus value, the objects of consumption. Exchange, the act of circulation, is the necessary consequence of the fact that individual capitalists cannot directly consume their individual surplus value, nor indeed their individual surplus product, as was possible for the slave-owner. Its material, natural form excludes such use. The total surplus value of all capitalists is expressed—presupposing simple reproduction—in the total social product as a corresponding amount of means of consumption for the capitalist class, just as the total sum of variable capitals corresponds to a mass of means of subsistence equal in value and the constant capital of all individual capitalists together corresponds to a quantity of means of production that is equal in value to it. In order to exchange his inconsumable individual surplus value against a corresponding amount of means of consumption, the individual capitalist must undertake a double act of commodity circulation: the sale of his own surplus product and the purchase of means of consumption from the social surplus product. Since these two acts occur exclusively within the capitalist class—among individual capitalists—the money mediating these acts merely passes from one capitalist to another, and always remains in the possession of the capitalist class. Since simple reproduction always brings the same mass of values into exchange, the same quantity of money serves for the circulation of surplus value each year, and the overzealous question might just be posed: How did the capitalists come to possess this quantity of money that serves to mediate their consumption? However, this question resolves itself into another, more general one: How did the first money-capital first come into the hands of the capitalists—i.e. that money-capital, a part of which they must always have for the purposes of personal consumption over and above what they use for productive investment? Posed in this way, the question reaches over into the chapter of so-called "original accumulation,"* i.e. the historical genesis of capital, and falls outside the frame of the analysis of both the circulation process and the reproduction process.

Thus the question is clear and unambiguous, although it should be noted that this is only the case if the problem is dealt with on the terrain of simple reproduction. Here the problem of the realization of surplus value is solved by its own presuppositions—it is literally already anticipated in the concept of simple reproduction. For the latter presupposes that the total surplus value is consumed by the capitalist class, and this implies that it must also be purchased by it—i.e. it must be bought by individual capitalists from one another.

Marx himself says,

> It was assumed in this case that the sum of money that the capitalist casts into circulation to cover his individual consumption until the first reflux of his capital is exactly equal to the surplus value that he produces and hence has to convert into money. This is obviously an arbitrary assumption in relation to the individual capitalist. But it must be correct for the capitalist class as a whole, on the assumption of simple reproduction. It simply expresses the same thing as this assumption implies, namely that the entire surplus value is consumed unproductively (but no more than this, i.e. no fraction of the original capital stock).[83]

Yet simple reproduction on a capitalist basis is an imaginary quantity in economic theory, as scientifically justified and indispensable as is $\sqrt{-1}$ in mathematics. However, this is not at all sufficient to resolve the problem of the realization of surplus value in reality, i.e. in expanded reproduction or accumulation. This is acknowledged by Marx himself for the second time as he continues his analysis.

* This is better known in the Marxist lexicon as "primitive accumulation."

Where does the money for the realization of surplus value come from, assuming accumulation—i.e. the non-consumption and capitalization of a part of surplus value? The first answer provided by Marx runs as follows:

> As far as the additional money-capital is concerned, that required for the function of the increased productive capital, this is supplied by the portion of realized surplus value that is cast into circulation by the capitalists as money-capital, instead of as the money form of revenue. The money is already in the hands of the capitalists. It is simply its application that differs.[84]

This explanation is already familiar from the investigation of the process of reproduction, as are its shortcomings. The answer rests exclusively on the moment of the first transition from simple reproduction to accumulation: only yesterday the capitalists consumed their entire surplus value, and had the corresponding quantity of money for its circulation in their pockets. Today they decide to "save" a part of surplus value and to invest it productively, instead of squandering it. In order for this to happen—presupposing that material means of production are produced instead of luxury goods—they need only to put a part of their personal fund of money to a different use. However, the transition from simple to expanded reproduction is as much a theoretical fiction as is the simple reproduction of capital itself. Marx then proceeds as follows:

> Now, however, as a result of the addition to the productive capital, an additional mass of commodities is cast into circulation as its product. Together with the extra mass of commodities, a part of the extra money needed for their realization also cast in, to the extent that the value of this mass of commodities contains the value of the productive capital consumed in their production. This additional quantity of money is advanced precisely as additional money-capital, and hence returns to the capitalist with the turnover of his capital. Here the same question comes up as before. Where does the extra money come from to realize the extra surplus value that now exists in the commodity-form?[85]

Yet now, having posed the problem so starkly, Marx gives the following unexpected answer instead of a solution:

> The general reply is again the same. The total prices of the mass of commodities in circulation has increased, not because the price of a given mass of commodities has risen, but rather because the mass of the commodities now in circulation is greater than that of the commodities circulating earlier, without this having been balanced by any fall in prices. The additional money required for the circulation of this increased commodity mass of a greater value must be created either by a more economic use of the quantity of money in circulation—whether by directly balancing payments, etc., or by means that accelerate the circulation of the same pieces of money—or alternatively by the transformation of money from the hoard form into the circulating form.[86]

This solution amounts to the following explanation: under the conditions of accumulation that is already in full flow and accelerating, capitalist reproduction throws an ever-greater mass of commodity-value onto the market. In order to bring this mass of commodities, whose value is increasing, into circulation, an ever-greater quantity of money is required. This increasing quantity of money must be created. This argument is certainly sound and illuminating, but it has not provided a solution to the problem at hand; instead the latter has disappeared from view.

It cannot be had both ways. Either the total social product (the capitalist economy) is regarded simply as a mass of commodities with a determinate value, as a "hotchpotch of commodities," and all that is required is to observe the increase in this undifferentiated hotchpotch of commodities and in its mass of value under conditions of accumulation. In this case it only remains to note that a corresponding quantity of money is required for the circulation of this mass of value, and that this quantity of money must increase, if the mass of value increases—as long as this increase in value is not offset by the acceleration of circulation or by economies achieved in the latter. Lastly, if a final question is posed—namely, where all the money comes from, it can be answered, following Marx: from the gold mines. This is in fact a *different* standpoint: it is the standpoint of simple commodity circulation. In this case, however, there is no need to introduce concepts like constant and variable capital and surplus value, which belong not to simple commodity circulation, but to the circulation of capital and to social reproduction, nor is it necessary to pose the question as to where the money comes from to realize surplus value (a) under simple reproduction, or (b) under expanded reproduction. From the standpoint of simple commodity circulation and simple money circulation, such questions are utterly bereft of meaning or content. Yet once these questions have been posed, and the investigation has already been established at the level of the circulation of capital and social reproduction, it is not legitimate to search for the answer at the level of simple commodity circulation, and then to declare that the problem has been long since resolved and that in fact it does not exist, since it is only *here*—i.e. at the level of simple commodity circulation—that the problem does not exist and, as such, cannot be answered.

Thus the question itself has been wrongly formulated by Marx all along. There is no obvious point in asking where the money comes from to realize surplus value. Instead the question should be: where does the demand for the surplus value—i.e. the need for it, backed by the ability to pay—come from? If the question had been posed in this way, there would have been no need of so many long-winded detours to demonstrate whether it could be solved or not. Assuming simple reproduction, the problem is simple enough: since the entire surplus value is consumed by the capitalists, they themselves are the purchasers, they represent the demand for social surplus value in its entirety, and accordingly they must have the necessary cash for the circulation of surplus value in their pockets. Yet it follows from precisely this circumstance that, under conditions of accumulation (i.e. the capitalization of a part of surplus value), the capitalist class itself cannot possibly buy up, or realize, all of its surplus value. It is true enough that sufficient money must be created in order to realize the capitalized surplus value, if it is to be realized at all. This money cannot possibly come from the capitalists themselves, however. Assuming accumulation, they are rather *non-purchasers* of their own surplus value, even if, in the abstract, they were to possess sufficient money for this purpose. Yet who else can provide the demand for the commodities containing the capitalized surplus value?

> Outside of this class, on our assumption—that of the universal and exclusive domination of capitalist production—there is no other class except the working class. The total purchases of the working class are equal to the sum of their wages, i.e. the sum of the variable capital advanced by the entire capitalist class as a whole.[87]

The workers are even less in a position to realize the capitalized surplus value than is the capitalist class. Someone must purchase it if the capitalists are to get back the accumulated capital that they have advanced, however; and yet, no other buyer apart from capitalists and workers is conceivable. "How else is the entire capitalist class to accumulate money?"[88] The realization of surplus value outside of the two existing classes of society appears as necessary as it is impossible. The accumulation of capital is caught in a vicious circle. In the second volume of *Capital*, at any rate, no solution to the problem is given.

In considering why the solution to this important question of capitalist accumulation is not to be found in Marx's *Capital*, what should be taken into account above all is the circumstance that the second volume of *Capital* is no finished work; instead it is a manuscript that breaks off in mid-sentence. As is shown by the outward form of this volume, and especially by that of its final chapter, these are more notes for the self-clarification of the theorist rather than finished results intended to enlighten the reader. This fact is amply corroborated by the most competent witness

—namely, Frederick Engels, the editor of the second volume. In his Preface to Volume 2, Engels gives the following detailed account of the state of the preliminary studies and manuscripts that served as the foundation of this volume:

> It is sufficient to enumerate the manuscript material that Marx left for Volume 2 to show the incomparable conscientiousness and severe self-criticism with which he strove to being his great economic discoveries to the utmost degree of perfection before publishing them. This self-criticism seldom allowed him to adapt his presentation, either in content or in form, to his mental horizon, which was constantly expanding as the result of new studies. The material, then, consists of the following manuscripts.
>
> Firstly, a manuscript entitled *A Contribution to the Critique of Political Economy*, containing 1,472 pages in twenty-three notebooks, written between August 1861 to June 1863. This is the continuation of the volume of the same title published in Berlin in 1859 … But valuable though this manuscript is, it was of little use for the present edition of Volume 2.
>
> The next manuscript in chronological order is that of Volume 3 …
>
> From the next period—after the appearance of Volume 1—we have a collection of four folio manuscripts for Volume 2, numbered I–IV by Marx himself. Manuscript I (150 pages), which appears to date from 1865 or 1867, is the first independent version of Volume 2 in its present arrangement, but a more or less incomplete one. Here, too, nothing could be used. Manuscript III consists partly of a compilation of quotations and references to Marx's extract-books (mostly related to the first part of Volume 2), partly of elaborations of individual points, in particular criticisms of Adam Smith's ideas on fixed and circulating capital, and on the source of profits; there is also a presentation of the relation between rate of surplus value and rate of profit, which belongs to Volume 3. The references provided little that was new, while the elaborations were superseded by later versions, both for Volume 2 and Volume 3, and so also had to be mostly set aside. Manuscript IV is a version of Part One of Volume 2, and the first chapter of Part Two, which Marx left ready for publication, and it has been used in its due place. Even though it was evidently composed earlier than No. II, it is more complete in form, and could thus be used to advantage for the appropriate portion of the book. It only needed some additions from Manuscript II. This last manuscript is the only version of Volume 2 we possess that has been even approximately finished, and it dates from 1870. The notes for the final draft, which I shall discuss in a moment, say expressly that "the second version must be used as a basis."
>
> After 1870 there is a further pause, principally occasioned by illness. As usual, Marx filled this time with study: agronomy, American and particularly Russian rural conditions, the money market and banking, as well as natural science—geology and physiology, and in particular independent, mathematical work—form the content of numerous extract-books of this period. Early in 1877 Marx felt sufficiently restored to health to be able to proceed again with his own proper work. References and notes dating from the end of March 1877, taken from the above four manuscripts, form the basis for a new version of Volume 2, begun in Manuscript V (56 folio pages). This covers the first four chapters, but is not very thoroughly elaborated. Essential points are treated in notes below the text; the material is collected rather than sifted, but this is the last complete presentation of the most important portion of Part One. A first attempt to derive a publishable manuscript from this was made in Manuscript VII (between October 1877 and July 1878); only 17 quarto pages, covering the bulk of the first chapter. A second, final attempt, Manuscript VII, dated July 2, 1878, is only seven folio pages.
>
> By this time Marx seems to have realized that, save for a complete transformation in the state of his health, he would never manage to complete a version of the second and third volumes that he could himself be satisfied with. Indeed, Manuscripts V–VIII bear only too frequently the

traces of violent struggle against the oppression of illness. The most difficult bit of the first part was worked over afresh in Manuscript V; the remainder of the first part and the whole of the second part presented no significant theoretical difficulties (with the exception of Chapter 17), but the third part, on the reproduction and circulation of the social capital, seemed to him strongly in need of revision. In Manuscript II, for example, reproduction was treated firstly without regard to the money circulation that mediates it, and then once again taking this into account. This was to be jettisoned, and the whole part completely revised so as to correspond to the author's expanded horizon. This is how VIII came into being, a notebook of only 70 quarto pages; but what Marx managed to compress into this space can be seen from Part Three in its published form, subtracting the pieces interposed from Manuscript II.

This manuscript, too, is only a provisional treatment of the subject, the main point being to set down and develop the new perspectives arrived at since Manuscript II, ignoring those points on which there was nothing new to say. An important section of Chapter 17 in Part Two, which overlaps somewhat into the third part, was also considered again and expanded. The logical sequence is frequently interrupted, and the treatment in places punctuated and especially at the end quite incomplete. And yet what Marx intended to say is said there, in one way or another.

This is the material for Volume 2, from which I was supposed to "make something," as Marx said to his daughter Eleanor shortly before his death.[89]

Engels's achievement in making "something" out of the material provided to him in this state can only be admired. What emerges most clearly from his precise account in terms of the question that is of interest here, however, is the fact that it was the manuscripts left behind by Marx for the first two of the three sections that form Volume 2 that were the closest to being ready for print: the first section deals with the circuits of money-capital and commodity-capital,[*] and the costs of circulation; the second examines the turnover of capital. The third section, on the other hand, is merely a collection of fragments that Marx himself considered to be in "urgent need" of revision. The final chapter in this section (Chapter 21), which deals with accumulation and expanded reproduction, is the most unfinished in the whole volume. It comprises a mere thirty-five printed pages, and breaks off midway through the analysis.

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[*] Luxemburg omits to indicate here that he first section of *Capital*, Vol. 2 also deals with the circuit of productive capital.

Apart from this extraneous circumstance, it would seem that another factor was of great influence. As has been shown, Marx's investigation of the social reproduction process takes Smith's analysis as its starting point, and yet the latter was fatally flawed due to the erroneous proposition that the price of all commodities is composed of $v + s$, among other reasons. Marx's critical engagement with this thesis dominates the whole of his analysis of the process of reproduction. The argument that the total social product must not merely provide for consumption corresponding to the value of the various sources of revenue, but also for the renewal of constant capital, takes up all of Marx's attention. Since, however, the purest theoretical form for this argument is given by simple rather than expanded reproduction, Marx considers reproduction predominantly from a standpoint diametrically opposed to accumulation—namely under the assumption that the entire surplus value is consumed by capitalists. The extent to which the polemic against Smith dominates Marx's analysis is demonstrated by the fact that he returns to it countless times throughout his work from various angles. Thus the following pages are already devoted to it in Volume 1: Chapter 24, (Section 2 and 3), pp. 734–8,[*] and in Volume 2: pp. 435–70, p. 474, pp. 509–13, and pp. 551–6.[†]

Marx again takes up the question of total reproduction in Volume 3, but immediately engrosses himself in the puzzle set by Smith, to which he devotes the whole of Chapter 49 and most of Chapter 50 (pp. 971–91 and 992–1022).[‡] Finally, extended polemics against Smith's dogma are also to be found in *Theories of Surplus Value*.[§] Marx repeatedly underscores the fact that he considers the replacement of constant capital from the total social product to be the most difficult, and most important, problem of reproduction.[90] The other problem, that of accumulation—i.e. the realization of the surplus value for the purpose of capitalization—is thus pushed into the background, such that in the end Marx hardly takes it up at all.

Given the significance of this problem for the capitalist economy, it is not surprising that it has continually exercised bourgeois economists. Attempts to come to terms with this question of life or death for the capitalist economy—i.e. with the question whether the accumulation of capital is possible in practice—recur time and again throughout the history of economic theory. It is to these historical attempts to solve the problem before and after Marx that attention will now be turned.

* This refers to the chapters and pages as found in the English edition of *Capital*, Vol. 1, translated by Ben Fowkes. In the original, Luxemburg refers to the original German edition, which has a somewhat different division into chapters and sections.

† This refers to the pages as found in the English edition of *Capital*, Vol. 2, translated by David Fernbach. In the original, Luxemburg refers to the original German edition.

‡ This refers to the pages as found in the English edition of *Capital*, Vol. 3, translated by David Fernbach. In the original, Luxemburg refers to the original German edition.

§ See *Theories of Surplus Value*, in *Marx-Engels Collected Works*, Vol. 31, pp. 36, 39, and 90–178. In the original, Luxemburg referred to Karl Kautsky's German edition of 1905–10, which has a significantly different form than that of later editions.

Section II
Historical Exposition of the Problem

First Round—
The Controversy Between Sismondi/Malthus and Say/Ricardo/McCulloch

Chapter 10. Sismondi's Theory of Reproduction

Bourgeois economists first began to doubt the God-given character of the capitalist order under the immediate impact of the first crises of 1815 and 1818–19 in the U.K.[*] Even then, the circumstances that had led to these crises were still of an external, apparently contingent nature. On the one hand, Napoleon's blockade of the European continent had for a time artificially cut off the U.K. from its European markets and had fostered a significant development of domestic industries in some sectors in several of the continental states;[†] on the other, the markets for British products that had been anticipated once the blockade was lifted were reduced by the material exhaustion of the European continent as a result of the long period of war. Nonetheless, these first crises were sufficient to reveal to contemporaries the reverse side—in all its gruesomeness—of this best of all forms of society. Oversaturated markets, warehouses full of unsold commodities, numerous bankruptcies, and on the other side, the abject poverty of the masses of workers—all this became apparent for the first time to the theorists who had eulogized the harmonious beauty of bourgeois *laissez-faire* and preached its gospel. All contemporary trade bulletins, journals, and travelers' chronicles reported the losses sustained by British merchants. The latter dumped their stockpiles in Italy, Germany, Russia, and Brazil at a loss of 25 to 33 percent. In 1818, there were complaints from the Cape of Good Hope that all the shops were filled up with European commodities that were on sale for lower prices than in Europe and still could not be offloaded. Similar laments resounded in Calcutta. Entire cargos of commodities were returned to the U.K. from New Holland.[‡] In the U.S., according to the travelogue of a contemporary traveler, there was "no city nor market town, from one end to the other of this immense and prosperous continent, in which the amount of commodities on sale did not significantly exceed the means of the purchasers, even though the vendors went to great lengths to attract customers through very long-term credit and countless ways of easing payment, such as accepting payment by installments or even payment in kind."[*]

[*] The economic crises of 1815 and 1818–19 led to a significant decrease in production, especially in the textile, iron and steel, and shipbuilding industrial centers.

[†] On November 21, 1806, Napoleon proscribed all economic contact between the European states and the U.K. The blockade was intended to bring Europe under the control of the French bourgeoisie. However, it failed in 1812 as a result of British supremacy and the resistance of the European states, especially Russia.

[‡] New Holland was a former name for Australia, named by the Dutch, who were the first Europeans to visit the island.

At the same time, in the U.K., the air was full with cries of desperation from the workers. The *Edinburgh Review* of May 1820[91] quotes an address by the Nottingham framework knitters containing the following statements:

> After working from fourteen to sixteen hours a day, we only earn from 4s. to 7s. a week, to maintain our wives and families upon; and we further state, that although we have substituted bread and water, or potatoes and salt, for that more wholesome food an Englishman's table used to abound with, we have repeatedly retired, after a heavy day's labor, and have been under the necessity of putting our children supperless to bed, to stifle the cries of hunger. We can most solemnly declare, that for the last eighteen months we have scarcely known what it was to be free from the pangs of hunger.[92]

Then, almost simultaneously, [Robert] Owen (in the U.K.) and Sismondi (in France) raised their voices in a searing indictment of capitalist society. However, whereas Owen, the pragmatic Briton and citizen of the first industrial state, established himself as the exponent of a wide-ranging social reform, the petty-bourgeois Swiss rather lost himself in broad polemics against the defects of the existing social order and against classical economics. Yet precisely in so doing, Sismondi gave bourgeois economics a much tougher nut to crack than Owen, whose prolific practical activity was oriented directly to the proletariat.

In the preface to the second edition of his *Nouveaux Principes d'Economie Politique Ou De La Richesse Dans Ses Rapports Avec La Population*[†] (the first edition of which appeared in 1819, and the second eight years later), Sismondi himself outlines in great detail the fact that it was the U.K., and specifically the first British crisis, that spurred him to write his social critique:

> It was in England that I performed the task of preparing the new edition. England has given birth to the most celebrated Political Economists: the science is cultivated even at this time with increased ardor … Universal competition or the effort always to produce more and always cheaper, has long been the system in England, a system that I have attacked as dangerous. This system has used production by manufacture to advance with gigantic steps, but it has from time to time precipitated the manufacturers into frightful distress. It was in presence of these

convulsions of wealth that I thought I ought to place myself, to review my reasonings and compare them with facts.

The study of England has confirmed me in my *New Principles*. In this astonishing country, which seems to be subject to a great experiment for the instruction of the rest of the world, I have seen production increasing, while enjoyments were diminishing. The mass of the nation here, no less than philosophers, seems to forget that the increase of wealth is not the end in political economy, but its instrument in procuring the happiness of all. I sought for this happiness in every class, and I could nowhere find it. The high English aristocracy has indeed arrived to a degree of wealth and luxury that surpasses all that can be seen in other nations; nevertheless it does not itself enjoy the opulence that it seems to have acquired at the expense of the other classes; security is wanting and in every family most of the individuals experience privation rather than abundance … Below this titled and not titled aristocracy, I see commerce occupy a distinguished rank; its enterprises embrace the whole world, its agents brave the ices of the poles, and the heats of the equator, while every one of its leading men, meeting on Exchange, can dispose of thousands. At the same time, in the streets of London, and in those of the other great towns of England, the shops display goods sufficient for the consumption of the world.

But have riches secured to the English merchant the kind of happiness that they ought to secure him? No: in no country are failures so frequent, nowhere are those colossal fortunes, sufficient in themselves to supply a public loan to uphold an Empire, or a republic, overthrown with as much rapidity. All complain that business is scarce, difficult, not remunerative. Twice, within an interval of a few years, a terrible crisis has ruined part of the bankers, and spread desolation among all the English manufacturers. At the same time another crisis has ruined the farmers, and been felt in its rebound by retail dealers. On the other hand, commerce, in spite of its immense extent, has ceased to call for young men who have their fortunes to make; every place is occupied, in the superior ranks of society no less than in the inferior; the greater number offer their labor in vain, without being able to obtain remuneration.

Has, then, this national opulence, whose material progress strikes every eye, nevertheless tended to the advantage of the poor? Not so. The people of England are destitute of comfort now, and of security for the future. There are no longer yeomen [farmers], they have been obliged to become day laborers. In the towns there are scarcely any longer artisans, or independent heads of a small business, but only manufacturers [Sismondi means wage-laborers—*R. L.*]. The operative, to employ a word that the system has created, does not know what it is to have a station; he only gains wages, and as these wages cannot suffice for all seasons, he is almost every year reduced to ask alms from the Poor Rates.[*]

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[*] Luxemburg provides no source for this statement.

[†] J.-C.-L. Simonde de Sismondi, *Nouveaux Principes d'Economie Politique Ou De La Richesse Dans Ses Rapports Avec La Population* (Paris: Delaunay, 1827); *New Principles of Political Economy*, translated by Richard Hyse (New Brunswick, NJ: Transaction Publishers, 1991).

[*] The Poor Rate was a tax on property levied on parishes that was used to fund poverty relief. It was absorbed into the general taxation system in the 1920s.

This opulent nation has found it more economical to sell all the gold and silver that she possessed, to do without coin, and to depend entirely on a paper circulation; she has thus voluntarily deprived herself of the most valuable of all the advantages of coin: stability of value. The holders of the notes of the provincial banks run the risk every day of being ruined by frequent and, as it were, epidemic failures of the bankers; and the whole state is exposed to a

> convulsion in the fortune of every individual, if an invasion or a revolution should shake the credit of the national bank. The English nation has found it more economical to give up those modes of cultivation that require much hand-labor, and she has dismissed half the cultivators who lived in the fields. She has found it more economical to supersede workmen by steam-engines; she has dismissed … the operatives in towns, and weavers giving place to powerlooms, are now sinking under famine; she has found it more economical to reduce all working people to the lowest possible wages on which they can subsist, and these working people being no longer anything but a rabble, have not feared plunging into still deeper misery by the addition of an increasing family. She has found it more economical to feed the Irish with potatoes, and clothe them in rags; and now every packet brings legions of Irish, who, working for less than the English, drive them from every employment. What is the fruit of this immense accumulation of wealth? Have they had any other effect than to make every class partake of care, privation, and the danger of complete ruin? Has not England, by forgetting men for things, sacrificed the end to the means?[93]

Undeniably, this mirror held up to capitalist society nearly 100 years ago leaves nothing to be desired in terms of its clarity and its comprehensiveness. Sismondi puts his finger on all the sore points of bourgeois economics: the ruin of small enterprise, the depopulation of the countryside, the proletarianization of the middle classes, the immiseration of the workers, the displacement of workers by machinery, unemployment, the dangers of the credit system, social antagonisms, the insecurity of existence, crises, and anarchy. His acerbic, keen skepticism struck a jarring and discordant note amid the complacent optimism of the vulgar economists with their woolly-minded notions of harmony, which were already taking hold in the U.K., through [George] Ramsay McCulloch, and France, through J. B. Say, and becoming predominant within official science as a whole in these countries. It is easy to imagine what a deep and distressing impression remarks like the following must have made:

> There can only be luxury if it is bought with another’s labor; only those will work hard and untiringly who have to do so in order to get not the frills but the very necessities of life.[94]
>
> Although the invention of the machine that increases man’s capacity, is a blessing for mankind, it is made into a scourge for the poor by the unjust distribution we make of its benefits.[95]
>
> The gain of an employer of labor is sometimes nothing if not despoiling the worker he employs; he does not benefit because his enterprise produces much more than it costs, but because he does not pay all the costs, because he does not accord the laborer a remuneration equal to his work. Such an industry is a social evil, for it reduces those who perform the work to utmost poverty, assuring to those who direct it but the ordinary profits on capital.[96]
>
> Among those who share in the national income, one group acquires new rights each year by new labors, the other have previously acquired permanent rights by reason of a primary effort that makes a year’s labor more advantageous.[97]

> Nothing can prevent that every new discovery in applied mechanics should diminish the working population by that much. To this danger it is constantly exposed, and society provides no remedy for it.[98]

> A time will come, no doubt, when our descendants will condemn us as barbarians because we have left the working classes without security, just as we already condemn, as they also will, as barbarian the nations who reduced those same classes to slavery.[99]

Sismondi's critique is all-encompassing; he rejects any attempts to whitewash or evade the problem of the dark side of capitalist wealth creation that he has exposed, or to justify it as the temporary collateral damage of a transitional period, and he concludes his investigation with the following rejoinder to Say: "For seven years I have indicated this malady of the social organism, and for seven years it has continuously increased. I cannot regard such prolonged suffering as the mere frictions that always accompany a change. Going back to the origin of income, I believe to have shown the ills we experience to be the consequence of a flaw in our organization, to have shown that they are not likely to come to an end."[100]

Indeed, Sismondi sees the source of all evil in the discrepancy between capitalist production and the division of revenue that it entails, and here he engages with the problem of accumulation that is the focus of the present study.

The *leitmotiv* of his critique of classical economics consists in his observation that capitalist production is spurred on to unconfined accumulation without any consideration for consumption, whereas the latter is determined by revenue:

> All the modern economists, in fact, have allowed that the fortune of the public, being only the aggregation of private fortunes, has its origin, is augmented, distributed, and destroyed by the same means as the fortune of each individual. They all know perfectly well, that in a private fortune, the most important fact to consider is the income, and that by the income must be regulated consumption or expenditure, or the capital will be destroyed. But as, in the fortune of the public, the capital of one becomes the income of another, they have been perplexed to decide what was capital, and what income, and they have therefore found it easier to leave the latter entirely out of their calculations. By neglecting a quality so essential to be determined, Say and Ricardo have arrived at the conclusion, that consumption is an unlimited power, or at least having no limits but those of production, while it is in fact limited by income … They announced that whatever abundance might be produced, it would always find consumers, and they have encouraged the producers to cause that glut in the markets, which at this time occasions the distress of the civilized world; whereas they should have forewarned the producers that they could only reckon on those consumers who possessed income.[101]

Sismondi thus bases his conception on a theory of revenue. What is revenue and what is capital? He pays special attention to this distinction and refers to it as "the most abstract and difficult question of political economics." The fourth chapter of Book 2 is devoted to this question. Sismondi begins his inquiry as usual with a Robinsonade. For the "individual human being," the distinction between capital and revenue is "still opaque"; it is only in society that it becomes "fundamental." Yet in society, too, this distinction becomes a very difficult one through the already familiar myth of bourgeois economics, according to which "the capital of one becomes the income of another" and vice versa. This muddle, which was engendered by Smith and elevated to an axiom and a justification for lazy thinking and superficiality by Say, was faithfully reproduced by Sismondi:

> The nature of capital and of income are always confused by the mind; we see that what is income for one becomes capital for another, and the same object, in passing from hand to hand, successively acquires different denominations; the value that becomes detached from an object that has been consumed, appears as a metaphysical quantity that one expends and the other exchanges, that for one perishes together with the object itself and that for the other renews itself and lasts for the time of circulation.[102]

After this promising introduction, Sismondi launches himself into the difficult problem and declares that all wealth is the product of labor. Revenue is a part of wealth, and thus it must have the same source, he argues. However, he points out that it is "customary" to recognize three kinds of revenue, which are called rent, profit, and wages respectively, and which spring from three different sources: "land, accumulated capital, and labor." As far as the first proposition is concerned, it is of course inaccurate; wealth in a social sense is taken to mean the sum of useful objects or use-values, but these are not merely the products of labor alone, but also of nature, which provides raw materials for human labor and the forces that support it. Revenue, on the other hand, designates a concept of value, and indicates the extent to which an individual or individuals can dispose over a part of wealth or over the total social product. Since Sismondi states that total social revenue is a part of total social wealth, this would suggest that by the total revenue of society he understands its actual annual consumption fund. In this case, the remaining part of wealth that has not been consumed would be total social capital; this would thus be closer to the required distinction between capital and revenue on a social basis, at least in vague outline. In the very next instant, however, Sismondi accepts the "customary" distinction between three kinds of revenue, only one of which originates from "accumulated capital," whereas in the case of the other two, "land" and "labor" figure as the respective sources. The concept of capital is thus immediately blurred once more. Nevertheless, it is worth following Sismondi further. He attempts to elucidate the origin of the three kinds of revenue, which betray an antagonistic social basis. He correctly takes a certain level of development of the productivity of labor as his starting point: "By reason of the advances both in industry and science, by which man has subjugated the forces of nature, every worker can produce more, far more, in a day than he needs to consume."[103]

After rightly emphasizing the productivity of labor as an indispensable presupposition and historical foundation of exploitation, Sismondi proceeds to give an explanation of the actual emergence of exploitation in a manner typical of bourgeois economics: "But even though his labor produces wealth, this wealth, if he is called upon to enjoy it, will make him less and less fit for work. Besides, wealth hardly ever remains in the possession of the man who must live by the work of his hands." After Sismondi has thus concurred with the Ricardians and Malthusians in making exploitation and class antagonism the necessary spur to production, he comes to the real basis for exploitation, which is the separation of labor-power from the means of production:

> The worker cannot, as a rule, keep the land as his own; land, however, has a productive capacity that human labor but directs to the uses of man. The master of the land on which labor is performed, reserves a share in the fruits of labor to which his land has contributed, as his remuneration for the benefits afforded by this productive capacity.[104]

This is rent. He continues as follows:

> In our state of civilization, the worker can no longer call his own an adequate fund of objects for his consumption, enough to live while he performs the labors he has undertaken—until he has found a buyer. He no longer owns the raw materials, often coming from far away, on which he must exercise his industry. Even less does he possess that complicated and costly machinery that facilitates his work and makes it infinitely more productive. The rich man who possesses his consumption goods, his raw materials, and his machines, need not work himself, for by supplying the worker with all these, he becomes in a sense the master of his work. As reward for the advantages he has put at the worker's disposal, he takes outright the greater part of the fruits of his labor.[105]

This is profit on capital. What is left of wealth after these two levies by landowner and capitalist is the wage, the revenue of the worker. Sismondi adds: “He can consume it without reproduction.”[106]

Here Sismondi establishes non–self-reproduction as the feature that characterizes the wage as revenue and that distinguishes it from capital (the same argument is made vis-à-vis rent). This, however, is true only in relation to rent and the consumed part of the profit on capital; the part of the total social product that is consumed as wages, on the contrary, does in fact reproduce itself. It does so as the labor-power of the wage-laborer: for the latter, it reproduces itself as the commodity that he can continually bring anew to market, in order gain his livelihood from its sale; and for society, it is reproduced as the material form of variable capital, which must constantly reappear in annual total reproduction, if a deficit in the latter is not to be incurred.

So far, so good. As yet, only two facts have been learned: the productivity of labor allows the exploitation of workers by non-workers, and the separation of workers from the means of production determines the exploitation of workers as the actual foundation for the distribution of revenue. However, it still remains to be ascertained what revenue is, and what capital is, and Sismondi now proceeds to clarify this. Just as there are those who need to assume a certain initial posture each time they dance, Sismondi is, as always, compelled to start his approach by going back to Robinson Crusoe:

> In the eyes of the individual all wealth was nothing but a provision prepared beforehand for the time of need. Even so, he already distinguished two elements in this provision … one part that he budgets to have at hand for immediate or almost immediate use, and the other that he will not need until it is to afford him new production. Thus one part of his corn must feed him until the next harvest, another part, reserved for sowing, is to bear fruit the following year. The formation of society and the introduction of exchange, permit to increase this seed, this fertile part of accumulated wealth, almost indefinitely, and this is what is called capital.[107]

Drivel would be a more appropriate term for the above. By drawing an analogy with the sowing of seed, Sismondi here identifies means of production with capital, which is false in two regards. First, the means of production are not capital in themselves, but only under very specific historical conditions; second, the concept of capital is not exhausted by means of production. In capitalist society (taking all of its presuppositions into account, unlike Sismondi, who abstracts from them), means of production are only a part of capital, namely constant capital.

It is obviously Sismondi's attempt to bring the concept of capital into relation with the material aspects of social reproduction that causes him to lose the thread here. As long as he was considering the individual capitalist above, he included the means of subsistence of the workers as a component of capital alongside means of production—which itself is false from the material standpoint of the reproduction of the individual capital. As soon as he attempts to identify the material foundations of social reproduction, and sets out from the correct distinction between means of consumption and means of production, the concept of capital slips through his fingers.

Sismondi himself senses, however, that neither production nor exploitation can proceed with means of production alone—indeed, his instinct is correct in locating the pivot of the relation of exploitation precisely in the exchange with living labor-power. Having reduced capital to constant capital, he proceeds in the very next instant to reduce it to variable capital:

> When the farmer has put in reserve all the corn he expects to need till the next harvest, he will find a good use for the surplus corn: he will feed what he has left over to other people who are going to work for him, till his land, spin and weave his hemp and wool, etc. … By this procedure, the farmer converts a part of his income into capital, and in fact, this is the way in which new capital is always formed … The corn he has reaped over and above what he must eat while he is working, and over and above what he will have to sow in order to maintain the same level of exploitation, is wealth that he can give away, squander, and consume in idleness without becoming any poorer; it was income, but as soon as he uses it to feed producers, as soon as he exchanges it for labor, or for the fruits to come from the work of his laborers, his weavers, his miners, it is a permanent value that multiplies and will no longer perish; it is capital.[108]

This is a potpourri of correct insights and woolly notions. Constant capital still appears to be necessary in order to maintain production on the previous scale—i.e. for simple reproduction to occur—even if this constant capital is at the same time curiously reduced to circulating capital (i.e. seed), and the reproduction of fixed capital is completely neglected. As for expanded reproduction, or accumulation, circulating capital is apparently superfluous, too: the entire capitalized part of surplus value is transformed into wages for new workers, who evidently work in midair, without any means of production. Sismondi expresses the same view even more clearly elsewhere:

> When the rich man cuts down his income in order to add to his capital, he is thus conferring a benefit on the poor, because he himself shares out the annual product; and whatever he calls

income, he will keep for his own consumption; whatever he calls capital, he gives to the poor man to constitute an income for him.[109]

At the same time, however, Sismondi rightly emphasizes the secret of surplus value creation and the origin of capital: surplus value originates from the exchange of capital with labor, from variable capital, and capital issues from the accumulation of surplus value.

All this, however, has not done much to clarify the distinction between capital and revenue. Sismondi now makes the attempt to represent the various elements of production and revenue as corresponding portions of the total social product:

> The employer of labor, as also the laborer, does not use all his productive wealth for the sowing; he devotes part of it to buildings, mills, and tools that render the work easier and more productive, just as a share of the laborer's wealth had been devoted to the permanent work of making the soil more fertile. It can thus be seen how the different kinds of wealth successively come into being and become distinct. One part of the wealth accumulated by society is devoted by everyone who possesses it to render labor more profitable by slow consumption, and make the blind forces of nature execute the work of man; this part is called fixed capital and comprises reclaiming, irrigation, factories, the tools of trade, and mechanical contrivances of every description. A second part of wealth is destined for immediate consumption, to reproduce itself in the work it gets done, to change its form, though not its value, without cease. This part is called circulating capital and it comprises seed, raw materials for manufacture, and wages. Finally, a third part of wealth becomes distinguishable from the second: it is the value by which the finished job exceeds the advances that had to be made: this part is called income on capitals and is destined to be consumed without reproduction.[110]

After Sismondi has expended so much effort in the attempt to divide the total social product according to the incommensurable categories of fixed capital, circulating capital, and surplus value, it now becomes apparent that when he refers to fixed capital, he actually means constant capital, and when he speaks of circulating capital, he actually means variable capital, since "all that is created" is destined for human consumption, but fixed capital is only consumed "mediately,"[*] whereas circulating capital "passes into the consumption fund of the worker whose wage it forms."[111] This would once again approximate to the division of the total product into constant capital (means of production), variable capital (workers' means of subsistence) and surplus value (capitalists' means of consumption). Nevertheless, Sismondi's expositions thus far of this subject that he himself describes as fundamental can hardly be praised for any particular clarity, and in any case there is no noticeable advance in this jumble beyond Smith's "mental blocks."

* That is, indirectly.

Sismondi senses this himself and, exclaiming with a sigh that "this movement of wealth is so abstract and requires such great power of concentration to grasp it properly," he now attempts to clarify the problem "by the simplest of all methods." Thus Sismondi once again finds himself compelled to go back to basics, i.e. to Robinson Crusoe, with the difference that the latter is now a *paterfamilias** and a pioneer of colonial policy:

> A solitary farmer in a distant colony on the border of the desert has reaped 100 sacks of corn this year; there is no market where to bring them; this corn, in any case, must be consumed within the year, else it will be of no value to the farmer; yet the farmer and his family eat only 30 sacks of it; this will be his expenditure, constituting the exchange of his income; it is not reproduced for anybody whatever. Then he will call for workers, he will make them clear woods, and drain swamps in his neighborhood and put part of the desert under the plough. These workers will eat another 30 sacks of corn: this will be their expenditure; they will be in a position to afford this expenditure at the price of their revenue, that is to say their labor; for the farmer it will be an exchange: he will have converted his 30 sacks into fixed capital. In the end, he is left with 40 sacks. He will sow them that year, instead of the 20 he had sown the previous year; this constitutes his circulating capital that he will have doubled. Thus the 100 sacks will have been consumed, but of these 100 sacks 70 are a real investment for him, which will reappear with great increase, some of them at the very next harvest, and the others in all subsequent harvests.
>
> The very isolation of the farmer we have just assumed gives us a better feeling for the limitations of such an operation. If he has only found consumers for 60 of the 100 sacks harvested in that year, who is going to eat the 200 sacks produced the following year by the increase in his sowing? His family, you might say, which will increase. No doubt; but human generations do not multiply as quickly as subsistence. If our farmer had hands available to repeat this assumed process each year, his corn harvest will be doubled every year, and his family could at the most be doubled once in twenty-five years.[112]

Despite the naïveté of the example, the decisive question finally comes to light: Where is the market for capitalized surplus value? The accumulation of capital can increase society's production immeasurably. Yet what of society's consumption? This is determined by the various kinds of revenue. This important subject is set out by Sismondi in Chapter 5 of the second volume of his work, under the title "The Distribution of the National Income Among the Various Classes of Citizens."

* The *paterfamilias* was the head of a Roman family.

Here Sismondi makes a new attempt to present the division of the total product:

> Under this aspect, the national income is composed of two parts and no more; the one consists in annual production … the profit arising from wealth. The second is the capacity for work that springs from life. This time we understand by wealth both territorial possessions and capital, and by profit the net income accruing to the owners as well as the profit of the capitalist.[113]

Thus all the means of production are excluded from the "national income" as "wealth," whereas national income breaks down into surplus value and labor power, or more accurately, its equivalent: variable capital. This would appear to correspond to the division between constant capital, variable capital, and surplus value, even if it is not brought out clearly enough. However, it immediately becomes apparent that by "national income," Sismondi understands the annual total social product:

> Similarly, annual production, or the result of all the nation's work in the course of a year, is composed of two parts: one we have just discussed—the profit resulting from wealth; the other is the capacity for work, which is assumed to equal the part of wealth for which it is exchanged, or the subsistence of the workers.[114]

Here the total product of society is resolved in value terms into two parts (variable capital and surplus value), and constant capital disappears; the analysis thus arrives at Smith's thesis, according to which the price of all commodities is resolved into $v + s$ (or is composed of $v + s$)—in other words, the total product consists entirely of means of consumption (for workers and capitalists).

On this basis, Sismondi now broaches the question of the realization of the total product. Since, on the one hand, the aggregate of revenues in society consists of wages, profits on capital and ground rent, and thus represents $v + s$, and, on the other, the total social product is likewise resolved into $v + s$, it follows that "national income and annual production balance each other" and must be equal (in value terms):

> Annual production is consumed altogether during the year, but in part by the workers who, by exchanging their labor for it, convert it into capital and reproduce it; in part by the capitalists who, exchanging their income for it, annihilate it. The whole of the annual income is destined to be exchanged for the whole of annual production.[115]

This is the basis on which, in Chapter 6 of the second volume of his work, entitled "On Reciprocal Determination of Production and Consumption," Sismondi finally formulates the following precise law of reproduction: "It is the income of the past year that must pay for the production of the present year."[116] Yet how is capitalist accumulation supposed to proceed given these presuppositions? If the total product is to be completely consumed by the workers and the capitalists, the analysis obviously remains within the confines of simple reproduction, and the problem of accumulation proves insoluble. In fact, Sismondi's theory amounts to a declaration of the impossibility of accumulation. For who is to buy the additional product in the case of an expansion of production, when the total social demand is constituted by the aggregate of workers' wages and by the personal consumption of capitalists? Sismondi also formulates the objective impossibility of accumulation as follows:

> What happens after all is always that we exchange the whole of production for the whole production of the previous year. Besides, if production gradually increases, the exchange, at the same time as it improves future conditions, must entail a small loss every year.[117]

In other words, accumulation must give rise to an unsalable surplus each year when the total product is realized. Sismondi, however, shrinks back from this consequence and resorts to a "middle course" that consists in a scarcely intelligible theoretical sleight of hand:

> If this loss is not heavy, and evenly distributed, everyone will bear with it without complaining about his income. This is what constitutes the national economy, and the series of such small sacrifices increase capital and common wealth.

If, on the other hand, accumulation is carried on regardless, then the unsalable surplus develops into a public calamity, and a *crisis* ensues. Sismondi's solution thus consists in the petty-bourgeois artifice of curbing accumulation. The polemic against the classical school, which advocated the unconfined development of the productive forces and the expansion of production, is a constant refrain of Sismondi's, and his entire work is dedicated to warning of the fatal consequences of the unrestrained drive to accumulate.

Sismondi's exposition demonstrates his inability to grasp the process of reproduction as a whole. Apart from his unsuccessful attempt to distinguish between the categories of capital and revenue at the level of society as a whole, his theory of reproduction suffers from the fundamental error that he took over from Smith, namely the conception that the annual total product is accounted for entirely by personal consumption, without leaving any portion of value over for the replacement of constant capital, and likewise that accumulation consists exclusively in the transformation of capitalized surplus value into additional variable capital. Yet, when later critics of Sismondi (such as, for example, the Russian Marxist [V. I.] Lenin[118]) believed, with an air of condescension, that they could dismiss his entire theory of accumulation as invalid, as "nonsense" by referring to this fundamental error in the value-analysis of the total product, they merely demonstrated that they themselves had failed to notice the actual problem with which Sismondi was concerned. It was Marx himself who, in his subsequent analysis exposing Smith's gross error for the first time, most clearly demonstrated that the problem of accumulation is by no means solved merely by taking into account the value-component of the total product corresponding to constant capital. This was demonstrated even more strikingly by the circumstances that shaped Sismondi's own theory. In expounding his conception, Sismondi became embroiled in bitter controversy with the representatives and vulgarizers of the classical school—i.e. with Ricardo, Say, and McCulloch. The two camps represented opposing viewpoints: Sismondi asserted the sheer impossibility of accumulation, whereas Ricardo, Say, and McCulloch argued that it could proceed ad infinitum. In relation to Smith's error, however, both sides now found themselves on the same side of the fence: both Sismondi and his opponents disregarded constant capital in their respective theories of reproduction; yet none of them sought to make a fixed and infallible dogma out of Smith's confusion in relation to the resolution of the total product into $v + s$ in such a pretentious way as did Say.

This amusing episode should in fact be sufficient to demonstrate that the problem of the accumulation of capital is far from being solved with the mere insights, gained from Marx, that the total social product must comprise means of production (c) for the replacement of those that have been expended, in addition to means of consumption for workers and capitalists ($v + s$), and that accumulation thus does not merely consist in the increase of variable capital, but also in that of constant capital. It will be shown below which new misconception in the theory of accumulation is entailed by this emphasis on the constant part of capital in the reproduction process. Here, however, it suffices to note that Smith's error in relation to the reproduction of total capital did not represent a weakness unique to Sismondi's position, but rather the common ground on which the first controversy over the problem of accumulation was fought out. The consequence of this was merely that bourgeois economics attempted to tackle the problem of accumulation without even having properly dealt first with the elementary problem of simple reproduction, just as it is often the case that scientific research—and not only in this area—proceeds in a strange, non-linear manner, and frequently sets about constructing the upper storeys of the edifice, as it were, before the foundations have been finished. At any rate, Sismondi provided bourgeois economics with a tough nut to crack with his critique of accumulation, as is indicated by the fact that bourgeois economics was unable to dispense with him in spite of the obvious weaknesses and ineptness of his deduction.

Chapter 11. Mcculloch vs. Sismondi

Sismondi's Cassandra-like warnings of the reckless extension of the rule of capital in Europe elicited bitter opposition from three sides: from the Ricardian school (in the U.K.), from Smith's vulgarizer Say, and from the St. Simonians (both in France).[*] While Owen's thinking in the U.K. had much in common with that of Sismondi, and placed much emphasis on the dark underside of the industrial system and especially on the crisis, the school of that other great utopian, St. Simon, which advanced a cosmopolitan conception of the expansion of large-scale industry and the unrestricted development of the productive powers of human labor, was greatly perturbed by Sismondi's dire warnings. Of interest here, however, is the controversy between Sismondi and the Ricardians, which proved more fertile from a theoretical standpoint. Firstly, McCulloch, representing the Ricardians, published an anonymous polemic[119] against Sismondi—allegedly with the endorsement of Ricardo himself—in the *Edinburgh Review* in October 1819, just after the publication of Sismondi's *Nouveaux Principes*.[†] Sismondi responded to this polemic in 1820 in [Pellegrino] Rossi's *Annales de [legislation et de] Jurisprudence*[120] under the title: "Does the Power of Consuming Necessarily Increase with the Power to Produce? An Enquiry."[121]

In his rejoinder,[122] Sismondi himself states that his own polemic was marked by the commercial crisis in whose shadow it was written:

> This truth we are both looking for, is of utmost importance under present conditions. It may be considered as fundamental for economics. Universal distress is in evidence in the trade, in industry and, in many countries certainly, even in agriculture. Such prolonged and extraordinary suffering has brought misfortune to countless families and insecurity and despondency to all, until it threatens the very bases of the social order. Two contrasting explanations have been advanced for the distress that has caused such a stir. Some say: "we have produced too much," and others: "we have not produced enough"—"There will be no equilibrium," say the former, "no peace and no prosperity until we consume the entire commodity surplus that remains unsold on the market, until we organize production for the future in accordance with the buyers' demand"—"There will be a new equilibrium," say the latter, "if only we double our efforts to accumulate as well as to produce. It is a mistake to believe that there is a glut on the market; no

more than half our warehouses are full; let us fill the other half, too, and the mutual exchange of these new riches will revive our trade."[123]

* This is a reference to the followers of Claude Henri de Rouvroy, Comte de Saint-Simon.

† McCulloch's article was entitled "On Mr. [Robert] Owen's Plans for Relieving National Distress." It was a review of Owen's book *New View of Society*. The article has been reprinted in *Articles from the Edinburgh Review (1819–37): Bibliography of the Published Writings of J. R. McCulloch*, edited by D. P. O'Brien (London: Thoemmes Press, 1999).

Here Sismondi hones in on the real point of contention in the controversy and formulates it with exemplary clarity. In effect, McCulloch's whole position stands and falls with his assertion that exchange is in reality the exchange of commodities against one another. From this it follows that each commodity represents not only supply, but also demand. McCulloch then continues the dialogue as follows:

> Demand and supply are truly correlative and convertible terms. The supply of one set of commodities constitutes the demand for another. Thus, there is a demand for a given quantity of agricultural produce, when a quantity of wrought goods equal thereto in productive cost is offered in exchange for it; and conversely, there is an effectual demand for this quantity of wrought goods, when the supply of agricultural produce that it required the same expense to raise, is presented as its equivalent.[124]

The Ricardian's feint is immediately apparent: he elects to disregard the circulation of money and assumes that commodities are immediately bought and paid for with other commodities. McCulloch thus suddenly transports his reader from the conditions of highly developed capitalist production back to an age of primitive barter such as might still thrive today in the African interior. The slight kernel of truth in this mystification consists in the fact that money merely mediates simple commodity circulation. However, it is precisely the intervention of this mediator that, having made both acts—i.e. sale and purchase—separate and independent from one another both temporally and spatially, has the effect that each sale in no way has to be followed by a purchase, and, furthermore, that sale and purchase by no means have to involve the same individuals—in fact these transactions are played out between the same dramatis personae only in rare and exceptional cases. McCulloch makes precisely such an absurd assumption, however, in counterposing industry and agriculture to one another in the role of buyers and sellers at one and the same time. The generality of the categories referred to here as constituting a totality of exchangers masks the real fragmentation of this social division of labor, which in fact entails countless private acts of exchange, in which the coincidence of the purchase and sale of the respective commodities constitutes the rarest of exceptions. McCulloch's simplistic conception of commodity exchange renders the economic significance and the historical emergence of money completely unintelligible, insofar as it views the commodity immediately as being money and imputes immediate exchangeability to it.

Sismondi's response to this is rather inept, however. In order to demonstrate the inappropriateness of McCulloch's exposition of commodity exchange for capitalist production, he leads the reader to the Leipzig Book Fair:[125]

> At the Book Fair of Leipzig, booksellers from all over Germany arrive, each with four or five publications of his own in some forty or fifty dozen copies; these are exchanged for others and every seller takes home 200 dozen books, just as he has brought 200 dozen, with the sole difference, that he brought four different works and takes home 200. This is the demand and the production that, according to Mr. Ricardo's disciple, are correlative and convertible; one buys the other, one pays for the other, one is the consequence of the other. But as far as we are concerned, for the bookseller and for the general public, demand and consumption have not even begun. For all that it has changed hands at Leipzig, a bad book will still be just as unsold [How wrong Sismondi is here!—*R. L.*], it will still clutter up the merchants' shops, either because nobody wants it, or because everyone has a copy already. The books exchanged at Leipzig will only sell if the booksellers can find individuals who not only want them but are also prepared to make sacrifices in order to withdraw them for circulation. They alone constitute an effective demand.[126]

Despite its naïveté, this example clearly shows that Sismondi will not allow himself to be wrong-footed by his opponent's feint, and that he understands what is at issue here.

McCulloch subsequently attempts to turn the inquiry from abstract commodity exchange to concrete social relations:

> Supposing, for the sake of illustration, that a cultivator advanced food and clothing for 100 laborers, who raised for him food for 200; while a master-manufacturer also advanced food and clothing for 100, who fabricated for him clothing for 200. Then the farmer, besides replacing the food of his own laborers, would have food for 100 to dispose of; while the manufacturer, after replacing the clothing of his own laborers, would have clothing for 100 to bring to market. In this case, the two articles would be exchanged against each other, the supply of food constituting the demand for the clothing, and that of the clothing the demand for the food.[127]

It is difficult to know what to admire more in this hypothesis: the fatuousness of its construction, which turns all really existing relations on their head, or the nonchalance with which everything that is to be demonstrated is taken as given in the premises, and subsequently claimed to be "proven." In any case, the Leipzig Book Fair seems a model of profound and realistic thinking in comparison.* In order to prove that there are no restrictions on the demand that can be created at any time for any kind of commodity, McCulloch takes as his example two products that belong to the most urgent and basic needs of any person: food and clothing. In order to demonstrate that commodities can be exchanged in any given quantity without any consideration for the needs of society, he takes an example where two amounts of commodities already precisely match needs a priori, where there is no social surplus; he then calls the socially required quantity a "surplus"—i.e. when measured against the personal needs of the producer for his own product—and demonstrates so brilliantly that any given "surplus" of commodities can be exchanged against a corresponding "surplus" in other commodities. Finally, in order to prove that exchange can occur between two different privately produced commodities, despite the fact that their quantities, their costs of production, and their importance for society must by nature differ from one another, he takes as his example two a priori exactly equal amounts of commodities with exactly the same costs of production and that are needed by society in exactly the same general way. In short, in order to prove that no crisis is possible in an unplanned capitalist private economy, he posits production that is planned and strictly regulated, without any overproduction.

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* This sentence was omitted in Agnes Schwarzschild's translation of *The Accumulation of Capital*.

Canny Mac makes his main quip elsewhere, however. The context is the debate on the problem of accumulation. The question that perturbed Sismondi, and with which the latter troubled Ricardo and his epigones, was the following: Where are purchasers for the excess of commodities to be found if a part of surplus value is capitalized—i.e. used to expand production beyond total social revenue—rather than being privately consumed by the capitalists? What becomes of the capitalized surplus value, and who buys the commodities in which it is contained? These are the questions posed by Sismondi. The magisterial McCulloch—the Ricardian school's pride and joy, its official representative, Chair of the University of London, an authority for contemporary British ministers of the Liberal Party and for the City of London—replies by constructing an example where no surplus value is produced at all! His "capitalists" toil away at agriculture and manufacturing for the love of God: the entire social product, including the "surplus," is only sufficient to meet the needs of the workers, it only corresponds to wages, whereas the "tenant farmer" and the "manufacturer" are left naked and hungry to direct production and exchange.

Sismondi reacts to this with justified impatience:

> The moment we want to find out what is to constitute the surplus of production over consumption of the workers, it will not do to abstract from that surplus that forms the due profit of labor and the due share of the master.[128]

Hereupon the vulgar McCulloch merely raises his fatuousness by a thousand, and asks the reader to assume "1,000 tenant farmers," all of whom proceed as resourcefully as the single tenant farmer of the previous example, and likewise "1,000 master-manufacturers." Naturally, exchange proceeds smoothly as and when required. Finally, he allows the productivity of labor to double "in consequence of more skillful application of labor and of the introduction of machinery," such that "every one of the 1,000 farmers, by advancing food and clothing for 100 laborers, obtains a return consisting of ordinary food for 200 together with sugar, grapes, and tobacco equal in production cost[*] to that food," while every manufacturer obtains, by an analogous procedure, in addition to the previous quantity of clothing for all workers, "ribbands, cambrics, and lace, equal in productive cost, and therefore in exchangeable value, to that clothing."[129] McCulloch thus completely inverts the historical sequence by assuming first capitalist private property with wage labor, and then, at a later stage, the level of labor productivity that would allow exploitation to take place in the first place. Furthermore, he now takes it for granted that these advances in the productivity of labor have occurred in all areas and at the same pace, that the surplus product of each branch of production contains exactly the same value, and that it is distributed among the exact same number of people.

Thereupon, he allows the various surplus products to be exchanged against one another—and hey presto! Everything is exchanged smoothly and without remainder, to universal satisfaction. Thus Mac indulges in yet another of his many absurdities in having his "capitalists," who previously lived on air alone and exercised their profession *au naturel*, now live exclusively on sugar, wine, and tobacco, and bedeck themselves only in ribbons, cambrics, and lace.

Once again, however, McCulloch's best trick consists in the pirouette that he performs in order to dodge the actual problem. What becomes of the capitalized surplus value, i.e. of the surplus value that is not used by the capitalists for their own personal consumption, but for the expansion of production? This was the question at hand. McCulloch replies either by disregarding surplus value production altogether, or alternatively by employing the entire surplus value in luxury production. Who is to purchase this luxury production? According to McCulloch's example, it is obviously the capitalists (his tenant farmers and manufacturers), since apart from these, there are only workers in his example. Consequently there obtains a situation in which the entire surplus value is consumed by the capitalists for their own personal ends—in other words: simple reproduction. McCulloch thus responds to the question as to the capitalization of surplus value either by abstracting from surplus value altogether, or by assuming simple reproduction instead of accumulation at the very moment in which surplus value is generated. Yet he again maintains the semblance that he is dealing with expanded reproduction—just as he did earlier in his supposed treatment of the "surplus"—by means of a sleight of hand: first he posits the impossible case of capitalist production without surplus value, only to suggest to the reader that the appearance of the surplus-product on the scene constitutes an expansion of production.

* In Luxemburg's German version this is rendered as "equal in value."

Sismondi was not quite able to keep up with these twists and turns of the serpentine Scot. Until now, he had followed Mac's every step, pinning him up against the wall and demonstrating his "obvious fatuousness"; now, at the decisive point of the controversy, he became confused, however. He ought to have responded to his opponent's tirade with the following cool rejoinder:

"Sir, with the greatest respect for your intellectual agility, you are dodging the issue with all the slipperiness of an eel. I keep on asking this: 'Who is to purchase the additional product, if the capitalists, instead of squandering their entire surplus value, are to employ it for the purposes of accumulation—i.e. for the expansion of production?' And you reply: 'Well, they will undertake this expansion in the production of luxury goods, which they will naturally consume themselves.' But this is a conjuror's trick, for as soon as the capitalists spend this surplus value on luxuries for themselves, they consume it and do not accumulate it. But the issue is precisely whether accumulation is possible, it is not to do with the personal luxuries of the capitalists! Either give me a clear answer to this question if you are able, or else kindly remove yourself to your vineyards and your tobacco plantations, and be gone!"

Instead of taking the vulgarian McCulloch to task, Sismondi suddenly adopts an ethical tone, replete with pathos and social conscience. He exclaims: "Whose demand? Whose satisfaction? The masters or the workers in the town or country? On this new conception [of Mac's—*R. L.*] there is a surplus of products, an advantage from labor—to whom will it accrue?"[130]

Sismondi answers his own question with the following tirade:

> But we know full well, and the history of the commercial world teaches us all too thoroughly, that it is not the worker who profits from the increase in products and labor; his pay is not in the least swelled by it. M. Ricardo himself said formerly that it ought not to be, unless you want the social wealth to stop growing. On the contrary, sorry experience teaches us that wages nearly always contract by very reason of this increase. Where, then, does the accumulation of wealth make itself felt as a public benefit? Our author assumes 1,000 farmers who profit, while 100,000 workers toil; 1,000 entrepreneurs who wax rich, while 100,000 artisans are kept under their orders. Whatever good may result from the accumulation of the frivolous enjoyment of luxuries is only felt by a 100th part of the nation. And will this 100th part, called upon to consume the entire surplus product of the whole working class, be adequate to a production that may grow without let or hindrance, owing to progress of machinery and capitals? In the assumption made by the author, every time the national product is doubled, the master of the farm or of the factory must increase his consumption a hundredfold; if the national wealth today, thanks to the invention of so many machines, is a hundred times what it was when it only covered the cost of production, every employer would today have to consume enough products to support 10,000 workers.[131]

Here, Sismondi again believes he has found the approach to theorize the formation of crises:

> We might imagine, if put to it, that a rich man can consume the goods manufactured by 10,000 workers, this being the fate of the ribbons, lace, and cambrics whose origin the author has shown us. But a single individual would not know how to consume agricultural products to the same tune, the wines, sugar, and spices that Mr. Ricardo [whom Sismondi evidently suspected of having written the article since he only discovered the identity of "Anonymous" of the *Edinburgh Review* at a later date—*R. L.*] conjures up in exchange, are too much for the table of one man. They will not sell, or else the strict proportion between agricultural and industrial products, apparently the basis of his whole system, cannot be maintained.[132]

At this point it can be seen how Sismondi is wrong-footed by McCulloch's feint: instead of rejecting the latter's attempt to answer the question of accumulation by referring to luxury production, he follows his opponent onto this terrain without noticing that the terms of the argument have been altered, and he finds only two things to criticize here. On the one hand, he makes a moral critique of the fact that McCulloch lets the capitalists benefit from the surplus value rather than the mass of the workers, and thus gets sidetracked into a polemic against the distribution characteristic of the capitalist economy. On the other hand, from this digression, he unexpectedly finds his way back to the original problem, which, however, he now formulates as follows: the capitalists, then, consume the entire surplus value in luxuries. Good for them! However, is it possible for anyone constantly to increase his consumption at the same rate as advances in the productivity of labor cause the surplus product to grow? Here Sismondi turns his back on his own problem, and, rather than locating the difficulty of capitalist accumulation in the lack of consumers apart from workers and capitalists, he now discovers a hitch in simple reproduction: the physical restrictions on the capitalists' own capacity to consume. Since the absorptive capacity of the capitalists for luxuries cannot keep pace with the productivity of labor, and thus with the increase in surplus value, overproduction and crisis must ensue. This line of thought has been already been encountered once before in Sismondi's *Nouveaux Principes*, and this is now proof that his own problem was not always completely clear to him. No wonder. It is only possible to grasp the problem of accumulation with any rigor when the problem of simple reproduction has been satisfactorily resolved. As has already been demonstrated, this is not something that Sismondi can be said to have achieved.

Nevertheless, in this first clash with the epigones of the classical school, Sismondi did not come off worst. On the contrary, he ended up routing his opponent. If Sismondi misunderstood the most basic foundations of social reproduction, and followed Smithian orthodoxy in ignoring constant capital, he was, at any rate, no worse than his adversary in this regard: constant capital does not exist for McCulloch either—his tenant farmers and manufacturers merely "advance" food and clothing for their workers, the total product of society consisting of nothing but food and clothing. If the two opponents are no different as far as this elementary error is concerned, Sismondi endlessly towers above Mac on account of his sense for the contradictions of the capitalist mode of production. The Ricardian ultimately fails to provide an answer to Sismondi's skepticism in relation to the capacity for surplus value to be realized. Sismondi similarly demonstrates his superiority when he hurls the cries of distress of the Nottingham proletarians in the faces of the smug and self-satisfied harmonists and bourgeois apologists, who deny that there is "any surplus of production over demand, any congestion of the market, any suffering"; when he shows that the introduction of machinery must, with the necessity of a law of nature, create "a super-abundant population"; finally, and above all, when he emphasizes the general tendency of the capitalist world market with its contradictions. McCulloch flatly denies the possibility of general overproduction and has an effective remedy for each partial instance of overproduction up his sleeve:

> It may be objected, perhaps, that on the principle that the demand for commodities increases in the same ratio as their supply, there is no accounting for the gluts and stagnation produced by overtrading. We answer very easily—a glut is an increase in the supply of a particular class of commodities, unaccompanied by a corresponding increase in the supply of those other commodities that should serve as their equivalents. While our 1,000 farmers and 1,000 master-manufacturers are exchanging their respective surplus products, and reciprocally affording a market to each other, if 1,000 new capitalists were to join their society, employing each 100 laborers in tillage, there would be an immediate glut in agricultural produce … because in this case there would be no contemporaneous increase in the supply of the manufactured articles that should purchase it. But let one half of the new capitalists become manufacturers, and equivalents in the form of wrought goods will be created for the new produce raised by the other half: the equilibrium will be restored, and the 1,500 farmers and 1,500 master-manufacturers will exchange their respective surplus products with exactly the same facility with which the 1,000 farmers and 1,000 manufacturers formerly exchanged theirs.[133]

Sismondi answers this tomfoolery of McCulloch, who is content to grope in the dark, by pointing out the real changes and upheavals taking place before his eyes:

> It was possible to put barbarous countries under the plough, and political revolutions, changes in the financial system, and peace, at once brought cargoes to the ports of the old agricultural countries that almost equaled their entire harvest. The recent Russian conquest of the vast provinces on the Black Sea, the change in the system of government in Egypt, and the outlawing of piracy in High Barbary,[*] have suddenly poured the granaries of Odessa, Alexandria, and Tunis into the Italian ports and have put such an abundance of corn on the markets that all along the coasts the farmer's trade is fighting a losing battle. Nor is the remainder of Europe safe from a similar revolution, caused by the simultaneous ploughing under of immense expanses of new land on the banks of the Mississippi, which export all their agricultural produce. Even the influence of New Holland[†] may one day be the ruin of English industry, if not in the price of foodstuffs, which are too expensive to transport, at least in respect of wool and other agricultural products that are easier to transport.[134]

What would McCulloch's advice be in the face of this agrarian crisis in Southern Europe? That half of the new farmers should become manufacturers! Whereupon Sismondi counters: "Such counsel can only seriously apply to the Tartars of the Crimea or to the fellaheen of Egypt." To this he adds: "The time is not yet ripe to set up new industries in the regions overseas or in New Holland."[135] Sismondi shows much prescience here in recognizing that the industrialization of lands overseas was only a matter of time. He was surely also aware, however, that the extension of the world market was no solution to the difficulty, but merely represented its reproduction on a larger scale, and that it would inevitably cause even more violent crises. He anticipated that the other side of the coin of capitalism's tendential expansion would be the intensification of competition and ever more anarchic production. Indeed, in one passage at the end of his response to McCulloch, he puts his finger on the fundamental causes of crises and gives an acute formulation of the *tendency* of capitalist production to surge beyond any market constraints:

> Time and again it has been proclaimed that the equilibrium will reestablish itself, that work will start again, but a single demand each time provides an impetus in excess of the real needs of trade, and this new activity must soon be followed by a yet more painful glut.[136]

For all his cant on harmony and his country-dances with 1,000 beribboned farmers and 1,000 wine-quaffing manufacturers, the vulgarian Chair of the University of London had no answer to such deep insights of Sismondi's analysis of the real contradictions of the movement of capital.

* Pirates operated on the coast of North Africa—the so-called Barbary Coast—from the thirteenth to the early nineteenth century, when they were finally suppressed.

† The original name that Dutch explorers gave to Australia.

Chapter 12. Ricardo vs. Sismondi

McCulloch's rejoinder to Sismondi's theoretical objections evidently did not settle the matter as far as Ricardo himself was concerned. Unlike that entrepreneurial "Scottish arch-humbug," as Marx calls him,[*] Ricardo sought the truth and retained throughout the true modesty of a great thinker.[137] That Sismondi's polemic against him and his "pupils" made a deep impression on Ricardo is demonstrated by the latter's decision to change tack in the question of the effects of machinery. It was precisely here that Sismondi, to his credit, had first confronted the advocates of the classical theory of harmony with the other side of the coin. In Book 4 of his *Nouveaux Principes*, in the chapter "On the Division of Labor and Machinery"[138] and in another chapter significantly entitled: "Machinery Creates a Surplus Population,"[139] Sismondi had attacked the theory, expounded at great length by Ricardo's apologists, that mechanization always creates as many, if not more, jobs for wage-laborers as it takes away from them through the expulsion of living labor from the production process. Sismondi was acerbic in his criticism of this so-called theory of compensation. His *Nouveaux Principes* had appeared in 1819—two years after Ricardo's magnum opus. Ricardo inserted a new chapter in the third edition of his *Principles* in 1821, after the polemic between McCulloch and Sismondi, in which he freely admits his error and states in accordance with Sismondi that "the opinion entertained by the laboring classes, that the employment of machinery is frequently detrimental to their interests, is not founded on prejudice and error, but is conformable to the correct principles of political economy."[†] In so doing, Ricardo, much like Sismondi, is prompted to dispel any suspicion that he is agitating against technical progress; however, he is more equivocal on this question than Sismondi, and protects himself against any such accusations with the tergiversation that such evils will only occur gradually:

> To elucidate the principle, I have been supposing, that improved machinery is suddenly discovered, and extensively used; but the truth is, that these discoveries are gradual, and rather

operate in determining the employment of the capital that is saved and accumulated, than in diverting capital from its actual employment.[‡]

A further source of disquiet for Ricardo was the problem of crises and accumulation. In 1823, the last year of his life, he stayed in Geneva for a few days in order to discuss the subject with Sismondi, and these conversations bore fruit in the shape of Sismondi's essay "On the Balance Between Consumption and Production," published in the *Revue Encyclopédique* of May 1824.[140]

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* See Marx's *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32, p. 354: "This is a brilliant example of the methods used by this humbug of a Scotsman."

† David Ricardo, *Principles of Political Economy*, in *The Works and Correspondence of David Ricardo*, Vol. 1, edited by Piero Sraffa with the collaboration of M. H. Dobb (Indianapolis, IN: Liberty Fund, 2005), p. 393.

‡ Ibid., p. 395.

In his treatment of this decisive question in his *Principles*, Ricardo had taken over wholesale from the vapid Say the theory of harmony in the relationship between production and consumption. In Chapter 21 he makes the following declaration:

> M. Say has, however, most satisfactorily shown, that there is no amount of capital that may not be employed in a country, because demand is only limited by production. No man produces, but with a view to consume or sell, and he never sells, but with an intention to purchase some other commodity that may be immediately useful to him, or that may contribute to future production. By producing, then, he necessarily becomes either the consumer of his own goods, or the purchaser and consumer of the goods of some other person.[*]

In his *Nouveaux Principes*, Sismondi had already launched a trenchant polemic against Ricardo's conception, and the verbal debate between them revolved entirely around the above question. Ricardo could not deny the existence of the crisis that had recently engulfed the U.K. and other countries. The point of contention was rather how to explain the crisis. Noteworthy in this connection is the clear and precise formulation of the problem upon which Sismondi and Ricardo agreed as a prelude to their debate: both eliminated the question of foreign trade. Sismondi fully understood the significance and the necessity of foreign trade for capitalist production and its need to expand, and in this regard there was nothing to choose between him and the Ricardian free trade school.[141] Indeed, he far surpassed the latter with his dialectical conception of this expansionist tendency of capital; he often pointed out that industry "is increasingly led to look for its vents on foreign markets where it is threatened by greater revolutions";[142] and, as has been shown, he anticipated the emergence of competition threatening European industry overseas, which in 1820 was no mean achievement and reveals his deep insight into capitalist relations at the level of the world economy. In this regard, Sismondi was far from making foreign trade the only possibility of salvation from the problem of the realization of surplus value—i.e. the problem of accumulation (a position attributed to him by subsequent critics). On the contrary, Sismondi is quite explicit in Chapter 6 of Volume 1:

> In order to make these calculations with greater certainty and to simplify these questions, we have hitherto made complete abstraction from foreign trade and supposed an isolated nation; this isolated nation is human society itself, and what is true for a nation without foreign commerce, is equally true for mankind.[143]

* Ibid., p. 290.

In other words, in taking the entire world market to be a society with exclusively capitalist production, Sismondi formulates his problem with exactly the same presuppositions that are a feature of Marx's later treatment. These presuppositions are also shared by Ricardo, as Sismondi explains:

> From the question that troubled us, we had each of us dismissed the instance of a nation that sold more abroad than it needed to buy there, that could command a growing external market for its growing internal production. In any case, it is not for us to decide whether fortunes of war or politics could perhaps bring forth new consumers for a nation—*what is needed is proof that a nation can create these for itself simply by increasing its production*.[144]

Here Sismondi astutely formulates the problem of the realization of surplus value in exactly the way that it still continues to confront economic theory to this day. Ricardo, on the other hand, follows Say's lead in asserting that production creates its own market, as previously noted; this will be observed again in due course.

The thesis that Ricardo formulates in the controversy with Sismondi goes as follows:

> Supposing that 100 workers produce 1,000 sacks of corn, and 100 weavers 1,000 yards woollen fabric. Let us disregard all other products useful to man and all intermediaries between them, and consider them alone in the world. They exchange their 1,000 yards against the 1,000 sacks. Supposing that the productive power of labor has increased by a tenth owing to a successive progress of industry, the same people will exchange 1,100 yards against 1,100 sacks, and each will be better clothed and fed; new progress will make them exchange 1,200 yards for 1,200 sacks, and so on. The increase in products always only increases the enjoyment of those who produce.[145]

It is deeply embarrassing to have to point out that the great Ricardo's deductions in this instance are inferior to those of the "Scottish arch-humbug" McCulloch, if such a thing were possible. Once again the reader is invited to behold a harmonious and graceful country dance between sacks and yards, in which the very thing that is to be demonstrated—their proportionality—is simply presupposed. Worse still, all of the presuppositions that had previously been established in relation to the problem are now simply jettisoned. The problem or object of the controversy—to repeat it once more—consisted in the following question: Who are the consumers and purchasers of the surplus product that is generated when capitalists produce commodities beyond those which are for the consumption of their workers and for their own personal consumption—i.e. when capitalists capitalize a part of surplus value and use it for the extension of production and the expansion of capital? Ricardo responds without a single word on the expansion of capital. The picture he paints in the various stages of production is merely the incremental increase in the productivity of labor. According to his assumption, the same number of workers produces first 1,000 sacks and 1,000 yards of textiles, then 1,100 sacks and 1,100 yards, further 1,200 sacks and 1,200 yards, and so on in graceful progression. Quite apart from the tedious presentation, with both sides marching in step, military style, and even the numbers of objects to be exchanged precisely matching each other, there is no mention at all of the expansion of capital. The object being considered here is not expanded reproduction, but simple reproduction, in which it is merely the mass of use-values that grows, rather than the value of the total social product. Since it is not the quantity of use-values that matters in exchange, but ultimately their value-magnitude, which remains constant in Ricardo's example, he effectively does not move an inch, even though he gives the impression of analyzing the progressive expansion of production. Ultimately, the categories of reproduction being considered here do not exist at all in Ricardo. McCulloch initially has his capitalists produce without surplus value and live on air alone, but he at least acknowledges the existence of workers and makes allowances for their consumption. Ricardo does not even mention workers, and the distinction between variable capital and surplus value does not exist at all for him. In comparison, it is less astonishing that Ricardo completely disregards constant capital (as do his pupils): Ricardo aims to solve the problem of the realization of surplus value and the expansion of capital without presupposing anything other than that there is a certain quantity of commodities that are exchanged against one another.

Although Sismondi did not notice that the whole terrain of battle had shifted, he made a sincere attempt to bring the fantasies of his famous guest and opponent back down to earth and to analyze them in terms of their latent contradictions, all the while complaining that their presuppositions "abstract from time and space, just as German metaphysicians are wont to do."[146] He grafts Ricardo's hypothesis on to "society in its real organization, with unpropertied workers whose wage is fixed by competition and who can be dismissed the moment their master has no further need of their work … for"—remarks Sismondi so aptly, and yet with such modesty—"it is just this social organization to which our objection refers."[147]

Sismondi then exposes the various difficulties and conflicts that are associated with increases in the productivity of labor under capitalist conditions. He demonstrates that the technical changes in the labor process that Ricardo assumes must entail the following alternative from the standpoint of society as a whole: either—a true reflection of contemporary society—the growth in productivity results in job losses for a corresponding proportion of workers, with an ensuing excess in products on the one hand and unemployment and misery on the other; or the excess product is used to sustain workers in a new branch of production, namely luxury production.

Having reached this point, Sismondi now soars up to a decisive position of superiority over Ricardo. He is suddenly reminded of the existence of constant capital, and he is now the one to subject the British classical economist to meticulous criticism:

For setting up a new industry for manufacturing luxuries, new capital is also needed; machines will have to be built, raw materials procured, and distant commerce brought into activity; for the wealthy are rarely content with enjoying what is immediately in front of them. Where, then, could we find this new capital that may perhaps be much more considerable than that required by agriculture? … Our luxury workers are still a long way from eating our laborers' grain, from wearing the clothes from our common factories; they are not yet made into workers, they may not even have been born yet, their trade does not exist, the materials on which they are to work have not arrived from India. All those among whom the former should distribute their bread, wait for it in vain.[148]

Sismondi proceeds to consider constant capital not merely in luxury production, but also in agriculture, and further criticizes Ricardo as follows:

We must abstract from time, if we make the assumption that the cultivator, whom a mechanical discovery or an invention of rural industry enables to treble the productive power of his workers, will also find sufficient capital to treble his exploitation, his agricultural implements, his equipment, his livestock, his granaries: to treble the circulating capital that must serve him while waiting for his harvest.[149]

Here Sismondi breaks with the myth of the classical school that when capital expands, the entire additional capital is spent entirely on wages, i.e. on variable capital, and thus clearly distances himself from the Ricardian theory—although, incidentally, this did not prevent him from allowing all the errors on which that theory is based to pass without revision into the second edition of his *Nouveaux Principes* three years later. Sismondi thus emphasizes two decisive points against Ricardo's facile doctrine of harmony: on the one hand, he points out the objective difficulties of the process of expanded reproduction, which in no way proceeds as beautifully smoothly in capitalist reality as in Ricardo's absurd hypothesis, and on the other, he notes that each technical advance in the productivity of social labor is always imposed at the cost of the working class, and is obtained at the price of the latter's suffering.

Sismondi also demonstrates his superiority over Ricardo in relation to a third important point: in contrast to the latter's crudely blinkered vision, in which no other forms of society exist apart from the bourgeois economy, Sismondi represents the broad historical horizon of a dialectical approach. He declares,

Our eyes are so accustomed to this new organization of society, this universal competition, degenerating into hostility between the rich and the working class, that we no longer conceive of any mode of existence other than that whose ruins surround us on all sides. They believe to prove me absurd by confronting me with the vices of preceding systems. Indeed, as regards the organization of the lower classes, two or three systems have succeeded one another; yet, since

> they are not to be regretted, since, after first doing some good, they then imposed terrible disasters on mankind, may we conclude from this that we have now entered the true one? May we conclude that we shall not discover the besetting vice of the system of wage labor as we have discovered that of slavery, of vassalage, and of the guilds? A time will come, no doubt, when our descendants will condemn us as barbarians because we have left the working classes without security, just as we already condemn, as they also will, as barbarian the nations who have reduced those same classes to slavery.[150]

Sismondi gives evidence of his deep insights into historical relations with this judgment, in which he distinguishes the role of the proletariat in modern society from that of the proletariat in Roman society with epigrammatic acuity. No less profound is the way in which he analyzes the economic peculiarities of the slave system and the feudal economy as well as their relative historical significance in his polemic against Ricardo, or, finally, the way in which he establishes that the predominant general tendency of the bourgeois economy is "that it severs completely all kind of property from every kind of labor."

As will be seen below, Sismondi's second encounter with the classical school did no more to enhance the reputation of his opponents than the first.[151]

Chapter 13. Say vs. Sismondi

Sismondi's essay against Ricardo in the *Revue Encyclopédique* of May 1824 finally enticed into the ring the then "*prince de la science économique*," the supposed representative, heir, and popularizer of the Smithian school on the European continent, J. B. Say. In July of that year, Say responded to Sismondi in an essay with the title "The Balance Between Consumption and Production" in the *Revue Encyclopédique*, having already polemicized against Sismondi's position in his correspondence with Malthus. Sismondi in turn published a short rejoinder to Say. The sequence of Sismondi's polemical duels was thus actually the inverse of the sequence of theoretical legacies, for it was Say who first transmitted the doctrine of a God-given equilibrium between production and consumption to Ricardo, who in turn handed it down to McCulloch. In fact, Say had already established the following lapidary proposition in his *Traité d'Économie Politique*, Volume 1, Chapter 12, "Of the Demand or Market for Products," in 1803: "Products are paid for with other products. It follows that if a nation has too many goods of one kind, the means of selling them would be to create goods of a different kind."[152] This represents the best-known formulation of the mystification that was accepted by Ricardo's school and by vulgar economics as the cornerstone of the doctrine of harmony.[153] Sismondi's major work was essentially a sustained polemic against this thesis. At this point, Say turns the tables on his opponent with the following perplexing *volte-face* in the *Revue Encyclopédique*:

> Objection may be made that, because of man's intelligence, because of the advantage he can draw from the means provided by nature and artifice, every human society can produce all the things fit to satisfy its needs and increase its enjoyment in far larger quantities than it can itself consume. But there I would ask how it is possible that we know of no nation that is supplied with everything. Even in what rank as prospering nations seven-eighths of the population are lacking in a multitude of things considered necessities in … I will not say a wealthy family, but in a modest establishment. The village I live in at present lies in one of the richest parts of France; yet in nineteen out of twenty houses I enter here, I see but the coarsest fare and nothing that makes for the well-being of the people, none of the things the English call comforts.[154]

One can only admire the temerity of the distinguished Say. It was he who had maintained that there could be no difficulties, no surplus, no crises, and no poverty, since each commodity pays for one another, and all that is needed is to continue producing in ever-greater quantities for all problems to melt away. In Say's hands, this thesis became a dogma of the vulgar economic doctrine of harmony. Sismondi had sharply criticized this thesis and demonstrated that it was untenable; he had pointed out that it is not true that commodities can be sold in any given quantity, since the total social revenue at any given time ($v + s$) constitutes an outer limit to the quantity of commodities that can be realized. However, given the fact that workers' wages are driven down to the minimum level necessary for bare existence, and that the capacity of the capitalist class to consume also has its natural limits, the extension of production must lead to market stagnation, crises, and an even greater impoverishment of the masses of the people. Say now responds to this with a virtuoso performance of disingenuousness: you insist that overproduction is possible, but then how is it possible that there are so many people who are destitute, naked, and hungry in our society? Please explain this paradox for me.[155] In this way, Say, whose main sleight of hand in his own position is to abstract from the circulation of money, thus assuming the immediate exchange of commodities, now imputes a position to his opponent wherein the latter considers an excess of products not in relation to the means of purchase of society, but in relation to its real needs! Sismondi had in actual fact left no doubt as to this question of cardinal importance to his deductions, as the following explicit statement in Volume 2, Chapter 6 of his *Nouveaux Principes* shows: "Even if there is a very great number of badly fed, badly clothed, and badly housed people in a society, the society can only sell what it buys, and, as we have seen, it can only buy with its income."[156]

A little further on, Say concedes this point, but simultaneously imputes a new error to his adversary: "It is not consumers, then," he says, "in which the nation is lacking, but purchasing power." Sismondi believes that this will be more extensive, when the products are rare, when consequently they are dearer and their production procures ampler pay for the workers.[157]

Here Say attempts to flatten out Sismondi's theory, which attacks the very foundations of capitalist organization, its anarchy in production and its entire mode of distribution, into his own vulgar conception, his own babbling method: he travesties Sismondi's *Nouveaux Principes*, representing this work as a plea for the “scarcity” of commodities and for high prices. He then counters this with a paean to the forward march of capitalist accumulation, declares that as production becomes more vigorous, the workforce grows and the scale of production increases, “the nations will be better and more universally provided for,” and eulogizes the conditions of the industrially developed countries in contrast with the poverty of the Middle Ages. Say views Sismondi’s maxims, on the other hand, as highly noxious for bourgeois society:

> Why does he call for an inquiry into the laws that might oblige the entrepreneur to guarantee a living for the worker he employs? Such an inquiry would paralyze the spirit of enterprise. Merely the fear that the authorities might interfere with private contracts is a scourge and harmful to the wealth of a nation.[158]

In the face of Say’s generic, blathering apologias, Sismondi once again brings the debate back to the basic issue:

> Surely I have never denied that since the time of Louis XIV, France has been able to double her population and to quadruple her consumption, as he contends. I have only claimed that the increase of products is a good if it is desired, paid for, and consumed; that, on the other hand, it is an evil if, there being no demand, the only hope of the producer is to entice the consumers of a rival industry’s products. I have tried to show that the natural course of the nations is progressive increase of their property, an increase consequent upon their demand for new products and their means to pay for them, but that in consequence of our institutions, of our legislation having robbed the working class of all property and every security, they have also been spurred to a disorderly labor quite out of touch with the demand and with purchasing power, which accordingly only aggravates poverty.[159]

Hereupon Sismondi concludes the debate by inviting the complacent harmonist to consider the situation “presented by the rich nations, in which both public poverty and material wealth are constantly growing at the same time, and in which the class that produces everything is daily displaced into the state where it cannot consume anything.” On this shrill, discordant note, the first round of exchanges on the problem of accumulation is brought to an end.

Surveying the course and the results of this first controversy, two points can be established:

1) Despite all the confusion in Sismondi’s analysis, his superiority over Ricardo’s school as well as over the self-styled doyen of the Smithian school is readily apparent: Sismondi considers things from the standpoint of reproduction, he makes a sincere effort to grasp value concepts (capital and revenue) and material moments (means of production and means of

consumption) in their interrelation within the total social process. In this he is closest to Smith, with the difference that Sismondi consciously emphasizes the contradictions in the total process as the keynote of his analysis and formulates the problem of accumulation as the nodal point and the main difficulty to be addressed; in the case of Smith, these contradictions appear as subjective ones of his own theory. In this regard, Sismondi represents an undoubted advance over Smith. Ricardo and his epigones, on the other hand, remain stuck in the categories of simple commodity circulation in the whole debate—for them, only the formula C—M—C (Commodity—Money—Commodity) exists, which they further erroneously reduce to the direct exchange of commodities and claim to have exhausted all problems relating to the reproduction and accumulation processes with such meager insights. This represents a regression behind Smith, and Sismondi gains a decisive advantage in comparison with such blinkered viewpoints. It is precisely in his capacity as a social critic that Sismondi displays a far greater sense for the categories of the bourgeois economy than its sworn apologists, in the same way that the socialist Marx subsequently demonstrates an infinitely more acute understanding for the *differentia specifica* of the capitalist economic mechanism, right down to individual details, than all the bourgeois economists put together. When Sismondi rails against Ricardo—"What, is wealth to be all, and man a mere nothing?"[160]—this is not merely an expression of the "ethical" weakness of his petty-bourgeois conception in comparison with Ricardo's rigorous, classical objectivity. It is also indicative of Sismondi's critical insight into the living social interconnections of the economy, and thus into its contradictions and difficulties—an insight that is sharpened by his sensibility for the social, and that stands opposed to the rigid narrow-mindedness of the abstract conception of Ricardo and his school. The controversy merely serves to underline the fact that neither Ricardo nor Smith's epigones are able to grasp the problem of accumulation posed for them by Sismondi, let alone to solve it.

2) The solution of the problem was also made impossible by the fact that the whole debate had been sidetracked and was now focused on the problem of crises. The outbreak of the first crisis naturally dominated the debate, but equally naturally it prevented any insight on either side into the fact that crises in no way constitute *the* problem of accumulation, but are merely its specific, external form—i.e. that they merely represent a moment

in the cyclical figure of capitalist reproduction. As a result, the debate was doomed ultimately to extinguish itself in a twofold confusion: one side directly deduced from crises that accumulation was impossible, while the other made the direct derivation from the exchange of commodities that crises were impossible. The absurdity of both deductions would be demonstrated by the further course of capitalist development.

Nonetheless, Sismondi's critique retains its deep historical significance as the first theory to sound the alarm against the domination of capital: this alarm heralded the dissolution of classical economics, which was unable to overcome the problems that it itself had elicited. When Sismondi issues a distress call against the consequences of capitalist domination, he is certainly no reactionary rhapsodizing over precapitalist relations, even if he occasionally compares patriarchal forms of production in agriculture and industry favorably to the domination of capital in terms of their respective capacities to produce happiness. He strongly objects to attempts to portray him as such, e.g. in his polemic against Ricardo in the *Revue Encyclopédique*:

> I can already hear the outcry that I jib at improvements in agriculture and craftsmanship and at every progress man could make; that I doubtless prefer a state of barbarism to a state of civilization, since the plough is a tool, the spade an even older one, and that, according to my system, man ought no doubt to work the soil with his bare hands. I never said anything of the kind, and I crave indulgence to protest once for all against all conclusions imputed to my system such as I myself have never drawn. Neither those who attack me nor those who defend me have really understood me, and more than once I have been put to shame by my allies as much as by my opponents … I beg you to realize that it is not the machine, new discoveries and inventions, not civilization to which I object, but the modern organization of society, an organization that despoils the man who works of all property other than his arms, and denies him the least security in a reckless overbidding that makes for his harm and to which he is bound to fall prey.[161]

The interests of the proletariat undeniably form the starting point of Sismondi's critique, and he is completely correct in formulating his own basic inclination as follows: "I am only working for means to secure the fruits of labor to those who do the work, to make the machine benefit the man who puts it in motion."[162]

Admittedly, when it comes to specifying in more detail the social organization that he is striving for, he backtracks and admits that he is unable to do so:

> But what remains to be done is of infinite difficulty, and I certainly do not intend to deal with it today. I should like to convince the economists as completely as I am convinced myself that their

> science is going off on a wrong tack. But I cannot trust myself to be able to show them the true course; it is a supreme effort—the most my mind will run to—to form a conception even of the actual organization of society. Yet who would have the power to conceive of an organization that does not even exist so far, to see the future, since we are already hard put to it to see the present? [163]

It is certainly not to his shame that Sismondi openly acknowledged his inability to see into the future beyond capitalism at a time when the dominance of large-scale industrial capital had only just emerged historically, and when the idea of socialism was only possible in a utopian form. However, since Sismondi could neither move forward to a time beyond capitalism nor go back to a precapitalist past, the only option available to him for his critique was the petty-bourgeois middle path. Sismondi's skepticism in relation to the possibility of a full development of capitalism, and thus of the productive forces led him to call for accumulation to be curbed and for a slowing of the pace of capital's forward march in the expansion of its domination. Herein lies the reactionary side of his critique.[164]

Chapter 14. Malthus

At the same time as Sismondi, [Thomas] Malthus also waged a partial war against the Ricardian school. Sismondi repeatedly cites Malthus as his chief witness in the second edition of his work and in his polemics. He formulates the commonalities between their respective campaigns as follows in the *Revue Encyclopédique*:

> Mr. Malthus, on the other hand, has maintained in England, as I have tried to do on the continent, that consumption is not the necessary consequence of production, that the needs and desires of man, though they are truly without limits, are only satisfied by consumption insofar as means of exchange go with them. We have affirmed that it is not enough to create these means of exchange, to make them circulate among those who have these desires and wants; that it can even happen frequently that the means of exchange increase in society together with a decrease in the demand for labor, or wages, so that the desires and wants of one part of the population cannot be satisfied and consumption also decreases. Finally, we have claimed that the unmistakable sign of prosperity in a society is not an increasing production of wealth, but an increasing demand for labor, or the offer of more and more wages in compensation for this labor. Messrs. Ricardo and Say, though not denying that an increasing demand for labor is a symptom of prosperity, maintained that it inevitably results from an increase of production. As for Mr. Malthus and myself, we regard these two increases as resulting from independent causes that may at times even be in opposition. According to our view, if the demand for labor has not preceeded and determined production, the market will be flooded, and then new production becomes a cause of ruin, not of enjoyment.[165]

These statements give the impression that there was a far-reaching agreement, or brotherhood of arms, between Sismondi and Malthus, at least in their opposition to Ricardo and his school. Marx considered Malthus's *Principles of Political Economy*, published in 1820, a direct plagiarism of Sismondi's *Nouveaux Principes*, which had appeared one year earlier. In relation to the question that is of interest here, however, there is an outright opposition between the two of them in a number of ways.

Sismondi is a critic of capitalist production, and launches powerful attacks on it: he is its accuser. Malthus is an apologist for it. However, his apologies on behalf of capitalist production do not consist in the denial of its contradictions, like McCulloch or Say; on the contrary, he raises these contradictions to the status of a brute natural law and absolutely sanctifies them. Sismondi's guiding principle is the interests of the workers, and the goal that he strives for, albeit in a general and vague way, is the comprehensive reform of distribution for the benefit of proletarians. By contrast, Malthus is the ideologue of the interests of that layer of parasites on capitalist production that feed on ground rent and state revenues, and the goal that he advocates is the allocation of as large a portion of surplus value as is possible to these "unproductive workers." Sismondi's general standpoint is predominantly an ethical one oriented to social reform: he "surpasses" the classical economists by stressing, in opposition to them, that "consumption is the only end of accumulation," and he makes a plea for accumulation to be curbed. Malthus, on the other hand, bluntly asserts that accumulation is the only goal of production and advocates unrestrained accumulation on the part of the capitalists, which he proposes to augment and guarantee through the unrestrained consumption of the parasites on this accumulation. Finally, Sismondi's critical starting point was the analysis of the process of reproduction, or the relationship between capital and revenue at the level of society as a whole. Malthus opposes Ricardo on the basis of an absurd theory of value, from which he derives a vulgar theory of surplus value that attempts to explain capitalist profit from the price premium over and above the value of commodities.[166]

Malthus extensively criticizes the thesis that supply and demand are identical in the chapter devoted to James Mill in his *Definitions in Political Economy*, published in 1827.[167] In his *Elements of Political Economy*, Mill states the following:

> What is it that is necessarily meant, when we say that the supply and the demand are accommodated to one another? It is this: that goods that have been produced by a certain quantity of labor, exchange for goods that have been produced by an equal quantity of labor. Let this proposition be duly attended to, and all the rest is clear. Thus, if a pair of shoes is produced with an equal quantity of labor as a hat, so long as a hat exchanges for a pair of shoes, so long the supply and demand are accommodated to one another. If it should so happen, that shoes fell in value, as compared with hats, which is the same thing as hats rising in value compared with shoes, this would simply imply that more shoes had been brought to market, as compared with hats. Shoes would then be in more than the due abundance. Why? Because in them the produce of a certain quantity of labor would not exchange for the produce of an equal quantity. But for the very same reason hats would be in less than the due abundance, because the produce of a certain quantity of labor in them would exchange for the produce of more than an equal quantity in shoes.[168]

Malthus marshals two kinds of argument against such vapid tautologies. First, he points out to Mill that the latter's construction lacks foundations. While the exchange ratio between hats and shoes might indeed remain unaltered, there may nonetheless be too great a quantity of *both* in relation to demand. This would manifest itself in both being sold at prices below the costs of production (including a corresponding profit). He asks,

> But can it be said on this account that the supply of hats is suited to the demand for hats, or the supply of shoes suited to the demand for shoes, when they are both so abundant that neither of them will exchange for what will fulfill the conditions of their continued supply?[169]

Malthus thus confronts Mill with the possibility of general overproduction: "when they are compared with the costs of production … it is evident that … they may all fall or rise at the same time."[170]

Second, Malthus objects to the habit, shared by Mill, Ricardo, and their epigones, of basing their theses on a model of barter—i.e. the direct exchange of products:

> The hop planter who takes a hundred bags of hops to Weyhill fair, thinks little more about the supply of hats and shoes than he does about the spots in the sun. What does he think about, then? And what does he want to exchange his hops for? Mr. Mill seems to be of opinion that it would show great ignorance of political economy, to say that what he wants is money; yet, notwithstanding the probable imputation of this great ignorance, I have no hesitation in distinctly asserting, that it really is money that he wants.[171]

He needs money for the rent that he must pay to the landlord, for the wages that he must pay to his workers, and for the purchases of raw materials and tools that he requires in order to continue planting. Malthus insists on this point at great length; he finds it "remarkable"[172] that reputable economists should prefer to resort to the most outlandish and far-fetched examples rather than assume exchange mediated by money.[*]

For the rest, Malthus is content to outline the mechanism whereby excessive supply itself causes a restriction in production through depressing prices below production costs, and vice versa.

"But this tendency, in the natural course of things, to cure a glut or a scarcity, is no … proof that such evils have never existed."[173]

It is clear that Malthus follows exactly the same track as Ricardo, Mill, Say, and McCulloch, despite the fact that he takes an opposite standpoint to them in the question of crises: for him, too, everything can be reduced to the exchange of commodities. The social process of reproduction with its broad categories and interrelations, which so exercised Sismondi, are not considered here in the slightest.

* This paragraph and its corresponding footnote were left out of Schwarzschild's translation of *The Accumulation of Capital*.

What the critiques of Sismondi and Malthus have in common, despite the many ways in which their fundamental conceptions are opposed, can be stated simply as follows:

1) Both of them reject the thesis of a preestablished equilibrium between consumption and production.

2) Both assert the possibility not only of partial crises, but of general ones, too.

This is the only common ground between them, however. Whereas Sismondi seeks the cause of crises in the low level of wages and in capitalists' restricted capacity for consumption, Malthus conversely transforms low wages into a natural law of population growth, while finding a replacement for the restricted consumption of the capitalists in the consumption by parasites on surplus value such as the landed gentry and the clergy, whose capacity to absorb wealth and luxury knows no confines: the Church with a capacious maw is blest.*

Both Malthus and Sismondi seek a category of consumers that are to buy without selling for the salvation of capitalist accumulation and to rescue it from its dilemma. Sismondi does so, however, in order to locate a market for the surplus in the social product beyond the consumption of workers and capitalists—i.e. for the capitalized part of surplus value; in Malthus' case, this category of consumers is required for any profit to be made at all. Of course it remains a mystery to all but Malthus himself how the *rentiers* and the stipendiaries of the state, who must themselves receive their means of purchase primarily from the pockets of the capitalists, are to help the latter secure a profit by buying commodities from them at a premium. On account of such profound discrepancies, the brotherhood of arms between Malthus and Sismondi was of a rather superficial nature. Furthermore, if Malthus made a travesty of Sismondi's *Nouveaux Principes*, as Marx says, then it is also true that Sismondi lends Malthus's criticisms of Ricardo a distinctly Sismondian tenor insofar as he merely highlights what they have in common, and cites Malthus as a key witness. On the other hand, admittedly, Sismondi occasionally succumbs to Malthus's influence, as for instance when he partly adopts the latter's theory of profligate state expenditure[†] as an emergency measure for accumulation, thereby directly running counter to his own point of departure.

Altogether, Malthus neither made an original contribution to the problem of reproduction, nor did he demonstrate a proper grasp of it; in his controversy with the Ricardians, he primarily revolves around the concepts of simple commodity circulation, as the latter do in their debate with Sismondi. At issue in the dispute between Malthus and Ricardo's school was unproductive consumption by parasites on surplus value—this was an altercation about the distribution of surplus value, rather than a quarrel about the social foundations of capitalist reproduction. Malthus's edifice collapses as soon as the absurd gaffe in his theory of profit is revealed. Sismondi's critique remains valid and his problem unsolved even if Ricardo's theory of value is accepted along with all its consequences.

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* The phrase is from Malthus, signifying that a well-funded church is needed to provide the effective demand required to prevent crises of overproduction.

† In contemporary jargon this might be referred to as "fiscal stimulus" or "deficit spending."

Second Round—
The Controversy Between Rodbertus and von Kirchmann

Chapter 15. Von Kirchmann's Theory of Reproduction

The second theoretical polemic around the problem of accumulation was also prompted by contemporary events. If Sismondi was spurred on to oppose the classical school by the first British crisis and the suffering this caused in the working class, it was the subsequent emergence of the revolutionary workers' movement that provided the impulse for [Johann Karl] Rodbertus's critique of capitalist production almost twenty-five years later. The uprisings of the Lyon silk weavers[*] and the Chartist movement in the U.K.[†] bellowed their critiques of the best of all possible forms of society into the ears of the bourgeoisie, proving that they were a different proposition altogether from the amorphous specters that the first crisis had summoned. The earliest socioeconomic writing of Rodbertus, which probably dates from the end of the 1830s and was written for the *Augsburger Allgemeine Zeitung*, although it was not accepted by this newspaper, bears the suggestive title "The Demands of the Working Classes,"[174] and begins with the following: "What do the working classes want? Will the others be able to withhold it from them? Will what they want be the grave of modern civilization? Intellectuals have long realized that a time must come when history would put this question with great urgency. Now, the everyday world has discovered it, too, through the Chartist meetings and the Birmingham scenes."[‡] In France, soon afterwards in the 1840s, the ferment of revolutionary ideas led to the formation of the most varied secret societies and socialist schools—the Proudhonists, the Blanquists, the followers of [Étienne] Cabet, those of Louis Blanc, etc.[§]—and caused an epoch-making explosion of the contradictions latent within the womb of capitalist society. This explosion—the first general confrontation between the two worlds of capitalist society—took the form of the February revolution, the proclamation of the "right to work," and the June days uprising.[*] As far as the other visible form of these contradictions—i.e. crises—is concerned, the data available at the time of the second controversy were incomparably more abundant than those of the early 1820s. The debate between Rodbertus and [Julius] von Kirchmann took place under the immediate impact of the crises of 1837, 1839, 1847, and the first world crisis of 1857[†] (Rodbertus wrote his interesting pamphlet, *On Commercial Crises and the Mortgage Problem of the Landowners*,[175] in

1858). The internal contradictions of the capitalist economy thus enacted a piercing critique of the harmony doctrine of the British classical economists and their vulgarizers in the U.K. and on the continent before Rodbertus's very eyes, in stark contrast with the conditions in which Sismondi first raised his voice.

* The workers of the silk weaving industry and the artisans of Lyon had taken part in the first independent political uprisings against the bourgeoisie in 1831 and 1834. The emergent competition in the industry and the intensified exploitation by capitalist publishers and manufacturers led to a strike in the autumn of 1831 and to the uprising of the Lyon silk weavers, which was put down by government troops two weeks later. The second uprising of April 9 to 12, 1834, was likewise suppressed by the army.

† The Chartist movement in the U.K., an early form of the workers' movement, was based on the first political workers' organizations that arose in order to agitate for constitutional proposals. It represented one of the most mass-based and influential working class movements in British history. For a recent study, see David Black and Chris Ford, *1839: The Chartist Insurrection* (London: Unkant, 2012).

‡ On July 15, 1839, a popular uprising began in Birmingham after the House of Commons had rejected the first petition for the six-point People's Charter with 1,250,000 signatures. The uprising was put down by the army and police on July 17, 1839. A wave of ferocious persecution of the Chartists ensued.

§ The Proudhonists were supporters of the anarchist current and doctrine named after Pierre-Joseph Proudhon (1809–65), which sought to establish a society of independent commodity producers by reformist means. The Blanquists were followers of the revolutionary Louis-Auguste Blanqui (1805–81), who proposed the idea of a violent seizure of power through a conspiratorial organization and sought to establish a revolutionary dictatorship.

Incidentally, a quotation from Sismondi in Rodbertus's first text indicates that the latter's critique was directly influenced by that of the former. Rodbertus was probably familiar with the contemporary French literature opposing the classical school, but perhaps less so with the much more abundant British one; as is well known, it is this circumstance that provides the flimsy basis for the legend that is recounted in German professorial circles, according to which Rodbertus preceded Marx in the "foundation of socialism." Accordingly, Professor [Karl] Diehl writes in his entry on Rodbertus in the *Handwörterbuch der Staatswissenschaften*:

> Rodbertus must be considered the real founder of scientific socialism in Germany, since in his writings between 1839 and 1842, even before Marx and Lassalle, he provided a comprehensive socialist system, a critique of Adam Smith's doctrine, a new theoretical foundation, and proposals for social reform.[‡]

* During the 1848 revolution, the workers of Paris rose up against the dissolution of the National Workshops between June 23 and 26. The working class, which was isolated from its potential allies in the middle class and peasantry, was defeated by the army and the *Garde Mobile*.

† The crisis of 1837 was largely caused by a glut of overproduction. It especially impacted England and the U.S., causing production to sharply decline in heavy industry. The crisis of 1839 was a monetary crisis, triggered when the Bank of the U.S. underwent liquidation in 1839 as a result of the failure of its speculation with the monopoly in the cotton trade in Pennsylvania. In 1847, a general trade and industrial crisis broke out in Europe, exacerbated by a series of crop failures. Its epicenter was England and the large commercial exchanges associated with it. The first world economic crisis, which occurred from 1857 to 1859, spread from the U.S. to Europe and gripped the stock markets and the commodity-, money-, and credit-markets. It compelled the capitalists to move toward greater intensification in their methods of production and exploitation.

‡ See Karl Diehl, "Rodbertus," in *Handwörterbuch der Staatswissenschaften*, edited by Johannes Conrad, Ludwig Elster, Wilhelm Lexis, and Edgar Loening, Vol. 6, second edition (Jena: Verlag von Gustav Fischer, 1901), p. 451.

This example of pious, God-fearing righteousness figures in the second edition, published in 1901—after (and despite) everything that Engels, [Karl] Kautsky, and [Franz] Mehring had written to explode the myth propagated by the German professors. Indeed, not even the most convincing proof could cause these learned German economists to waver—for them it was self-evident that Rodbertus, the "socialist" with monarchist, nationalist, and Prussian leanings, who stood for communism 500 years from now, while advocating a steady exploitation rate of 200 percent for the present, deserved to be feted as the first founding father of socialism instead of that international subversive, Marx. It is another aspect of Rodbertus's analysis that is of interest here, however. The very same Diehl continues his panegyric as follows:

> Rodbertus was not only a pioneer of socialism; political economy as a whole owes much stimulation and advancement to him; economic theory in particular is indebted to him for the critique of the classical economists, for the new theory of the distribution of income, for the distinction between the logical and historical categories of capital, and so on.[176]

Here the focus will be on these latter achievements of Rodbertus, in particular with those coming under the category "and so on."

The controversy between Rodbertus and von Kirchmann was sparked by the former's seminal treatise, *Toward the Understanding of Our Politico-Economic Conditions*,[177] published in 1842. Von Kirchmann responded with two articles in *Demokratische Blätter*: *On the Social Aspects of Ground Rent* and *The Exchange Society*;[178] Rodbertus wrote a further rejoinder in 1850 and 1851 with his *Letters on Social Problems*.[179] This discussion thus took place on the same theoretical terrain on which the polemic had been fought out thirty years previously between Malthus and Sismondi on the one hand and Say, Ricardo, and McCulloch on the other. In his first text, Rodbertus had already expressed the thought that, in contemporary society, the rising productivity of labor has the effect that wages represent an ever-decreasing proportion of the national product; he "claimed" this insight as his own, and from that time until his death some thirty years later he did nothing but reiterate and reformulate it in various ways. Rodbertus perceived this declining wage share as the common root of all evils in the contemporary economy, especially those of poverty and crises, which he describes as "*the* social question of our times."

Von Kirchmann does not agree with this explanation. He attributes poverty to the effects of rising ground rents, but explains crises in terms of a lack of markets. In relation to the latter point especially, he argues that "the greatest part of social ills is caused not by defects of production but by a lack of markets for the products … the more a country can produce, the more means it has for satisfying every need, the more it is exposed to the danger of misery and want." There are implications for the question of workers here, for "the notorious right to work ultimately reduces to the question of markets." Von Kirchmann then concludes,

> It can be seen that the social problem is almost identical with the problem of markets. Even the ills of much-maligned competition will vanish, once markets are secure; its advantages alone will remain. A competitive rivalry to supply good and cheap commodities will persist, but the life-and-death struggle, which is caused only by insufficient markets, will disappear.[180]

The difference between the respective standpoints of Rodbertus and von Kirchmann is striking. Rodbertus perceives the root of the problem to lie in a flawed distribution of the national product, whereas von Kirchmann locates it in the market constraints upon capitalist production. For all the confusion in von Kirchmann's exposition, especially in his idyllic conception of capitalist competition reduced to a commendable rivalry in the race to produce the best and cheapest commodities, as well as in his reduction of the "notorious right to work" to the question of markets, he does in part show more of an understanding for the Achilles' heel of capitalist production—its market constraints—than does Rodbertus, who remains fixated on the question of distribution. Thus it is von Kirchmann who now takes up the problem that Sismondi had originally put on the agenda. Nonetheless, he in no way agrees with the way in which Sismondi elucidates and solves the problem, siding rather with the latter's opponents. Not only does von Kirchmann accept the Ricardian theory of ground rent, the Smithian doctrine that "the price of the commodity is composed of two parts only, of the interests on capital and the wages of labor" (von Kirchmann transforms surplus value into "interest on capital"); he also endorses the thesis of Say and Ricardo that products can only be bought with other products, and that production creates its own market, such that what appears to be overproduction on the one side is merely underproduction on the other. Von Kirchmann thus clearly follows in the footsteps of the classical economists, even if his is a somewhat "German edition of the classics"—with all manner of "ifs" and "buts." Accordingly, he begins with the argument that Say's law of the natural equilibrium between production and demand "fails to give a comprehensive picture of reality," and adds:

> Commerce involves yet further hidden laws that prevent the pure realization of these postulates. They must be discovered if we are to explain the present flooding of the market, and their discovery might perhaps also show us the way to avoid this great evil. We believe that there are three relations in the present system of society that cause these conflicts between Say's indubitable law and reality.

These relations consist in the following: (1) "too inequitable a distribution of the products" (here, as can be seen, von Kirchmann leans toward Sismondi's standpoint to a certain extent); (2) the difficulties presented by nature to human labor in the production of raw materials; and finally, (3) the imperfections of trade as a process mediating production and consumption. Without going further into the latter two "obstacles" to Say's law, von Kirchmann's line of argument can now be considered in relation to the first point:

"The first relation," he explains, "can be stated more briefly as too low wages of labor, which is thus the cause of market stagnation. Those who know that the price of commodities is composed of two parts only, of the interest on capital and the wage of labor, might consider this a remarkable proposition; if wages of labor are low, prices are low as well; and if wages are high, so are prices."

As can be seen, von Kirchmann accepts Smith's doctrine even in its most perverse formulation: price is not *resolved* into wage*s* + surplus value, but is *composed* of them as a simple sum—a formulation in which Smith strays furthest from his labor theory of value.

Von Kirchmann continues as follows:

> Wage and price thus are directly related, they balance each other. The U.K. only abolished its corn laws, its tariffs on meat and other means of subsistence, in order to cause wages to fall and thus to enable its manufacturers to oust all other competitors from the world markets by means of still cheaper commodities. This, however, only holds good up to a point and does not affect the ratio in which the product is distributed among the workers and the capitalists. Too inequitable a distribution among these two is the primary and most important cause why Say's law is not fulfilled in reality, why the markets are flooded although there is production in all branches.*

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* Luxemburg is quoting these lines of von Kirchmann as cited by Rodbertus in his *Soziale Briefe*.

Von Kirchmann gives a detailed example to illustrate this claim. Following the model of the classical school, he transports his readers to an imaginary, isolated society, which makes for an acquiescent, if ungrateful, object for experiments in political economy. They are to imagine a locality with exactly 903 inhabitants, comprising three entrepreneurs employing 300 workers each. The locality meets all the needs of its inhabitants through its own production, which takes place in three enterprises: the first supplies clothing, the second provides food, light, heating, and raw materials, and the third offers housing, furniture, and tools. In each of these three departments, the entrepreneur provides the "capital together with the raw materials." Likewise, in each of the three enterprises, workers are compensated in such a way that they receive half of the annual product as wages, the entrepreneurs receiving the other half "as interest on capital and profits of the enterprise." In all, the quantity of products supplied by each business is just sufficient to meet the needs of all 903 inhabitants. In this way, the locality has "all the conditions necessary for general well-being," such that its inhabitants can set about their work with renewed vigor each day.* However, after a few days, contentment and felicity give way to a universal wailing and gnashing of teeth, as something has occurred on von Kirchmann's Isle of the Blessed—something as unexpected as the sky falling in: a thoroughly modern industrial and commercial crisis has broken out! The 900 workers have only the barest essentials in clothing, food, and housing, whereas the warehouses of the three entrepreneurs are full of clothing and raw materials, and their houses stand empty; they complain that they cannot find a market for their wares, whereas the workers in turn bemoan the fact that their needs are not sufficiently satisfied. What is the cause of all this distress?[†] Is it, as Say and Ricardo assumed, that there are too many of some products and not enough of others? "Not at all!" answers von Kirchmann. Everything is available in the locality in well-proportioned quantities, just sufficient to meet all the needs of its inhabitants. What, then, has caused the obstruction, the crisis? The impediment, it is found, lies in distribution alone, and nowhere else—but this is worth savoring in von Kirchmann's own words:

> Nevertheless, the obstacle to smooth exchange lies solely and exclusively in the distribution of these products. They are not distributed equally among all, but the entrepreneurs retain half of them for themselves as interest and profit, and only give half to the workers. It is clear that the worker manufacturing clothing can exchange, against half of his product, only half of the food, lodging, etc., that has been produced, and it is clear that the entrepreneur cannot get rid of the other half since no worker has any more products to give in exchange. The entrepreneurs do not know what to do with their stocks, the workers do not know what to do for hunger and nakedness.

Nor, it might be added, does the reader know what to make of Herr von Kirchmann's constructions. His example is in fact so infantile that each of its riddles leads to the next.

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* "[F]risch und mutig an die Arbeit." Luxemburg makes an allusion here to Friedrich Schiller, *Die Räuber*: "Frisch also! Mutig ans Werk." "Up then! And to thy work manfully."

† In the original, "Woher *illae lacrimae*?"—Latin for "why the tears?" a phrase of Cicero's.

First of all, it is completely unclear on which basis and to which end von Kirchmann assumes this tripartite division of production. If, in the analogous examples given by Ricardo and McCulloch, the tenant farmers are usually counterposed to the manufacturers, this presumably merely corresponds to the antiquated conception of social reproduction held by the Physiocrats—a conception that Ricardo adopted, despite the fact that it had been rendered meaningless by his theory of value, which was opposed to the Physiocratic one, and despite the significant preliminary steps already taken by Smith toward a consideration of the real material foundations of the social process of reproduction. In any event, it has been seen that the Physiocratic distinction between agriculture and industry as foundations for reproduction was traditionally retained in economic theory until Marx introduced his epoch-making distinction between the two departments of social production: the production of means of production, and the production of means of consumption. In contrast, von Kirchmann's three departments make no sense whatever. Here, tools are lumped together with furniture, raw materials with food, while clothing forms a department of its own: this is a division dictated not so much by any material standpoint of reproduction as by pure caprice. The assumption might just as well be made that there is one department for food, clothing and construction, another for medicines, and a third for toothbrushes. Von Kirchmann's intention was evidently to give a mere indication of the social division of labor and to presuppose the exchange of several types of products in similar quantities as far as possible. However, the very exchange around which the whole proof revolves plays no role at all in von Kirchmann's example, since it is not value that is distributed, but quantities of products, masses of use-values as such. Moreover, in this fascinating place imagined by von Kirchmann, products are first distributed, and then, once this distribution has been carried out, general exchange occurs. By contrast, on the terra firma of capitalist production, it is exchange that sets in motion and mediates the distribution of the product, as is common knowledge. Thus the most peculiar things occur in von Kirchmann's distribution: although the price of products, and thus that of the total social product, consists—"as we all know"—only of "wages and interest on capital," i.e. only of $v + s$, and the total product is accordingly distributed without remainder among the workers and entrepreneurs, the hapless von Kirchmann has a faint recollection of the fact that for any production to take place, things such as tools and raw materials might be needed. Thus he smuggles raw materials into his imaginary "locality" among the food, and tools among the furniture; this now prompts the following question, however: to whom are these indigestible things allocated in the general distribution? To the workers as wages, or to the capitalists as profit of enterprise? It is not as if either party would receive them gratefully. Moreover, these are the preconditions for the highlight of the whole performance: the exchange between workers and entrepreneurs. The act of exchange that is fundamental for capitalist production—that between wage-laborers and capitalists—is transformed by von Kirchmann from an exchange between living labor and capital into an exchange of products! For the latter, the whole mechanism does not revolve around the first act of exchange (i.e. that between labor-power and variable capital), but the second one (i.e. the realization of wages received from variable capital); conversely, he reduces the entire exchange of commodities of capitalist society to this realization of wages! Yet the best is yet to come: this exchange between workers and entrepreneurs, which has been made the focal point of economic life, proves on closer inspection to be no exchange at all—it does not even take place. For after all workers have received their wages in kind (or, to be more precise, after they have received half of their own product as wages), exchange can now only take place between the workers themselves: the first group exchanges its wages consisting only of pieces of clothing, the second its wages consisting only of food, and the third its wages consisting only of furniture, such that each group realizes its wages as one-third food, one-third clothing, and one-third furniture. The entrepreneurs do not figure in this exchange at all; the three of them are left sitting on their surplus value, which consists in half of all the clothing, food, and furniture produced by the society, and, between them, they have not got a clue what to do with all this junk. Moreover, not even the most generous distribution of the product would be of any help in the face of the woes that von Kirchmann has induced. On the contrary, the greater the share of the social product that was allocated to the workers, the less they would have to do with the entrepreneurs in exchange: all that would occur is that the reciprocal exchange among the workers themselves would increase in volume correspondingly. Such a redistribution would indeed have the effect of reducing the piles of surplus product encumbering the entrepreneurs by a corresponding amount—not because it would now be easier for them to exchange this surplus product, however, but by virtue of the fact that surplus value itself would decrease. There would still be no exchange of the surplus product to speak of between workers and entrepreneurs. If truth be told, the number of puerilities and economic absurdities that are concentrated here in such a relatively small space surpasses what might be expected even from a Prussian public prosecutor (and a distinguished one at that: von Kirchmann was twice reprimanded in disciplinary proceedings against him).* Nevertheless, after these inauspicious preliminaries, von Kirchmann proceeds directly to the matter in hand. He concedes that the fact that the surplus value cannot be employed follows from his own premises—namely from the concrete use-form of the surplus product. He now has the entrepreneurs produce luxury commodities, rather than "ordinary commodities" for the workers, with half of the quantity of social labor that the former have appropriated as surplus value. The "essence of luxury goods being that they enable the consumer to use up more capital and labor power than in the case of ordinary commodities," the three entrepreneurs manage by themselves to consume no less than half of the quantity of labor-performed in the society in laces, elegant carriages, and the like. Now nothing unsalable is left over, the crisis is happily averted, overproduction is rendered impossible once and for all, and capitalists and workers alike enjoy more secure conditions, all thanks to von Kirchmann's miraculous remedy, which brings all these benefits and reestablishes the equilibrium between production and consumption. In what does this miraculous remedy consist? Nothing other than luxury! In other words, the advice given by this fine fellow to the capitalists, who have no idea what to do with their surplus value, is that they should consume it themselves. Von Kirchmann then admits that luxury is no recent discovery of capitalist society, and that crises continue to erupt in spite of this fact. What is the reason for this? "The answer can only be"—von Kirchmann enlightens his readers—"that in real life, market stagnation is entirely due to the fact that there are still not enough luxuries, or, in other words, that the capitalists, i.e. those who can afford to consume, still consume too little."

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* In July 1844, the Prussian government issued a circular spelling out restrictions on the actions of the political opposition; as a result, von Kirchmann, a liberal member of the judiciary, was forcefully transferred from his post in Berlin to one in the provinces.

This inappropriate abstemiousness on the part of the capitalists derives from a vice that economists have misguidedly advocated—i.e. from the propensity of the former to save for purposes of "productive consumption." To put it another way: *crises are caused by accumulation*. This is von Kirchmann's main thesis. He demonstrates it once more by means of an example of touching simplicity; the reader is to assume a case "that the economists commend as being the most favorable," i.e. the case in which the entrepreneurs take the following stance:

> "We do not want to spend our revenues down to the last penny on fineries and luxury; we want to reinvest them productively." What does this mean? Nothing other than founding all kinds of new productive enterprises that will furnish new products, whose sale will permit interest [von Kirchmann means profit—*R. L.*] to be gained on that capital that was saved from the unconsumed revenues of the three entrepreneurs, and reinvested. Accordingly, the three entrepreneurs resolve to consume only the product of 100 workers, thus restricting their luxury consumption significantly, and to employ the labor-power of the remaining 350 workers and the capital used by these in new productive enterprises. The question now becomes the following: in which productive enterprises are these funds to be invested?

Since, according to von Kirchmann's assumption, constant capital is not reproduced and the total social product consists only of means of consumption, "the three entrepreneurs can only choose again between enterprises for the manufacture of ordinary commodities or for that of luxuries."

* Latin for "No third (possibility) is given."

In this way, the entrepreneurs face the same dilemma as before: if they produce "ordinary commodities," a crisis ensues, since the workers have no means with which to buy these additional means of consumption, having already been compensated with half of the value of the product; if the entrepreneurs produce luxury commodities, they must also consume them themselves. *Tertium non datur*.* Nor does external trade alter anything in relation to this dilemma, since it merely serves "to increase the range of commodities on the internal market" or to increase productivity.

> These imported commodities are therefore either ordinary commodities, in which case the capitalist will not, and the worker, lacking the means, cannot buy them, or they are luxuries, which the worker, of course, is even less able to afford, and which the capitalist will not want either because of his endeavors to save.

With this line of argument, however primitive, von Kirchmann's fundamental idea—the nightmare of political economists—is expressed with a beautiful clarity: in a society consisting only of workers and capitalists, accumulation proves impossible. Consequently von Kirchmann openly opposes accumulation and the "saving" and "productive consumption" of surplus value; he engages in fierce polemics against the classical economists' advocacy of these misguided practices; and extols the virtues of increasing luxury, which is made possible by the rising productivity of labor, as the remedy against crises. It can thus be seen that if von Kirchmann presents a caricature of Ricardo and Say in his theoretical premises, it is rather Sismondi that he caricatures in his conclusions. Nevertheless, it was necessary to get a clear idea of von Kirchmann's formulation of the problem in order to do justice to Rodbertus's critique and to properly appreciate the outcome of the controversy.

Chapter 16. Rodbertus's Critique of the Classical School

Rodbertus digs deeper than von Kirchmann. He seeks out the root of the evil in the very foundations of social organization, and makes a grim declaration of war on the predominant free trade school. Admittedly, he does not take up arms against the system of unimpeded commodity circulation or against economic liberalization, which he fully supports, but against the Manchester doctrine[*] of *laissez-faire* within the internal social relations of the economy. In his time, following the *Sturm und Drang*[†] period of classical economics, an unscrupulous apologetics held sway, which found its most prominent expression in that legendary vulgarian and idol of all philistines, M. Frédéric Bastiat, and his "harmonies"; soon there would be a proliferation of various mewling, mediocre, middle-of-the-road, petty-bourgeois Germans offering pale imitations of the French prophet of harmony. Rodbertus aimed his criticism against these unscrupulous "peddlers of free trade." In his first *Letter on Social Problems*,[181] he issues the following clarion call:

> Owing to the low level of their incomes, five-sixths of the population have not only been deprived thus far of most of the benefits of civilization, but they have also been subjected every now and then to the most terrible outbreaks of real distress, and are permanently exposed to this danger, to the threat of destitution. Yet they are the creators of all the wealth of the society. Their labor begins at dawn and ends at dusk, continuing even after night has fallen—but no exertion on their part can alter this fate; they cannot raise the level of their income, and only lose the remaining free time that ought to be left over for education and intellectual enrichment. It can be granted that all this suffering was necessary for the progress of civilization, but now that a series of the most wonderful discoveries and inventions have increased the productivity of human labor more than a hundredfold, new prospects of altering this grim necessity are suddenly revealed. As a result, the wealth and assets of a nation relative to its population increase exponentially. Could anything be more natural, I ask, or more justly demanded, than that this increase should also somehow benefit the creators of this old and new wealth? That their incomes should be raised or their working hours shortened, or that they might join in increasing numbers the ranks of the privileged, who have the preferential right to reap the fruits of labor? Yet public finance [*Staatswirtschaft*], or better, the economy [*Volkswirtschaft*] itself, has only achieved the opposite result. The increasing poverty of these classes goes together with the increasing wealth of the nation, there is even need of special legislation to prevent the extension of the working day, and, finally, the working classes are growing at a faster rate than the others. Even that is not enough! The hundredfold increase in the productivity of labor that was powerless to relieve five-sixths of the population, even periodically threatens the remaining sixth of the nation and thus society as a

whole […] Such are the contradictions in the economic sphere in particular, and in the social sphere in general! The wealth of society is increasing, and this growth is accompanied by an increase in poverty. The efficiency of the means of production is increasing, and the consequence is that they lie idle. Social conditions demand that the material position of the working classes should be raised to the level of their political status, and economic conditions, by way of answer, degrade it further still. Society needs the unconfined growth of wealth, and contemporary managers of production are obliged to place restrictions upon it, so as not to cause further impoverishment. In a single respect alone is there harmony: the perversity of the conditions corresponds to that of the ruling stratum of society with its inclination to look for the root of the evil everywhere except in the right place. This egotism, which only too often is dressed up as morality, also accuses the vices of the workers of being the cause of poverty. The responsibility for the crimes committed against them by all-powerful facts is ascribed to their alleged inadequacies and inefficiency, and where even such egotism cannot close its eyes to their innocence, it invents a theory of the "necessity of poverty." Unremittingly, it exhorts the workers only to work and to pray, impresses upon them the duty of abstinence and economy, and at best infringes upon their rights by the institution of compulsory saving, adding to the misery of the workers. It does not see that a blind force of commerce has transformed the prayer to find work into the cursing of enforced unemployment, that […] abstinence is impossible or cruel, and that, lastly, morals always remain ineffective if commended by those of whom the poet says that they drink wine in secret but preach water in public.[182]

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* This was a term for a strand within liberal economic policy that was oriented toward free trade and free competition as the precondition for capitalism, and that advocated the non-intervention of the state in the economy. Its name refers to Manchester, the English industrial city.

† German for "Storm and Stress."

In themselves, bold words such as these could not lay claim to any groundbreaking significance, as they were written some thirty years after Sismondi and Owen, twenty years after the critiques made by the British socialists from the Ricardian school, and indeed after the Chartist movement, after the June Days Uprising of 1848, and, last but not least, after the publication of the *Communist Manifesto*. Yet, by the same token, it was now much more a question of the scientific grounding of these critiques. Here, Rodbertus offers an entire system, which can be condensed in the following brief propositions.

Together, the historically achieved level of the productivity of labor and the "institutions of positive law," that is to say private property, have engendered a whole series of perverted and perverse phenomena in accordance with the laws of an economy left to its own devices:

1) Exchange value has taken the place of "normal," "constituted value," and accordingly today's metallic money appears in place of a true "paper

money" or "labor money"—i.e. a money that "corresponds to its idea." "The first principle is that all economic goods are products of labor, or, as we might put it, that labor alone is productive. This proposition, however, does not imply that the value of the product must always equal the cost of labor, or, in other words, that labor can provide a measure of value at present." The truth is rather that "that this still has not become an economic fact, but is only an idea of political economy."[183]

> If value could be constituted in accordance with the labor expended on the product, we might imagine a kind of money that would be, as it were, a leaf torn from the public account-book, a receipt written on the most inexpensive material, or rags, that everyone would receive for the value he has produced, and that he would realize as a voucher for an equivalent value-share of that part of the national product that is subsequently assigned for distribution […] If, in the meantime, it is impossible or not yet possible, for one reason or another, for value to be constituted, money must itself drag hither and thither the value it was supposed to liquidate, i.e. money must itself be of an equivalent value, or be a pledge or pawn of the same value—it must itself consist of a valuable good, such as gold or silver.[184]

As soon as capitalist commodity production has come into existence, however, everything is turned on its head: "the constitution of value must cease, since it can only be exchange value,"[185] and "since value cannot be constituted, money cannot be purely money, it cannot fully conform to its idea."[186] "In an equitable exchange, the exchange value of the products would have to equal the quantity of labor needed for producing them, and an exchange of products would always mean an exchange of equal quantities of labor." Even assuming, however, that everyone produces precisely the use-values required by someone else, "since we are here concerned with human cognition and human volition, there must always be a correct calculation, equalization, and specification of the labor quantities contained in the products for exchange, there must be a law to which exchangers conform."[187]

As is well known, Rodbertus was at great pains to emphasize that he preceded Proudhon in the discovery of "constituted value"; this is something that can gladly be conceded to him. In *The Poverty of Philosophy*, Marx exhaustively demonstrated (as did Engels in his preface to the same) the extent to which this "idea" was a mere phantom that had already been theoretically elaborated and in practice discarded in the U.K. long before Rodbertus's time, and the extent to which it was a utopian bastardization of Ricardo's theory of value.* There is thus no need to dwell further on this "pie in the sky of the most infantile kind."†

* For Marx's critique of the concept of "constituted value," see Marx's *Poverty of Philosophy, in Marx and Engels Collected Works*, Vol. 6 (New York: International Publishers, 1976), pp. 120–31.

† Literally "music of the future played on a children's trumpet." The reference is from Engels's preface to the first German edition of Marx's *Poverty of Philosophy*.

2) "Exchange" has resulted in a "degradation" of labor to a mere commodity; it has also resulted in the wage being determined by "cost-value" rather than as a fixed share of the product. With an audacious historical leap, Rodbertus derives his law of wages directly from slavery, and thus sees the specific character that capitalist commodity production stamps upon exploitation as mere deception and falsehood, and as something to be condemned from a moral standpoint:

> So long as the producers themselves remained the property of non-producers, so long as slavery was in existence, it was the advantage of the "masters" alone that unilaterally determined the volume of this share [of the workers—*R. L.*]. Since the producers have attained full liberty of person, if nothing more as yet, both parties agree on the wage in advance. The wage, in modern terminology, is the object of a "free contract," that is to say, an object of competition. Labor is therefore as a matter of course subjected to the same laws of exchange as its products: labor itself acquires exchange value; the size of the wage depends on the effects of supply and demand.

After turning things on their head in this way and deriving the exchange value of labor-power from competition, he then proceeds to derive its value from its exchange value:

"Under the laws of exchange value, labor, like produced goods, comes to have a kind of 'cost value' that exercises some magnetic effects upon its exchange value, the amount of the wage." This is the particular level of wages that is necessary for the "maintenance of labor," or, in other words, that provides it with the energy it needs to continue functioning, if only in the shape of the next generation of workers; it is the so-called "minimum of subsistence." Once again, for Rodbertus, this is not a question of the identification of objective economic laws, but merely a matter of moral indignation. He describes as "cynical" the assertion of the classical school that "labor has no more value than the wages it receives," and resolves to uncover the "series of errors" that have led to these "crass and unethical conclusions."

> It was a degrading notion to evaluate the wages of labor according to "necessary subsistence," in the same way that costs of repairs to machines are assessed. Now that labor, the source of all goods, has itself become a commodity to be exchanged, it is no less degrading to speak of its "natural price," of its "costs," in the same way that the natural price and costs of its products are referred to, and to translate this natural price, these costs, into the amount of goods that is necessary for labor to reproduce itself constantly as a commodity to be brought to market.[188]

This commodity character of labor-power, however, and the corresponding determination of its value are for Rodbertus nothing but malicious misrepresentations on the part of the free trade school. Instead of referring to the contradiction within capitalist commodity production—i.e. the contradiction between the determination of the value of labor and the determination of value *by* labor—as the British followers of Ricardo had done,[*] Rodbertus, like the good Prussian that he is, impugns this contradiction of capitalist commodity production as infringing the obtaining constitutional law.

"There is an absurd and ineffable contradiction," he exclaims, "in the conception of those economists who would grant the workers civil rights to participate in decisions over the fate of society, and would at the same time have these same workers, from an economic point of view, treated as mere commodities!"[189]

Now only the question remains as to why the workers acquiesce to such an absurd and flagrant injustice—this was the objection raised for example by [Friedrich] Hermann against Ricardo's theory of value. Rodbertus gives the following answer:

> What were the workers to do after their emancipation other than to acquiesce to these regulations? Imagine their position: when the workers were freed, they were naked or in rags, they had nothing but their labor-power. The abolition of slavery or serfdom, moreover, rescinded the master's legal or moral obligation to feed them and care for their needs. Yet these needs remained, they still had to live. How, then, could their labor-power provide them with a living? Were they simply to take some of the capital existing in the society in order to produce their means of subsistence? The capital of society was already in the hands of other people, and the executors of the "law" would not have tolerated such a step.

What else could the workers have done?

Only these alternatives were before them: either to overthrow the legal constitution of society or to return, under roughly the same conditions as before, to their former masters, the owners of the land and of capital, and to receive as wages what was formerly doled out to them to keep them fed.[190]

* This is a reference to such British socialist neo-Ricardians as William Thompson, John Gray, and John Francis Bray.

Fortunately for humankind and for the Prussian constitutional state, the workers were "wise enough not to throw civilization off its course," preferring instead to show their heroism in complying with the malevolent impositions of their "former masters." This marked the emergence of the capitalist system of wages and the law of wages as "a kind of slavery," as a product of the abuse of power by the capitalists and of the precarious situation and meek acquiescence of the proletarians, if the groundbreaking theoretical explanations of the very Rodbertus whose theories Marx is supposed to have plagiarized are to be believed. In any case, Rodbertus's precedence with regard to this theory of wages is uncontested, since the British socialists and other social critics had already analyzed the wages system in a far less crude and primitive fashion. What is original in Rodbertus's conception is that, having invested so much energy in moral indignation over the emergence of the wages system and its economic laws, he refrains from calling, as a result, for the abolition of this abominable injustice, this "absurd and ineffable contradiction."[191] Perish the thought! He repeatedly assures his fellow citizens that his roaring condemnation of exploitation should not be taken too seriously: after all, he is no lion, but merely Snug the joiner.[*] The ethical theory of the law of wages is only necessary in order to draw the following conclusion from it:

3) The determination of the wage by the "laws of exchange value" has the consequence that as the productivity of labor increases, the share of the workers in the product decreases. The Archimedean point of Rodbertus's "system" has now been reached. The "declining wage share" is the most important of his "original" ideas, which he reiterates from his first writing on social problems (probably in 1839) until his death, and which he claims as his own. This idea is in fact merely a simple corollary of Ricardo's theory of value, and is actually implicit in the wage fund theory that was

predominant in economics from the classical economists, right up to the publication of Marx's *Capital*.† Nevertheless, Rodbertus believes that with his discovery he has become a kind of Galileo in economics, and he draws on his "declining wage share" as an explanation for all the evils and contradictions of the capitalist economy. From the declining wage share he thus derives immiseration, which, alongside crises, constitutes "*the* social question" for him. It would be appropriate to draw the careful attention of those contemporaries who would bury Marx to the fact that it was not the latter, but rather Rodbertus, a man far closer to them in spirit, who established a genuine theory of immiseration, and indeed did so in the crudest form, and that, in contrast to Marx, he made it the crux of the "social question," rather than a mere epiphenomenon. Compare for instance his argument on the absolute immiseration of the working class in his first *Letter on Social Problems* to von Kirchmann. Furthermore, the "declining wage share" must serve as the explanation for the other fundamental manifestation of the "social question": crises. Here Rodbertus engages with the problem of the equilibrium between consumption and production and touches upon the whole complex of contentious issues bound up with this question that had already been the focus of disputes between Sismondi and Ricardo's school.

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* See William Shakespeare: *A Midsummer Night's Dream*, Act 5, Scene 1.

† For more on the theory of the wage fund, see *The Complete Works of Rosa Luxemburg*, Vol. 1, pp. 509–20.

‡ The Panic of 1819 was the first peacetime financial crisis in the U.S., caused by excessive speculation in real estate. It led to a recession that lasted until 1821. The crisis of 1825–26 in the U.K. was the first cyclical industrial crisis in the history of capitalism. Share prices fell, causing seventy provincial banks and numerous publicly listed companies, among others, to collapse; no English capital was exported until 1828. The economic crisis of 1836–37 was caused by the flooding of the markets in the U.S. with British commodities, resulting in a serious decline in commodity prices. The crisis of 1836 was spurred by a default on U.S. government debts and led to an economic downturn lasting four years. In 1846 a collapse in British financial markets led to an economic downturn.

Compared to Sismondi, Rodbertus was of course able to draw on a far greater wealth of data to inform his knowledge of crises. In his first *Letter on Social Problems*, he already gives a detailed account of the four crises of 1818–19, 1825, 1837–39, and 1847.‡ As his observations cover a longer period, Rodbertus is to a certain extent able to gain a deeper insight into the essential character of crises than his predecessors. Thus in 1850 he already establishes the periodicity of crises, noting that these recur at ever shorter intervals and with an ever-increasing intensity:

> From each occurrence to the next, these crises have become more terrible in proportion with the increase in wealth, engulfing an ever-greater number of victims. The crisis of 1818–19 already caused panic in commerce and inspired misgivings in economic science, and yet it was insignificant when compared to the crisis of 1825–26. The latter crisis wiped out the U.K.'s capital assets to such an extent that the most famous economists doubted whether a complete recovery could ever be made. Yet it was eclipsed by the crisis of 1836–37. The crises of 1839–40 and 1846–47 wrought even greater devastation than previous ones … According to recent experience, however, the crises recur at ever-shorter intervals. There was a lapse of eighteen years between the first and the third crisis, of fourteen years between the second and the fourth, and of only twelve years between the third and the fifth. Already the signs are multiplying that a new disaster is imminent, though no doubt the events of 1848 have delayed its outbreak.[192]

Rodbertus then makes the observation that crises are regularly heralded by an extraordinary surge in production and great technological advances in industry: "Every one of [the crises] followed upon a period of outstanding industrial prosperity."[193]

[*] This legislation, known as the Peel Bank Act after its author, Robert Peel, was passed by the English Parliament between 1844 and 1845. The banks were subsequently divided into two independent departments, and legal limitations on their payment and credit operations were imposed, which then had to be temporarily suspended during economic crises with major currency shortages, in order to increase the quantity of banknotes that were not backed by gold.

Drawing on the history of crises, Rodbertus shows that "they occur only after a considerable increase of productivity."[194] He opposes the vulgar point of view that reduces crises to monetary and credit disturbances, and criticizes [Robert] Peel's completely misguided currency legislation;[*] he argues these points in great detail in his essay *On Commercial Crises and the Mortgage Problem*, published in 1858. There he makes the following statement, among others:

> We would therefore deceive ourselves if we were to regard commercial crises merely as crises of the monetary, banking, or credit system. This is merely their external manifestation when they first emerge.[195]

Also striking is Rodbertus's keen appreciation of the significance of external trade in connection with the problem of crises. Like Sismondi, he registers the fact that capitalist production necessitates expansion, but also notes that this only means that the periodic crises must increase in scale.

"Foreign trade," he says, "is related to commercial stagnation only as charity is related to poverty. Ultimately, they only enhance one another."[196] In the above-cited essay, *On Commercial Crises and the Mortgage Problem*, he elucidates further:

> The only possible means of warding off further outbreaks of crises is the double-edged one of expanding foreign markets. The violent pursuit of such expansion is largely no more than a morbid irritation caused by a sickly organ. Since one factor on the home market, productivity, is ever increasing, and the other factor, purchasing power, remains constant for the overwhelming majority of the population, commerce must turn to the foreign market in an endeavor to boost purchasing power so that it is similarly unlimited.[197]
>
> In this way, the irritation may be soothed and a new outbreak of the calamity at least delayed. Thus every foreign market opened defers the social problem in a like manner. Colonization of undeveloped countries has similar effects: Europe cultivates a market for itself where there was none previously. Yet this remedy would essentially do no more than palliate the affliction. As soon as the new markets are saturated, the problem will revert to its former state—a conflict between the two factors: limited purchasing power versus unlimited productivity. A new outbreak of crisis is warded off by the smaller-scale market only to reappear, in even greater dimensions and even more serious contingencies, on the larger-scale one. And since the earth is finite and the acquisition of new markets must eventually come to an end, the time will come when the question can no longer be simply deferred. Sooner or later, a definitive solution will have to be found.[198]

Rodbertus also identified the anarchy of capitalist private production as a crisis-inducing factor, although he considered it to be one cause among others, the source of a particular subcategory of crises, rather than seeing it as the actual cause of crises in general. Thus he makes the following comments on the outbreak of crisis in von Kirchmann's imaginary locality:

> I do not wish to claim that market stagnation of this kind does not occur in reality. Today's market is large, there are many needs to be met and many branches of production, productivity is considerable and the data on demand are obscure and misleading. Individual entrepreneurs have no knowledge of the scale of production of others, and so it may easily happen that they will overestimate the demand for a certain commodity and overstock the market.

Rodbertus also states unequivocally that the only remedy for these crises is a planned economy, a "complete reversal" of contemporary property relations, and the unification of all means of production "in the hands of a single social authority." Admittedly, he once again hastens to add—to set troubled minds at rest—that it remains to be seen whether such a scenario is possible, “yet this would be the only possible way to prevent market stagnation of *this* kind.” Thus he emphasizes here that he considers the anarchy of the present mode of production to be responsible only for a specific, partial form in which crises manifest themselves.

Rodbertus scornfully dismisses Say’s and Ricardo’s axiom of the natural equilibrium between consumption and production; like Sismondi, he places emphasis upon the purchasing power of society, and for him, as for Sismondi, this depends on the distribution of revenue. On the other hand, he in no way accepts Sismondi’s theory of crisis, especially the way that it is deduced, and indeed he sharply opposes it. More concretely, whereas Sismondi sees the root of all evil in the unrestrained expansion of production without any regard for the restrictions posed by revenue, and accordingly advocates the curbing of production, Rodbertus upholds the opposite—i.e. the most vigorous and unconfined expansion of production, of wealth, and of the productive forces. He argues that society has a need for an untrammeled increase in its wealth. Whoever condemns the wealth of society, also condemns the progress made using its power, and condemns this, its virtue; whoever throws obstacles in the way of the increase of this wealth, also obstructs the progress associated with it. Each increase in the knowledge, desires, and capacities of the members of society is linked to an increase in wealth.[199] From this standpoint, Rodbertus was a keen advocate of the system of note issuing banks, which he considered to be the indispensable foundation for a rapid and unrestricted expansion of new company start-ups. Both his essay of 1858 on the mortgage problem and his treatise of 1845 on the Prussian currency crisis are devoted to demonstrating this point. He also polemicizes directly against the Sismondian type of warnings, approaching the matter in his usual ethical-utopian fashion:

“Entrepreneurs,” he proclaims, “are essentially civil servants of the economy. By the institution of property, they are indissolubly entrusted with the nation’s means of production. If they put these into operation, such that production occurs at full power, they do but their duty, since capital—let me repeat—exists entirely for the sake of production.” Now, however, he comes to the point:

> Or would you have them (the entrepreneurs) turn acute afflictions into chronic ones by operating continuously and from the first at less power than they have at their disposal; are they to pay for a less severe form of the evil with its permanent duration? Even if anyone were foolish enough to

> give them this advice, they would not be able to follow it. How would the entrepreneurs of the world recognize this pathological limit of the market? Each of them engages in production without any knowledge of the others, in the most distant corners of the earth for a market hundreds of miles away, and produce with such vast forces that a month's production already exceeds this limit. How could production—so fragmented and yet so powerful—conceivably gain an overview in advance of what will be required? Where, for instance, are the institutions, the agencies with up-to-date statistics and the like to help them in this task? What is worse, the only sensor indicating the position of the market is price, its rise and fall, but this is not like a barometer that predicts the temperature of the market, but more like a thermometer that merely measures it. If the price falls, the limit has been passed already, and the calamity is already at hand.[200]

This polemic, which was undoubtedly directed at Sismondi, shows that there were very substantial differences between the two of them. Thus, when Engels states in *Anti-Dühring* that the explanation of crises from underconsumption originates with Sismondi and is then borrowed from the latter by Rodbertus,[*] this is not strictly accurate. The only thing that Rodbertus and Sismondi have in common is their opposition to the classical school and to the explanation of crises in general from the distribution of revenue. Even here, however, Rodbertus formulates the problem in his own idiosyncratic manner. He argues that overproduction is not caused by the low level of the revenue of the working masses, nor by the capitalists' restricted capacity for consumption, as it is for Sismondi; rather it is simply entailed by the fact that workers' revenue represents an ever decreasing share of the value-product as productivity increases. Rodbertus explicitly demonstrates to his opponent that market stagnation does not arise from the low level in absolute terms of the share of the working classes: "Just imagine," he instructs von Kirchmann,

> This share to be so small as to ensure only a bare subsistence for those who are entitled to it. If this share is held constant as a proportion of the national product, it will constitute a constant "vessel for value" that can absorb ever-increasing contents, resulting in an ever-increasing prosperity of the working classes as well … And now imagine on the contrary as large a share for the working classes as you please, and, under the assumption of increasing productivity, let it become an ever-smaller fraction of the national product. Then, provided it is not reduced to the present low levels, this share will still protect the workers from undue privations since the amount of products it represents will still be considerably greater than it is today. Once this share begins to decline, however, there will be spreading discontent, culminating in a commercial crisis, simply due to the fact that the capitalists, without any blame on their part, will have determined the scale of production according to the given magnitude of these shares.

Thus the "declining wage share" is the actual cause of crises, and the only effective remedy against them is legislation determining a fixed and irrevocable share of the national product for the workers. It is necessary to adjust to the mindset behind this bizarre notion in order to do justice to the terms of its economic content.

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* See Frederick Engels, *Herr Eugen Dühring's Revolution in Science*, in *Marx and Engels Collected Works*, Vol. 25 (New York: International Publishers, 1987), p. 273.

Chapter 17. Rodbertus's Analysis of Reproduction

What is the main significance of the idea that the decline in the workers' share of the product must "immediately" entail overproduction and trade crises? This conception is only intelligible if it is assumed that Rodbertus imagines the "national product" to consist of two parts: the share of the workers, and that of the capitalists (i.e. $v + s$), with one part somehow being exchanged against the other. Rodbertus indeed says something along these lines in several places, such as in his first *Letter on Social Problems*:

> The poverty of the working classes precludes their income from giving scope to increasing production. If the additional products were acquired by the workers, this would not only improve their lot but would further act as a counterweight by increasing the value of the remainder retained by the entrepreneurs (thus satisfying the condition for the latter to continue production on the same scale). However, from the standpoint of the entrepreneurs, this would depress the value of the aggregate product by so much as to remove this condition, leaving the workers at best to their customary privation.[201]

When Rodbertus refers to the "counterweight" that in the hands of the workers increases the value of "what is retained" by the entrepreneurs, he obviously means demand. The reader thus finds himself happily transported to von Kirchmann's famous imaginary locality, where the workers exchange their wages against the surplus product held by the capitalists, and where crises are provoked because the level of variable capital is too low and that of surplus value too high. This peculiar conception has already been dealt with above. Elsewhere, however, Rodbertus regales his readers with an alternative version. In his fourth *Letter on Social Problems*, he glosses his theory in such a way that the constant discrepancy in the relation between the demand represented by the workers' share and that emanating from the capitalist class necessarily entails a chronic disproportion between production and consumption:

> What if the entrepreneurs endeavor to keep always within the limits of those shares, yet the shares themselves are all the time on the decline for the great majority of the society, the workers, decreasing gradually, unnoticeably, but with an irresistible force? What if the share of these classes continually decreases to the same extent as their productivity increases? … Is it not the case that the capitalists of necessity organize production in accordance with the present respective sizes of these shares in order to make wealth universal, and that yet they always

> produce over and above the level of these shares as they decline, thereby giving rise to a permanent dissatisfaction that culminates in market stagnation?[202]

In this case, crises would be explained as follows: the national product consists of a number of "ordinary commodities" for the workers, as von Kirchmann puts it, and more refined commodities for the capitalists. The amount of the former is represented by the sum of wages, that of the latter by the total surplus value. If the capitalists organize their production on this basis, and if productivity increases at the same time, then a disparity will immediately arise. For the workers' share today is not more than it was yesterday, but less: if the demand for "ordinary commodities" represented six-sevenths of the national product yesterday, today it represents only five-sevenths, and the entrepreneurs, who have arranged production of six-sevenths "ordinary commodities," will make the painful discovery that they have overproduced these by one-seventh of the national product. If, however, having learned from this experience, they arrange their production tomorrow such that "ordinary commodities" constitute five-sevenths of the total value of the national product, they are only setting themselves up for a new letdown, since the day after tomorrow the wage share of the national product will inevitably fall to four-sevenths, and so on.

This original theory immediately elicits a host of mild doubts. If trade crises are simply a consequence of the fact that the "wage share" of the working class, variable capital, forms an ever-decreasing part of the total value of the national product, then the fatal law also bears within itself the cure for the havoc that it wreaks, since overproduction only concerns an ever-decreasing part of the total product. Although Rodbertus is given to such expressions as "an overwhelming majority" of consumers and "the great popular masses" of consumers, whose share is constantly decreasing, demand is not determined by the sheer number of people, but by the value they represent. According to Rodbertus, this value itself forms an ever-decreasing part of the total product. The economic basis of crises becomes ever narrower, which prompts the question as to why crises are nonetheless firstly general and secondly ever more violent, as noted by Rodbertus himself. Furthermore, according to Rodbertus, the "wage share" forms one part of the national product, and surplus value the other. The purchasing power lost by the working class is gained by the capitalist class; as *v* decreases, *s* increases correspondingly. Given Rodbertus's own crude schema, then, the purchasing power of society as a whole can remain unaltered as a result. Rodbertus puts it as follows:

> I know very well that, ultimately, the amount by which the workers' share decreases accrues to that of the "rentiers" [Rodbertus uses "rent" and "surplus value" as synonyms—*R. L.*], and that purchasing power remains constant on the whole and in the long run. But as far as the product on the market is concerned, the crisis always sets in before this increase in the rentiers' share can make itself felt.[203]

Thus the extent of the problem is the constant emergence of an excess of "ordinary commodities" and a corresponding shortfall in refined commodities for the capitalists. By his own peculiar route, then, Rodbertus inadvertently arrives at the very theory of Say and Ricardo so hotly contested by him previously: overproduction on the one side always corresponds to underproduction on the other. Since the value-shares of the working class and the capitalists are constantly being altered in favor of the latter, trade crises would thus increasingly take on the character of periodic underproduction rather than overproduction! It is not worth dwelling on this riddle. What emerges clearly from all of this is that Rodbertus conceives of the national product in value terms as merely comprising two parts, variable capital and surplus value, and that in this regard he thus completely shares the interpretation traditionally held by the classical school—an interpretation that he had previously bitterly resisted, and that he now embellishes with the idea that the entire surplus value is consumed by the capitalists. He expresses this in a few terse words in several places, as for example in his fourth *Letter on Social Problems:*

> Accordingly, we must abstract from the reasons that cause the division of rent in general into ground rent and capital rent, in order to find first and foremost the basic principle underlying the division of rent [surplus value—*R. L.*] in general, *the principle underlying the division of the labor product into wage and rent*.[204]

In his third *Letter* he states the following:

> Ground rent, capital profit, and the wages of labor are, let me repeat, revenue. By this means landlords, capitalists, and workers must live, that is to say, they must satisfy their immediate human needs. The goods that they obtain through their revenues must therefore be suitable for this purpose.[205]

The misrepresentation of the capitalist economy as production destined only for direct consumption has never been formulated in such a crass fashion, and in this, Rodbertus undoubtedly deserves accolades for setting a precedent—not for Marx, however, but rather for all the vulgar economists. Rodbertus leaves his readers in no doubt as to this confusion of his when, a little later in the same letter, he directly places capitalist surplus value, as an economic category, on the same level as the revenue of the ancient slaveholder:

> The first state [that of slavery—*R. L.*] is associated with the most primitive natural economy: that portion of the labor product that is withheld from the income of workers or slaves and forms the master's or owner's property, will undividedly accrue to the single owner of the land, the capital, the worker, and the labor product; there is not even a conceptual distinction to be made between ground rent and capital profits. In the second state, the most complicated money economy is given: the portion of the labor product that is withheld from the income of the now emancipated workers, and accrues to the respective owners of land, and capital, will be further divided among the owners of the raw material and the manufactured product respectively; the single rent of the former state will be decomposed into ground rent and capital profits, and will have to be differentiated accordingly.[206]

Rodbertus considers the division of the surplus value that is "withheld" from the workers' revenue into ground rent and profits on capital to be the most salient economic difference between exploitation under the domination of slavery and modern capitalist exploitation. Thus, for Rodbertus, the decisive characteristic of the capitalist mode of production is not the specific historical form of the distribution of newly created value between labor and capital, but rather the allocation of surplus value among its various beneficiaries—i.e. something that is actually of no consequence for the production process! In all other respects, then, capitalist surplus value as a whole remains the same as what "the single rent" was for the slave-owner: the exploiter's private consumption fund!

Admittedly, Rodbertus contradicts himself elsewhere on this score, too, when he remembers that constant capital exists and that it needs to be renewed in the reproduction process. He thus assumes that the total product is divided into three parts (constant capital, variable capital, and surplus value) rather than merely two (variable capital and surplus value). In his third *Letter on Social Problems*, he makes the following argument in relation to the forms of reproduction in a slave economy:

> Since the master will see to it that part of the slave labor is employed in maintaining or even improving the fields, herds, agricultural and manufacturing tools, there will be "capital replacement," to use a modern term, in which part of the national economic product is immediately used for the maintenance of assets, without any mediation by exchange or even by exchange value.[207]

Turning to capitalist reproduction, he continues:

> Now, in terms of value, one portion of the labor product, is used or designated for the maintenance of assets, for "capital replacement"; another portion is used for the workers' subsistence as their money wage; finally, the last portion is retained by the owners of the land, of capital, and of the labor product as their revenue or rent.[208]

Here the three-way division into constant capital, variable capital, and surplus value is explicit, as it is in Rodbertus's formulation in this same third *Letter on Social Problems* of what is peculiar about his "new" theory:

> On this theory, then, and under conditions of adequate labor productivity, the portion of the product that remains for revenue after the replacement of capital, will be distributed among workers and owners as wages and rent, on the basis of the ownership in land and capital.[209]

Here Rodbertus has ostensibly taken a decisive step beyond the classical school in the value-analysis of the total product; indeed, he later directly criticizes Smith's "doctrine," and the only surprise is that Rodbertus's learned admirers, Messrs. [Adolph] Wagner, [Carl August] Dietzel, Diehl & co., neglected to make capital out of the fact that their darling made this discovery before Marx in such an important point of economic theory. In reality the question of Rodbertus's precedence here is as dubious as it is in value theory in general. Even in the places where Rodbertus appears to gain a true insight, this proves in the next moment to be a misunderstanding or at best a somewhat skewed conception. The extent of Rodbertus's confusion in relation to the tripartite division of the national product is best shown by his critique of Smith's theory, as follows:

> It is well known that all economists since Adam Smith already divided the value of the product into wage of labor, ground rent, and capital profit, that it is therefore not a new idea to ground the revenues of the various classes, and especially the various components of rent, in a distribution of the product. Yet the economists immediately go astray. All of them, even Ricardo's school, make the mistake, first and foremost, of failing to recognize that the aggregate product, the aggregate of finished goods, the national product as a whole, is a single entity in which workers, landowners, and capitalists all share. Instead, according to their conception, the division of the raw product and that of the manufactured product occur in their own particular ways: the former is shared between three participants, whereas the latter is distributed between only two participants. According to these systems, the raw product and the manufactured product in themselves constitute separate revenue streams. Secondly,—though both Ricardo and Smith are free from this particular error—they take the natural fact that labor cannot produce goods without a contribution from the material world, i.e. without the land, as an economic one, and regard as a primary datum the social fact that capital in its current sense is required by the division of labor. Thus they set up the fiction of a fundamental economic relationship on which they base the shares of the various owners of land, capital, and labor in society (ownership of these being divided), as follows: ground rent springs from the contribution of the land lent by the owner to

> production, capital profits derive from the contribution of capital employed by the capitalist to this end, and, finally, wages originate from labor's contribution. Say's school, elaborating on this error with much ingenuity, even invented the concept of productive services rendered by land, capital, and labor, corresponding to the shares in the product of their respective owners, in order to explain these shares in turn as the result of these productive services.—Thirdly, and finally, this error is then compounded by the paradox that, whereas the wage of labor and the components of rent are indeed derived from the value of the product, the value of the product is in turn derived from the wage of labor and the components of rent, so that the one is made to depend on the other and vice versa. This contradiction emerges clearly when some of these authors attempt to expound "The Influence of Rent Upon Production Prices" and "The Influence of Production Prices Upon Rent" in two consecutive chapters.[210]

In spite of these excellent critical remarks, of which the last is particularly acute and in a certain sense anticipates Marx's corresponding critique in the second volume of *Capital*, Rodbertus blithely accepts the main error of the classical school and its vulgar epigones, who completely neglected the value-component of the total product that is needed for the replacement of total social constant capital. Indeed it was this confusion on the part of Rodbertus that also made it easier for him to become engrossed in his quixotic struggle against the "decreasing wage share."

In capitalist forms of production, the value of the total social product is composed of three parts, corresponding respectively to constant capital, the sum of wages (i.e. variable capital), and the total surplus value of the capitalist class. Now, within this value-composition, the value-component corresponding to variable capital constantly decreases in relative terms. This occurs for two reasons: firstly, within the formula $c + v + s$, the relationship between c and $(v + s)$—i.e. between constant capital and newly created value—is a dynamic one, such that, in relative terms, c is constantly increasing and $(v + s)$ constantly decreasing. This is one simple expression of the rising productivity of human labor, which is absolutely valid for all economically progressive societies, independently of their historical forms, and which merely implies that living labor is able to convert ever more means of production into objects for use in an ever-shorter time. Since $(v + s)$ decreases relative to the total value of the product, v also decreases as a value-component of the total product. In other words, to resist this decrease, to aim to arrest it, means to oppose the development of the productivity of labor in its general effects. Further, a continuous alteration also occurs within $(v + s)$, such that, relative to one another, v is constantly decreasing and s constantly increasing—i.e. the part of the newly created value that is allotted to wages shrinks as the part that is appropriated as surplus value grows. This is the specifically capitalist expression of the increasing productivity of labor, and it is as absolutely valid under capitalist conditions of production as is the law of the increasing productivity of labor itself. Now, to aim to prevent v from constantly decreasing relative to s through state intervention is tantamount to aiming to prevent the increasing productivity of labor, which reduces the production costs of all commodities, from affecting the fundamental commodity, labor-power; it represents an attempt to exempt this single commodity from the economic effects of technical progress. However, this is not all: the "decreasing wage share" is merely another expression for the increasing rate of surplus value, which represents the most powerful and effective means to arrest the fall in the rate of profit, and which thus constitutes the driving force of capitalist production in general and especially of technical progress within this production. To eliminate the "decrease in the wage share" through legislation would thus be to do away with the raison d'être of the capitalist economy, and would constitute an attempt to suppress its vital principle. Nonetheless, it is worth considering the matter concretely. The individual capitalist, like capitalist society as a whole, has no idea of the value of the product as a sum of socially necessary labor, and is in no position to grasp it as such. The capitalist only cognizes this value in the derivative and inverted form of production costs (this inversion of form occurring through competition). While the value of the product resolves into $c + v + s$, in the consciousness of the capitalist, it is the reverse: the costs of production are composed of $c + v + s$. More precisely, these manifest themselves to the capitalist in the following dislocated and derivative forms: (1) the wear and tear on his fixed capital; (2) his outlays in circulating capital, including wages for workers; (3) the "usual" rate of profit—i.e. the average rate of profit on his total capital. How, then, is the capitalist to be compelled, by a law of the kind Rodbertus has in mind, to adhere to a "fixed wage-share" vis-à-vis the total value-product? The notion is as ingenious as would be the attempt, say, to establish a law that raw materials must constitute exactly one-third of the total price of all commodities produced. From any given standpoint of the capitalist mode of production, it is clear that Rodbertus's main idea—an idea of which he was so proud and on which he sought to build as if it were a new Archimedean discovery that would enable him to provide a radical remedy for capitalist production—is sheer nonsense; such a position could only be arrived at from the confusion in value theory that in Rodbertus's case culminates in the following incomparable proposition: "now [in a capitalist society—*R. L.*], the product must have exchange-value just as it had to have use-value in the ancient economy."[211] People in ancient society had to eat bread and meat in order to live, but now, however, hunger can be satiated just by knowing the price of meat and bread! What stands out most clearly from Rodbertus's fixation on a "fixed wage share" is his complete inability to comprehend capitalist accumulation.

The previous quotations reveal that Rodbertus only takes simple reproduction into account, which accords with his inverted conception of the aim of capitalist production as the production of objects for consumption in order to satisfy "human needs." However, he repeatedly refers to the "replacement of capital" and to the fact that capitalists must be in a position to "continue their enterprise on the previous scale." His main argument is directly opposed to the accumulation of capital, however. To fix the rate of surplus value, to prevent its growth, is to paralyze the accumulation of capital. Indeed, for both Sismondi and von Kirchmann, the question of the equilibrium between production and consumption was one of accumulation—i.e. of expanded capitalist reproduction. Both of them derived disturbances to the equilibrium of reproduction from accumulation, which they both considered to be impossible. The only difference between them was that one recommended curbing the productive forces as a remedy, whereas the other advocated their increased use in luxury production, so that the entire surplus value would be consumed without remainder. In this instance, too, Rodbertus follows his own path. Whereas Sismondi and von Kirchmann sought, more or less successfully, to grasp the *phenomenon* of capitalist accumulation, Rodbertus opposes the *very concept*: "Economists since Adam Smith have one after the other echoed the principle, setting it up as a universal and absolute truth, that capital could only come about by saving and hoarding."[212]

Rodbertus marshals his best weapons against this "deluded judgment," and he devotes sixty printed pages to a meticulous demonstration that capital is not generated by saving, but by labor; that the economists' "delusion" in relation to "saving" stems from their erroneous conception that productivity increases are an inherent feature of capital; and that this error derives from yet another: that capital is capital.

For his part, von Kirchmann understood very well what lay behind capitalist "saving." He argues the point nicely as follows:

> Everyone knows that the accumulation of capital is not a mere hoarding of reserves, an amassing of metal and monies to remain idle in the owners' vaults. Those who want to save do it for the sake of re-employing their savings either personally or through the agency of others as capital, in order to yield them revenue. That is only possible if these capitals are used in new enterprises that can produce so as to provide the required interest. One may build a ship, another a barn, a third may cultivate barren heathland, a fourth may order a new spinning frame, while a fifth, in order to enlarge his shoe-making business, may buy more leather and employ more journeymen—and so on. Only if the capital that has been saved is employed in this way, can it yield interest [i.e., profit—*R. L.*], and the latter is the ultimate purpose of all saving.[213]

The process described here by von Kirchmann—correctly on the whole, despite his clumsy choice of words—is nothing other than that of the capitalization of surplus value, i.e. that of capitalist accumulation; this is precisely the sense of what classical political economy since Smith had intuitively advocated as "saving." Von Kirchmann is thus completely consistent from his point of view when he attacks accumulation and "saving," given that, in his conception, as in that of Sismondi, crises are the direct result of accumulation. Here, too, Rodbertus is the "more rigorous" man. To his misfortune, the Ricardian theory of value affords him the insight that labor is the only source of value, and thus of capital. This elementary knowledge is more than sufficient to render him completely blind to all the complex relations of the production and movement of capital. Since capital is generated by labor, the accumulation of capital—i.e., "saving," the capitalization of surplus value—is nonsensical as far as he is concerned.

In order to unravel this tangled web of errors "by economists since Adam Smith," Rodbertus takes an "isolated husbandsman,"[*] and, performing a lengthy dissection of the unfortunate creature, finds evidence for any point that he needs to demonstrate. Thus he finds "capital" already present here, that is to say, of course, the famous "original stick," which "economists since Smith" had used to beat the fruits of their theory of capital down from the tree of knowledge. Rodbertus asks whether the stick originates in "saving." Since any normal person knows that a stick cannot be generated by "saving," but that Robinson Crusoe has to carve it from wood, this is already proof that the "savings theory" is totally false. Next, the "isolated husbandsman" beats a fruit down from the tree with his stick; this fruit is his "income."

> If capital were the source of revenue, this relation would already be evident in this most primordial and elementary occurrence. Would it be true to say, then, without doing violence to facts and concepts, that the stick is a *source* of income or of part of the revenue consisting in the

> fruit brought down? Can we trace revenue, wholly or in part, back to the stick as its *cause*, may we consider it, wholly or in parts, as a *product of the stick*?[214]

Certainly not. Furthermore, since the fruit is the product, not of the stick that was used to beat it down, but of the tree on which it has grown, Rodbertus has already proved that all "economists since Smith" were grossly mistaken when they claimed that revenue derives from capital. After this clarification of all the fundamental concepts of economics by referring to Robinson Crusoe's "economy," Rodbertus transfers the knowledge so gained first to a fictitious society "without ownership in capital or land" (i.e., a society based on communist property), and then to a society "with ownership in capital and land" (i.e., contemporary society). Here he observes that all the laws of Robinson Crusoe's economy also apply, point for point, in these two forms of society. Thus Rodbertus establishes a theory of capital and revenue to crown his utopian fantasy. Since he has discovered that, in Robinson Crusoe's case, "capital" is plainly and simply the means of production, thereby reducing capital to constant capital with a simple wave of the hand, he protests in the name of justice and morality against the idea that the workers' means of subsistence, their wages, can also be considered capital. He fiercely resists the *concept* of variable capital, for this concept is the root of all evil! "If only," he pleads, "economists would pay attention to what I say, if only they would examine without prejudice whether they are right or I. This is the focal point of all errors in the dominant system about capital, this is the ultimate source of injustice against the working classes, in theory and practice alike."[215]

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* That is, a lone individual producing his own means of subsistence, a Robinson Crusoe figure "running his own economy." See Marx's critique of this mode of argumentation by the political economists in *Capital*, Vol. 1, pp. 169–77.

Justice demands, then, that "real wage goods" of the workers should not be counted as capital, but as belonging to the category of revenue. Rodbertus is well aware that for the capitalist, the wages "advanced" are just as much part of his capital as are his outlays on dead means of production. However, according to Rodbertus, this only applies to individual capitals. As soon as he considers the total social product and reproduction as a whole, he declares the capitalist categories of production to be an illusion, a malicious lie, and an "injustice":

> Capital *in itself*, the objects that make up capital, capital from the nation's point of view, is something quite different from private capital, capital *assets*, capital *property*, all that "capital" in the modern use of the term usually stands for.[216]

Individual capitalists engage in capitalist production, whereas society as a whole produces just like Robinson Crusoe—i.e., as a single collective owner—and thus its production is communist:

> It makes no difference from this general and national point of view that greater or smaller parts of the aggregate national product in all the various phases of production are now owned by private persons who in no way are to be counted among the actual producers, and that the latter —without sharing in the ownership of their own product—always manufacture this national aggregate product in the service of these few owners.

It is true that certain specific peculiarities of the relations within the society as a whole result from this, namely (1) "exchange" as mediation and (2) the unequal distribution of the product.

> Yet all these effects do not affect the movement of national production and the configuration of the national product, which in general always remain the same (as under the rule of communism), no more than they alter in any respect, as far as the national point of view is concerned, the contrast between capital and revenue so far established.

Sismondi, like Smith and many others, had put a lot of effort into disentangling the concepts of capital and revenue from the contradictions of capitalist production; Rodbertus, on the other hand, makes the matter easier for himself: as far as society as a whole is concerned, he simply disregards all form-determinations of capitalist production and labels the means of production "capital" and means of consumption "revenue"—*basta!*

"Ownership in land and capital only exerts an essential influence in relation to individuals engaging in relations of exchange. If the nation is taken as a unit, the effects of such ownership upon the individuals completely disappear."[217] As can be seen, Rodbertus displays a propensity for underestimating the historical particularities of production typical of the utopian, and the observation that Marx makes about Proudhon fits him like a glove: as soon as he speaks of society as a whole, it is as if it were no longer capitalist.[*] On the other hand, Rodbertus's example is yet another demonstration of how the political economists before Marx groped around helplessly in their attempts to reconcile material aspects of the labor-process with the value-dimension of capitalist production, or the forms of movement of individual capitals with those of total social capital. Such attempts usually swing back and forth between two extremes: the vulgar conception à la Say and McCulloch on the one hand, for whom the only standpoint is that of individual capitals; and the utopian conception à la Proudhon and Rodbertus on the other, for whom there is only the standpoint of the labor process. It is in this context that Marx's elucidation of the whole problem through the schema of simple reproduction can first be properly appreciated; here all these various standpoints are combined in their consonances and contradictions, and the hopeless confusion of innumerable tomes is resolved into two rows of figures of astonishing simplicity.

It goes without saying that capitalist appropriation is unintelligible from such a conception of capital and revenue as that of Rodbertus. The latter simply brands this appropriation "theft" and impugns it before the tribunal of property rights as a callous violation of these rights:

> This personal freedom of the workers, which legally implies ownership in the value of the labor product, leads in practice to their alienation of this proprietary entitlement as a consequence of the coercion exercised by property in land and capital; but the owners do not admit to this great and universal wrong, almost as though they were instinctively afraid that history might follow its own stern and inexorable logic.
>
> This theory [i.e. Rodbertus's—*R. L.*] in all its details is therefore conclusive proof that those who eulogize present-day relations of ownership without being able at the same time to ground ownership in anything but labor, completely contradict their own principle. It proves that the property relations of today are in fact founded on a universal violation of this principle, that the great individual fortunes being amassed in society nowadays are the result of cumulative robbery mounting up in society with every newborn worker since time immemorial.[218]

Just as surplus value is dubbed "theft," the rising rate of surplus value appears "as a strange error of present-day economic organization."[219] In his first pamphlet,[*] Proudhon at least spins out [Jacques Pierre] Brissot's paradoxical and raw, but revolutionary-sounding proposition: "property is theft." Rodbertus, on the other hand, argues that capital is the theft of property. A comparison with the chapter in the first volume of Marx's *Capital* on the inversion of the law of property into the law of capitalist appropriation, which represents a masterpiece of historical dialectic, confirms once again Rodbertus's precedence over Marx. In any case, Rodbertus's denunciations of capitalist appropriation from the standpoint of "the right of property" prevent him from understanding how capital generates surplus value, just as his earlier declamations of "saving" hindered him from grasping how capital has its origins in surplus value. In this way, all the presuppositions for an understanding of capitalist accumulation are beyond Rodbertus's grasp, and he even manages to lose out to von Kirchmann on this score.

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* See Marx, *The Poverty of Philosophy* in *Marx and Engels Collected Works*, Vol. 6, p. 184.

In summary, Rodbertus wants the unrestricted expansion of production, but without any "saving"—i.e. without capitalist accumulation! He wants the unrestricted augmentation of the productive forces—but a fixed rate of surplus value set by state legislation! In a word, he displays a total lack of understanding of the actual foundations of the capitalist production that he wants to reform, and an ignorance of the most important results of the classical economics of which he is so critical.

No wonder, then, that Professor Diehl should be moved to state that Rodbertus has produced pioneering work in economic theory through his "new theory of income" and through his distinction of the logical and historical categories of capital (i.e. his contrast between "capital in itself" and individual capitals). Nor that Professor Adolph Wagner should be likewise moved to call Rodbertus the "Ricardo of economic socialism," thus demonstrating his own innocence in relation to Ricardo, Rodbertus, and socialism in one fell swoop. Lexis even finds that Rodbertus at least equals "his British rival" in the power of abstract thought, and is by far his superior in the "virtuosity to expose the deepest interconnections of the phenomena," in "imaginative vitality," and above all in his "ethical approach to economic life." In contrast, Rodbertus's real achievements in economic theory apart from his critique of Ricardo's ground rent are mostly lost on the former's official admirers: such achievements include Rodbertus's at times totally clear distinction between surplus value and profit; his treatment of surplus value as a whole in deliberate contrast with its partial manifestations; his partly excellent critique of Smith's theory of the value-composition of commodities; his acute formulation of the periodicity of crises and his analysis of the forms in which they manifest themselves—all valuable attempts to take the analysis beyond Smith and

Ricardo, but that were admittedly doomed to fail on account of his confusion in relation to fundamental theoretical concepts. It was Rodbertus's peculiar lot, as Franz Mehring has pointed out, to be praised to the heavens for his alleged feats of economic theory, but treated by the very same people "as a stupid boy" on account of his real political merits.[*] The contrast between his economic and his political achievements is of no concern here, however; even in the realm of economic theory, his admirers built him a great monument on the barren field that he had dug with the incorrigible zeal of the visionary, at the same time as they allowed the few modest beds in which he had sown a few fertile seedlings to become overgrown with weeds and forgotten.[220]

[*] This is a reference to Proudhon's first and perhaps most famous work, *Qu'est-ce que la propriéte? Ou recherches sur le principe du droit et du gouvernement* (Paris: J.F. Brocard, 1840).

On the whole, it would be difficult to claim that this Prussian-Pomeranian treatment of the problem of accumulation represented any advance beyond the first controversy. If the theory of economic harmony had dropped from its Ricardian heights to the level of [Frédéric] Bastiat and [Franz Hermann] Schulze, social critique had plummeted correspondingly from Sismondi to Rodbertus. Furthermore, if Sismondi's critique in 1819 was an event of historical significance, Rodbertus's ideas on reform already marked a deplorable regression when they were first aired, and even more so in their later iterations.

In the polemic between Sismondi, on the one hand, and Say and Ricardo, on the other, one party demonstrated the impossibility of accumulation as a result of crises, and warned against the development of the productive forces. The other party proved the impossibility of crises and advocated the unrestricted development of accumulation. Each party was logically consistent in its own way, despite starting out from false premises. Von Kirchmann and Rodbertus both take the fact of crises as their starting point, as was inevitable. Although, given the historical experience of half a century, crises had clearly shown themselves, precisely through their periodicity, to be the mere *form of motion* of capitalist reproduction, the problem of the expanded reproduction of total social capital—i.e. the problem of accumulation—was fully identified with the problem of crises and was thus sidetracked into the search for a remedy against crises. One party thus sees the solution to this problem in the consumption without remainder of the surplus value by the capitalists, such that they forgo accumulation; the other sees the solution in the fixing of the rate of surplus value by law, such that the opportunity to accumulate is likewise relinquished. Rodbertus's quirk in this regard was to hope for and advocate an unconfined capitalist expansion of the productive forces and of wealth without capitalist accumulation. At a time when the maturity of capitalist production would soon enable Marx to carry out its fundamental analysis, the last attempt of bourgeois economics to resolve even the problem of reproduction degenerated into an inane and infantile utopianism.

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* See Franz Mehring, "Zur neueren Rodbertus-Literatur," *Die Neue Zeit*, Vol. 12, No. 2 (1893/1894), p. 528.

Third Round—Struve/Bulgakov/Tugan-Baranovsky vs. Vorontsov/Danielson* [221]

Chapter 18. A New Version of the Problem

The third controversy around the question of capitalist accumulation played itself out in a completely different historical context than that of the two preceding ones. The action this time takes place from the beginning of the 1880s to the middle of the 1890s, and the setting is Russia. Capitalist development had already reached maturity in western Europe. The previous, rosy conception of the classical economists, Smith and Ricardo, which was formed while bourgeois society was burgeoning, had long since faded. The self-interested optimism of the vulgar Manchester doctrine of harmony had also been silenced by the devastating impact of the world crash of the 1870s[†] and under the heavy blows of the intense class struggle that had broken out in all capitalist countries since the 1860s.[‡] Even the widespread social reformist attempts to shore up economic harmony in Germany in the early 1880s had ended in a hangover: the twelve-year trial period of the Emergency Law against Social Democracy[§] had had a brutally sobering effect and ultimately tore away all the veils of harmony, revealing jarring capitalist antagonisms in all their naked reality. Since then, optimism was only possible in the camp of the rising working class and the theorists acting as its spokespersons. To be sure, this was not an optimism in relation to any supposedly natural or artificially produced internal equilibrium of the capitalist economy, or in relation to its eternal durability, but rather in the sense that its powerful stimulation of the development of the productive forces, precisely on account of its internal contradictions, lays the ideal historical ground for the progressive development of society toward new economic and social forms. The negative, depressing tendency of the first period of capitalism, originally only registered by Sismondi, and which Rodbertus still discerned in the 1840s and 1850s, was now offset by an uplifting tendency: the auspicious and victorious rise of the working class in its trade union and political action.

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[*] In the original, Luxemburg referred to Nikolai Danielson by his pen name, “Nikolaion,” in order to protect him from the Tsarist censorship of the time. Unfortunately, later English editions of *The Accumulation of Capital* issued long after his death continued to refer to him as “Nikolaion,” thereby obscuring Danielson’s important role in history. Throughout this edition we have restored his original name to the text.

† A severe economic depression swept North America and Europe from 1873 to 1879, largely caused by excessive speculative investments in railroads.

‡ Foremost among these class struggles were the struggles for the shortening of the working day, which Marx discussed in detail in Chapter 10 of Volume One of *Capital*. The struggles of freed slaves during and after the U.S. Civil War was also of critical importance in this upsurge.

§ The Anti-Socialist Laws (officially termed the "Law Against the Public Danger of Social Democratic Endeavors") was introduced in Germany by Bismarck in 1878 and lasted until 1890. Although it did not explicitly ban the Social-Democratic Party, it banned newspapers, public events, and trade unions that the government considered "subversive."

Such was the backdrop in Western Europe. The situation was certainly different in Russia at the time. Here, the 1870s and 1880s were a transitional period, a phase of internal crisis with all its attendant distress. Large-scale industry was in fact just enjoying its penetration into Russia under the impact of the period of heavy protective tariffs. A particular cornerstone of the absolutist regime's policy of proactively boosting capitalism was the introduction of a tariff on gold on the western frontier in 1877.* The "primitive accumulation" of capital thrived wonderfully in Russia from its promotion by all manner of state subsidies, guarantees, premiums, and orders placed by the government, and reaped profits that would have seemed the stuff of legend in the West at the time. As a result, internal conditions in Russia offered nothing less than an attractive and promising picture at the time. In the countryside, the decline and disintegration of the peasant economy under the pressures of heavy taxation and the monetary economy yielded terrible conditions, periodic famines, and peasant unrest. On the other hand, the factory proletariat in the cities had not yet consolidated itself, either socially or intellectually, into a modern working class. For the most part, it was still conjoined with the rural economy and had a semi-peasant character, particularly in the largest industrial region of Moscow-Vladimir, which was the most important center of the Russian textiles industry. In accordance with this situation, primitive forms of exploitation elicited primitive expressions of resistance. It was not until the early 1880s that the spontaneous factory revolts in the Moscow region, in which machines were smashed,† provided the stimulus for the first foundations of factory legislation in the Tsarist empire.

If the economic side of public life in Russia revealed the shrill dissonances of a period of transition with every step, there was a corresponding crisis in intellectual life. "Populism," the indigenous Russian variant of socialism,‡ which was theoretically grounded in the peculiarities of Russia's agrarian constitution, was politically bankrupt after the fiasco of its most revolutionary expression, the terrorist party of *Narodna Volya*.§ On the other hand, the first writings of Georgi Plekhanov, which were to facilitate the introduction of Marxist lines of thought into Russia, did not appear until 1883 and 1885, and seemingly had little influence for approximately another decade after that. During the 1880s and into the 1890s, the intellectual life of the Russian intelligentsia, especially the socialist intelligentsia with its orientation toward opposition, was dominated by a bizarre concoction incorporating "indigenous" residues of Populism alongside various elements of Marxian theory; the most salient feature of this theoretical mishmash was a skepticism in relation to the possibilities of the development of capitalism in Russia.

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* In 1877 the Russian government significantly increased tariffs in order to foster the development of domestic capitalist industry, especially in Ukraine.

† The spontaneous strikes of factory workers in Russia in the 1880s reached their highpoint in January 1885, at the Morozov Factory in the city of Orekhovo-Zuevo (near Moscow), when over 8,000 workers ransacked the factory and destroyed its deeds of ownership. As a result of the strikes, the Russian government was forced to make a number of concessions to the fledgling labor movement.

‡ The Russian Populists, or Narodniks, opposed the destruction of the Russian rural commune (the *obshchina*) and argued that it could serve as the basis for modern economic development. Many of them became leading socialists and were among the first radicals in Russia to study Marx and translate his works into Russian. They viewed the peasantry as the foremost revolutionary class.

§ *Narodna Volya*, "People's Will," was the main revolutionary organization of the Russian Populist movement of the 1870s and 1880s. It contained a mixture of democratic and socialist demands, among them being preservation and defense of the commons, freedom of speech, religion, and assembly, and workers' control of production. In 1881 one of its members succeeded in assassinating Tsar Alexander II.

The Russian intelligentsia had been preoccupied from an early date by the question as to whether Russia should undergo capitalist development following the example of Western Europe. Russian intellectuals had primarily observed only the dark side of capitalism, its devastating effect on traditional, patriarchal forms of production and on the prosperity and livelihood of broad masses of the population. On the other hand, Russian peasant communal land ownership—the famous *obshchina**—appeared as a possible starting point for a higher social development in Russia, which would bypass the capitalist stage with all its attendant misery, taking a shorter and less painful route than the Western European countries to the promised land of socialism. Would it be right to forfeit such a fortunate and exceptional situation, such a unique historical opportunity, by destroying peasant forms of ownership and production through the forcible transplantation of capitalist production to Russia with the help of the state, thus opening the floodgates to the proletarianization, impoverishment, and precarization of the working masses?

This fundamental problem had dominated the intellectual life of the Russian intelligentsia since the agrarian reform[†] and even earlier, since Herzen and especially since [Nikolai] Chernyshevsky; it formed the central axis around which a whole idiosyncratic worldview—"Populism"—had constituted itself. This intellectual orientation generated a vast literature reflecting its various strands and tendencies, from the markedly reactionary doctrines of Slavophilism to the revolutionary theory of the terrorist party. On the one hand, it unearthed a wealth of material in individual inquiries into the economic forms of Russian life, especially on "handicraft production" and its own particular forms, the agriculture of the peasant commune, the domestic industry of the peasants, the "*artel*,"[‡] and also on the spiritual and intellectual life of the peasantry, sects, and similar phenomena. On the other hand, a peculiar type of belles lettres emerged as the artistic reflection of contradictory social relations, in which the old wrestled with the new and assailed the mind with difficult problems at every step. Finally, in the 1870s and 1880s there grew from the same root an original, home-baked philosophy of history, "the subjective method in sociology," that aimed to establish "critical thought" as the decisive factor in social development, or, to be more precise, to pose the *déclassé* intelligentsia as the bearer of historical progress; it numbered among its exponents Pyotr Lavrov, Nikolai Mikhailovsky, Professor [Nikolai] Kareyev, and V. Vorontsov.[*]

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[*] The *obshchina* was an agrarian commune, where land was collectively possessed (or owned) and worked by the peasants. Until the early twentieth century, the vast majority of Russian peasants were linked to the *obshchina*.

[†] This refers to the Peasant Reform of 1861, which eliminated serfdom and enabled peasants to purchase land from private owners.

‡ The *artel* was a cooperative association of laborers, often linked to a village commune or *obshchina*. It was destroyed by Stalin's economic policies of the 1930s.

Only one aspect of these broad fields of "Populist literature," with all their ramifications, is of interest here: the battle of opinions over the prospects for capitalist development in Russia—and even then only insofar as the debate rests upon general considerations of the way in which the capitalist mode of production is socially conditioned. Such considerations were to play a large role in the literature of the Russian debates of the 1880s and 1890s.

The point of contention was at first Russian capitalism and its prospects, whereas the resulting debate naturally extended itself to the general problem of the development of capitalism, in which the example and experiences of the West played a singular role as a source of evidence.

One fact was of decisive importance for the theoretical content of the ensuing debate: not only was Marx's analysis of capitalist production, as laid down in the first volume of *Capital*, already the common patrimony of educated Russia, but the second volume, with Marx's analysis of the reproduction of total social capital, had been published in 1885.[†] This affords the discussion a substantially different character. The real crux of the argument is no longer displaced by the problem of crises, as in the earlier cases. Now, for the first time, the problem of the reproduction of the total social capital—the problem of accumulation—is located in its pure form at the center of the argument. Similarly, the analysis no longer gets lost in helpless fumblings around the concepts of revenue and capital, individual capital, and total social capital. Marx's schema of social reproduction now provides a solid framework for the debate. Finally, it is not a case this time of an argument between proponents of the Manchester doctrine on the one hand and social reformers on the other, but between two variants of socialism. In this debate, the petty-bourgeois, muddled, "Populist" variant of Russian socialism, which nonetheless regularly cites Marx, represents the position of skepticism—in the spirit of Sismondi and, in part, Rodbertus—in relation to the possibility of capitalist development; the position of optimism is taken up by the Russian Marxist school. There has thus been a complete change of scenery.

[*] The subjective method in sociology was widely embraced by many German as well as Russian sociologists of the late nineteenth and early twentieth century, as part of an effort to account for cultural norms, symbols, and values that could not be understood within a positivist perspective.

[†] Danielson, who carried on an extensive correspondence with Marx and Engels, published the first Russian translation of Volume 1 of *Capital* in 1872. He also translated and published Russian editions of Volume 2 of *Capital* in 1885 and Volume 3 of *Capital* in 1896. Although Danielson's writings, which argued that Russia could greatly shorten or even bypass the stage of capitalist development, were strongly criticized by such orthodox Marxists as Plekhanov, Axelrod, and Lenin, Marx himself held his work in very high regard.

There were two main exponents of the "Populist" tendency in Russia: Vorontsov and Danielson. The former, who was known in Russia mainly under his nom de plume, V. V. (his initials), was a peculiar fellow: his economics were completely confused, and he was not to be taken seriously as a theorist. By contrast, Danielson was broadly educated and had a thorough knowledge of Marxism; he was the editor of the Russian translation of the first volume of *Capital* and a personal friend of Marx and Engels, with whom he maintained a brisk correspondence (published in Russian in 1908). It was above all Vorontsov, however, who had exerted a great influence on the publicly held opinions of the Russian intelligentsia in the 1880s, and Russian Marxists were thus obliged to combat him in the first line of struggle. In terms of the question that is of interest here—i.e. that of the possibilities of the development of capitalism—there emerged in the 1890s a whole succession of opponents to the two above-mentioned representatives of the position of skepticism. Armed with the historical experience and knowledge gained in Western Europe, this new generation of Russian Marxists—Professor [N. A.] Kablukov, Professor [Aleksandr] Manuilov, Professor Issayev, Professor [I. I.] Skvortsov, Vladimir Lenin, Peter Struve, [Sergei] Bulgakov, and Professor [Michael] Tugan-Baranovsky—entered the fray alongside Georgi Plekhanov. The following discussion will be mainly restricted to Struve, Bulgakov, and Tugan-Baranovsky, since each of these three delivered a more or less self-contained critique of the opposing theory in relation to the problems being considered here. This at times brilliant battle of wits, which enthralled the Russian socialist intelligentsia in the 1890s, and which concluded with the undisputed triumph of the Marxian school, officially inaugurated the penetration of Marxism, as a theory of economic history, into Russian scientific thought. During this time, "Legal" Marxism[*] took possession of the universities, the journals, and the economic book market in Russia—

with all the negative consequences that such a situation implied. Ten years later, when the revolutionary uprising of the proletariat demonstrated in the streets the optimistic flipside of the potential for development of Russian capitalism, none of this *Pleiad** of Marxist optimists, with only one exception, was to be found in the proletarian camp.

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* The “Legal Marxists”—called thus because their writings, unlike those of almost all other Marxists and revolutionaries of the time in Russia, were allowed to be legally published free of censorship restrictions—argued in opposition to the Populists that Russia must inevitably pass through a capitalist stage of development before being ready for a socialist transformation. Although most of the Legal Marxists were initially members of the Russian Social-Democratic Labor Party (which split into Bolshevik and Menshevik factions in 1902), their justification for the development of capitalism in Russia on the grounds that it was a historically progressive phenomenon led them to move to the right, with many of them becoming liberals or conservatives by the time of the 1905 Russian Revolution.

* In Greek mythology the *Pleiades* were the seven daughters of the titan Atlas and seanymph Pleione.

Chapter 19. Vorontsov and his "Surplus"

What led the proponents of "Populist" theory in Russia to the problem of capitalist reproduction was their conviction that there was no prospect of capitalism in that country, and more precisely, their belief that this was due to the lack of markets in which to sell commodities. Vorontsov laid out his theory in this regard in a series of articles in the magazine *Otechestvennye Zapiski*[*] [Jottings from Our Native Land] and in other journals that were collected and published in 1882 under the title *Sudby kapitalizma v Rossii* [The Destiny of Capitalism in Russia]; he gave subsequent expositions in "The Commodity Surplus in the Supply of the Market" [1883],[221] "Militarism and Capitalism" [1889],[222] in a volume entitled *Nashi napravleniia* [Our Trends (1893)], and finally in *Outlines of Economic Theory* [1895]. Vorontsov's position vis-à-vis capitalist development in Russia is not so easy to identify. He stands neither on the side of the purely Slavophile theory that derived the perversity and perniciousness of capitalism for Russia from the "peculiarities" of the latter's economic structure and its particular "*Volksgeist*," nor on the side of the Marxists, who regarded capitalist development as an unavoidable historical stage that would, also in the Russian case, clear the only viable path toward social progress. For his part, Vorontsov maintained that capitalism was simply impossible in Russia: it had no roots, and no future. It would be equally as perverse to execrate it as to wish for it, since in Russia the very preconditions for capitalist development are lacking; accordingly, all attempts by the state to nurture capitalism in Russia, with all the sacrifices they imply, would be in vain: love's labor's lost. However, on closer inspection, it can be seen that Vorontsov subsequently qualifies this assertion very substantially. If the focus is not the accumulation of capitalist wealth, but rather the capitalist proletarianization of petty producers, the precarious existence of workers, and periodic crises, then Vorontsov does not deny any of these phenomena. On the contrary, he explicitly states the following in the preface to *The Destiny of Capitalism in Russia*: "While I dispute the possibility of capitalism becoming the predominant form of production in Russia, I do not intend to commit myself in any way as to its future as a form or degree of exploitation of the nation's forces."

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* *Otechestvennye Zapiski* (Jottings from Our Native Land) was a Russian literary-political magazine founded in St. Petersburg in 1818. In the 1830s and 1840s it became an important vehicle for discussions among the Russian intelligentsia; its contributors included Alexander Herzen and Vissarion Belinsky. By the 1880s it became a major voice of the Narodniks. In 1877 Marx wrote a letter to its editors, objecting to an article by N. Mikhailovsky that attributed to him the view that Russia's indigenous communal formations of land ownership needed to undergo dissolution before Russia could enter a socialist stage of development. The title of the journal was mistranslated as "Patriotic Memoirs" in both the German edition of *The Accumulation of Capital* found in Luxemburg's *Gesammelte Werke*, Vol. 5 (Berlin: Dietz Verlag, 1975) and in Anges Schwarzschild's earlier English translation (New York: Modern Reader, 1951). The adjective *otechestvenny* is generally used for an item of domestic, or native, manufacture; hence, the literary-political editors and authors of the magazine clearly meant it as a vehicle for *writings from our native land* (as opposed to material written by foreigners). *Zapiski* comes from the verb *zapisyvat*, which means to "note down, write down, jot down, record."

Vorontsov thus considers that capitalism in Russia simply cannot reach the same degree of maturity as in the West; by contrast, the process of the separation of the immediate producers from the means of production is to be expected in Russian circumstances. Indeed, Vorontsov goes even further. He does not at all dispute the possibility of the development of capitalist forms of production in certain branches of Russian industry, and even allows for capitalist exports from Russia to external markets. However, he states the following in his essay "The Commodity Surplus in the Supply of the Market":

> In several branches of industry, capitalist production develops very quickly [in the Russian sense of the term—*R. L.*].[223]
>
> It is most probable that Russia, just like any other country, enjoys certain natural advantages that enable her to act as a supplier of certain kinds of commodities on foreign markets. It is extremely possible that capital can take advantage of this fact and take hold of the branches of production concerned—that is to say the (inter) national division of labor will make it easy for our capitalists to gain a foothold in certain branches. This, however, is not the point. We do not speak of a merely incidental participation of capital in the industrial organization of the country, but ask whether it is likely that the entire production of Russia can be put on a capitalist basis.[224]

Expressed in this form, Vorontsov's skepticism clearly looks somewhat different from what might have been assumed at first. He entertains doubts as to whether the capitalist mode of production will ever be able to take hold of all production in Russia. However, it has yet to perform such a feat in any country in the world, including the U.K. Such skepticism in relation to the future of Russian capitalism would thus apply across the board internationally. Vorontsov's theory does indeed imply general considerations on the nature of capitalism and the essential preconditions its existence, and it rests upon general theoretical conceptions of the process of reproduction of total social capital. Vorontsov provides a clear formulation of the particular connection between the capitalist mode of production and the question of markets as follows:

> The (inter)national division of labor, the division of all branches of industry among the countries engaging in international trade, is quite independent of capitalism. The market that comes into being in this way, the demand for the products of different countries resulting from such a division of labor among the nations, has intrinsically nothing in common with the market required by the capitalist mode of production … The products of capitalist industry come onto the market for another purpose; the question whether all the needs of the country are satisfied is irrelevant to them, and they do not necessarily provide the entrepreneur with another material product in exchange that may be consumed. Their main purpose is *to realize the surplus value they contain*. What, then, is this surplus value that it should interest the capitalist for its own sake? From our point of view, it is the surplus of production over consumption inside the country. Every worker produces more than he himself consumes, and all these surpluses accumulate in a few hands; the owners of these surpluses consume them themselves, exchanging them for the purpose against the most variegated kinds of means of consumption and luxuries. Yet eat, drink, and dance as much as they like—they will not be able to squander the whole of the surplus value: a considerable remnant will be left over, which they do not exchange for other products, but which they simply have to dispose of. They must convert this remainder into money, since it would otherwise go to waste. Since there is no one inside the country on whom the capitalists could foist this remnant, it must be exported abroad, and that is why foreign markets are indispensable to countries undergoing capitalist development.[225]

The above quotation, which has been translated literally, preserving all of the peculiarities of Vorontsov's mode of expression, can be taken as a sample to give the reader an inkling of this brilliant Russian theorist, and of the most delightful moments that can be spent reading his work.

Later, in 1895, Vorontsov summarized these ideas in his book, *Outlines of Economic Theory*; it might be instructive to hear what he has to say here. He polemicizes against the viewpoints of Say, Ricardo, and above all John Stuart Mill, who deny the possibility of general overproduction. In so doing, Vorontsov discovers something that was previously unknown to all: he detects the source of all errors of the classical school in relation to crises. According to Vorontsov, this source lies in the bourgeois economists' penchant for an erroneous theory of the costs of production. Yet from the standpoint of the costs of production (which Vorontsov assumes not to include profit, which is likewise an insight that had evaded all before him), both profit and crises are inconceivable and inexplicable. This original thinker deserves to be appreciated in his own words, however:

> According to the doctrine of bourgeois economists, the value of a product is determined by the labor employed in its manufacture. Yet bourgeois economists, once they have given this determination of value, immediately forget it and base their subsequent explanation of the exchange phenomena upon a different theory that substitutes "costs of production" for labor. Thus two products are mutually exchanged in such quantities that the costs of production are equal on both sides. Such a view of the process of exchange indeed leaves no room for a commodity surplus inside the country. Any product of a worker's annual labor must, from this point of view, represent a certain quantity of material of which it is made, of tools that have been used in its manufacture, and of the products that served to maintain the workers during the period of production. It [presumably the product—*R. L.*] appears on the market in order to change its use-form, to reconvert itself into materials, into products for the workers and the value necessary for renewing the tools. As soon as it is split up into its component parts, the process of their reunification, the production process, will begin, in the course of which all the values listed above will be consumed. In their stead, a new product will come into being that is the connecting link between past and future consumption.

From this very peculiar attempt to present social reproduction as a continuous process from the standpoint of the theory of costs of production, the following conclusion is suddenly drawn, as if shot from a pistol:

> Considering thus the total mass of a country's products, we shall find no commodity surplus at all over and above society's requirements; an unsalable surplus is therefore impossible from the point of view of a bourgeois economic theory of value.

After Vorontsov has thus, through his extremely high-handed mistreatment of "bourgeois value theory," excluded profit on capital from the costs of production, he then proceeds to pass off the identification of this omission as a brilliant discovery: "The above analysis, however, reveals yet another feature in the theory of value prevalent of late: it becomes evident that this theory leaves no room for profits on capital."

There now follows an argument that is striking in its brevity and simplicity:

> Indeed, if I exchange my own product, representing a cost of production of 5 roubles, for another product of equal value, I receive only so much as will be sufficient to cover my expense, but for my abstinence [literally—*R. L.*] I shall get nothing.

Here Vorontsov gets to the root of the problem:

> Thus it is proved on a strictly logical development of the ideas held by bourgeois economists that the destiny of the commodity surplus on the market and that of capitalist profit is identical. This circumstance justifies the conclusion that both phenomena are interdependent, that the existence

> of one is a condition of the other, and indeed, so long as there is no profit, there is no commodity surplus … It is different if profit is generated inside the country. Such profit is not organically related to production; it is a phenomenon that is connected with the latter not by technical and natural conditions but by its external, social form. Production requires for its continuation … only material, tools, and means of subsistence for the workers, therefore it consumes by itself only a corresponding part of the products: other consumers must be found for the surplus that makes up the profit, and that finds no place in the constant element of industrial life, in production—consumers, that is, who are not organically connected with production, and are characterized to a certain extent by a certain contingency. The necessary number of such consumers may or may not be forthcoming, and in the latter case there will be a commodity surplus on the market.[226]

Highly satisfied with this "simple" elucidation, in which he has turned the surplus product into an invention of capital and the capitalist into a "contingent" consumer "not organically" connected with capitalist production, Vorontsov proceeds to unfold crises directly from surplus value on the basis of Marx's "logically consistent" labor theory of value, which he claims to have "employed" to develop his argument, as follows:

> If the working part of the population consumes what enters into the costs of production in form of the wages for labor, the capitalists themselves must destroy [literally—*R. L.*] the surplus value, excepting that part of it that the market requires for expansion. If the capitalists are in a position to do so and act accordingly, there can be no commodity surplus; if not, overproduction, industrial crises, displacement of the workers from the factories, and other evils will result.

According to Vorontsov, however, it is "*the inadequate elasticity of the human organism* that cannot expand its capacity to consume as rapidly as surplus value increases" that is ultimately responsible for these evils. He then reformulates this ingenious insight as follows: "The Achilles' heel of capitalist industrial organization thus lies in the incapacity of the entrepreneurs to consume the whole of their revenue."

Here, then, having "employed" the Ricardian theory of value in its "logically consistent" Marxian conception, Vorontsov arrives at the Sismondian theory of crisis, which he also appropriates in the most raw and simplistic form possible. In regurgitating Sismondi's conception, however, he of course believes he is adopting that of Rodbertus: "The inductive method of inquiry," he declares triumphantly, "has resulted in the very same theory of crises and immiseration that had been objectively established by Rodbertus."[227] It is not actually clear what Vorontsov understands by the "inductive method of inquiry" that he contrasts with the "objective" one, but, since everything is possible with him, it might be that he is referring to Marx's theory. Yet nor is Rodbertus to be left "unimproved" by his treatment at the hands of the original Russian thinker. The only correction Vorontsov makes to Rodbertus's theory is to exclude what was for the latter the very core of his system: the setting of a fixed wage-share of the value of the total social product. According to Vorontsov, this measure against crises would also merely be a palliative, since "the immediate cause of the above phenomena (overproduction, unemployment, etc.) is not that the working classes receive too small a share of the national income, but that the capitalist class cannot possibly consume the mass of products falling annually to its share."[228]

Yet, having thus rejected Rodbertus's reform of income distribution, Vorontsov, with his characteristic "strict logical consistency," comes up with the following prognosis for the future destiny of capitalism:

> In the light of the foregoing, if the industrial organization that prevails in West Europe is to prosper and flourish further still, it can only do so provided that some means will be found to destroy [literally—*R. L.*] that portion of the national income that exceeds the capitalist class's capacity to consume but nonetheless falls to its share. The simplest solution of this problem would be a corresponding alteration in the distribution of national income among those who take part in production. If, with each increase in the national income, the entrepreneurs retained for themselves only the portion they need to satisfy all their whims and fancies, leaving the remainder to the working class, i.e. to the mass of the people, then the régime of capitalism would be assured for a long time to come.[229]

This hotchpotch of Ricardo, Marx, Sismondi, and Rodbertus thus ends with the discovery that capitalist production would be radically cured of overproduction, that it could "prosper and flourish" for all eternity, if the capitalists refrained from capitalizing their surplus value and instead donated the corresponding part of the surplus value to the workers.[*] Since the capitalists have not yet become sensible enough to heed the good advice offered to them by Vorontsov, they resort in the meantime to other means for the "destruction" of a part of their surplus value each year. According to Vorontsov, one of these tried and tested means, among others, is modern militarism, and, to be more precise—since Vorontsov can be relied upon to turn everything upon its head—exactly to the extent that the costs of militarism are met from the revenue of the capitalist class rather than from the means of the working population. In the first instance, however, the remedy for capitalism consists, according to Vorontsov, in *external trade*. This is in turn Russian capitalism's Achilles' heel. As the last to arrive at the table of the world market, it comes up short in the face of competition from the older capitalist nations of the West, and thus, with its lack of prospects vis-à-vis external markets, Russian capitalism is deprived of the most important condition for the viability of its existence. Russia remains a "realm of peasants" and "handicraft production."

"If all this is correct," states Vorontsov in the conclusion to his essay on "The Commodity Surplus in the Supply of the Market,"

> then the restrictions upon capitalism's predominance in Russia are given as a result. Agriculture must be removed from its control, and its development in the industrial sphere must not be too devastating for the domestic industry that under our climatic conditions [!—*R. L.*] is indispensable to the welfare of the majority of the population. If the reader is prompted to comment that capitalism might not accept such a compromise, our answer will be: so much the worse for capitalism.

This is how Vorontsov ultimately washes his hands of the matter and declines any personal responsibility for the future destiny of economic development in Russia.

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* This perspective later became the basis of Keynesian fiscal policies.

Chapter 20. Danielson

The economic training and expertise that the second theorist of “Populist” critique, [Nikolai] Danielson, brings to his task is of a different order. One of the best-informed specialists on Russian economic conditions, he had already caused a sensation with his treatise on the capitalization of agricultural revenue, published in the journal *Slovo* [Word] in 1880. Thirteen years later, the great Russian famine of 1891* prompted him to publish a book entitled *Ocherki nashego poreformennogo obshchestvennogo khoziastva* [Outlines of Our Post-Reform Social Economy], in which he pursues these initial lines of inquiry; here, supported by a wealth of data, he provides a broad picture of the development of capitalism in Russia, and seeks to demonstrate that this development is the root of all evil for the Russian people and the cause of the famine. Danielson grounds his views on the future destiny of capitalism in Russia in a specific theory of the conditions for the development of capitalist production in general, and it is this latter theory that is of interest here.

For a capitalist economy, Danielson argues, the existence of a market for commodities produced is of decisive importance. Accordingly, every capitalist nation attempts to secure as large a market as possible for itself; of course it will naturally resort to its own internal market first of all. At a certain level of development, however, the internal market is no longer sufficient for a capitalist nation, and this is for the following reasons. The total new product of social labor can be divided into two parts: one part that the workers receive in the form of wages, and another that is appropriated by the capitalists. As regards the first part, the quantity of means of subsistence that can be withdrawn from circulation corresponds in value terms to the wages paid in that country. However, the capitalist economy has a pronounced tendency to constantly reduce this part. The methods that it uses for this purpose are the lengthening of labor time, the intensification of labor, and the increase in its productivity by means of technical innovations that allow adult male workers to be replaced by women and children, in some cases displacing adult workers from the labor process altogether. Even if the wages of the workers still employed rise, their increase can never match the savings made by the capitalists as a result of these transformations. As a result of all these tendencies, the role of the working class as purchasers on the internal market is constantly diminishing. There is another process that occurs in parallel to this one: step by step, capitalist production takes over the trades that formerly represented subsidiary employment for the agricultural population, thus depriving the peasantry of one means of livelihood after the other, with the result that the purchasing power of the rural population is constantly being eroded vis-à-vis industrially produced goods; accordingly, the internal market is constantly shrinking from this side, too. As for the share of the capitalist class, this is also unable to realize the total newly created product, albeit for opposite reasons. However great the consumption requirements of this class might be, it cannot personally consume the entire annual surplus product. This is the case for three reasons: first, because a part of it must be used for the expansion of production and technical improvements that are imposed by the competitive struggle upon each individual entrepreneur as a condition for his existence; second, because the growth of capitalist production implies the expansion of the branches of industry that produce means of production, such as mining, the machine industry, etc. (the personal consumption of these products is excluded on account of their use-value, which determines their function as capital); third, and finally, because the increased productivity of labor and capital savings that can be achieved in the mass production of cheap commodities orients social production toward precisely these types of mass products that cannot be consumed by the handful of capitalists.

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* A widespread famine spread through the area surrounding the Volga River in 1891–92, due to exceptionally dry conditions. At least half a million people died as a result. The Russian government's refusal to come to the aid of the victims of the famine is widely credited with spurring the rapid growth of revolutionary movements and organizations throughout the country in the following years.

Although the surplus value of one capitalist can be realized in the surplus-product of another and vice versa, this in fact only applies to the products of a specific branch—i.e. that of means of consumption. The main motive of capitalist production is not the satisfaction of personal needs, however. This is also manifested in the constant decline of the production of means of consumption as a whole vis-à-vis the production of means of production:

> Thus we see that the aggregate product of a capitalist nation must greatly exceed the requirements of the whole industrial population employed, in the same way as each individual factory produces vastly in excess of the requirements of both its workers and the entrepreneur, and this is entirely due to the fact that the nation is a capitalist nation, because the allocation of resources within the society is not oriented to satisfying the actual needs of the population but only the effective demand. Just as an individual factory owner could not maintain himself as a capitalist even for a day if his market were confined to the requirements of his workers and his own, so the internal market of a developed capitalist nation must also be insufficient.

When it reaches a certain level, capitalist development thus has the tendency to throw obstacles into its own path. These obstacles are ultimately due to the fact that, as a result of the separation of the immediate producers from the means of production, the increasing productivity of labor does not benefit society as a whole, but only individual entrepreneurs, while a mass of labor-power and labor time is "set free" through this process, such that it becomes superfluous and not merely lost to society, but even a burden upon it. The real needs of the mass of the people can only be better satisfied if the "popular" mode of production, which is founded on the union between the producers and the means of production, gains ascendancy. Yet capitalism tends to take over precisely these spheres of production and thus to destroy the main factor in its own flourishing. The periodic famines in India, for example, which occurred every ten or eleven years, were one of the causes of the periodicity of industrial crises in the U.K.* Sooner or later, every nation that embarks on the path of capitalist development falls into this contradiction, since it is intrinsic to this mode of production itself. The later a given nation embarks upon the capitalist path, however, the more acutely this contradiction asserts itself, since the nation in question will not be able to compensate for the saturation of its internal market on the external one, the latter having been already captured by more established competing countries.

The consequence of the foregoing is that capitalism is restricted by the increasing poverty that its own development entails, or in other words by the growing number of superfluous workers who have no purchasing power at all. The increasing productivity of labor, which satisfies each of society's needs extraordinarily rapidly when these are backed by the ability to pay, corresponds to the growing inability of increasing swathes of the popular masses to satisfy their most pressing needs; the excess of unsalable commodities on the one side corresponds to the broad masses' lack of bare essentials on the other.

These are Danielson's general views.[230] He evidently knows his Marx, and has no doubt availed himself of the first two volumes of *Capital*.[†] Yet his whole argument is thoroughly Sismondian: capitalism itself leads to the contraction of the internal market through the immiseration of the masses, and all the calamities of modern society stem from the destruction of the "popular" mode of production (the small-scale enterprise)—these are his *leitmotivs*. Danielson's eulogies for small-scale enterprise as the only true path to salvation set the tone of his whole critique much more clearly and openly than in the case of Sismondi.[231] The end result is that, for a given society, the realization of the capitalist total social product is impossible internally, and it can only be achieved with recourse to external markets. Danielson is thus led to the same conclusion as Vorontsov, despite their quite different theoretical starting points: for both of them, the lesson to be applied to the case of Russia is that there is an economic justification for skepticism in relation to capitalism. Capitalist development in Russia was cut off from external markets from the outset, and thus has had only negative consequences, causing the immiseration of the popular masses; for these reasons, it was a disastrous "mistake" to promote capitalism in Russia.

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* Some of the worst famines in Indian history occurred during the late eighteenth and nineteenth centuries—the period of British colonial rule. The famines, which took the lives of tens of millions of people, were most often caused not by the lack of food but by inadequate distribution as India became increasingly integrated into the world market, since British colonial authorities compelled India to export large amounts of rice, wheat, cotton, and other crops. In the late nineteenth century, such famines often occurred in roughly ten-year intervals—such as the famines of 1866–67, 1876–78, 1881, etc. Such famines often led to sharp reductions in Indian cotton and opium exports, which were of critical importance in the U.K.'s industrial expansion.

† This is something of an understatement, since Danielson was responsible for translating these works of Marx into Russian.

Having reached this point, Danielson fulminates like an Old Testament prophet:

> Instead of keeping to the tradition of centuries, instead of developing our old inherited principle of a close connection between the immediate producer and his means of production, instead of usefully applying the scientific achievements of Western Europe to forms of production based on the peasants' ownership of their means of production, instead of increasing the productivity of their labor by concentrating the means of production in their hands, instead of taking advantage, not of the form of Western European production, but of its organization, its powerful cooperation, its division of labor, its machinery, etc.—instead of developing the fundamental principle underlying peasant ownership of the land and applying it to the cultivation of the land by the peasants, instead of making science and its application widely accessible to the peasants—instead of all this, we have taken a diametrically opposed path. Not only have we failed to prevent the development of capitalist forms of production, even though they are based on the expropriation of the peasants; on the contrary, all our efforts have served to facilitate the upheaval of our entire economic life, resulting in the famine of 1891.

Although the evil has taken root, it is not yet too late to change course, according to Danielson. On the contrary, a full reform of economic policy is as urgent a necessity in view of the threat of proletarianization and ruin as were Alexander II's reforms after the Crimean War in their time.* The social reform that Danielson recommends is completely utopian, however, and, in comparison with Sismondi's formulation, it exhibits the petty-bourgeois, reactionary dimension of this conception all the more crassly for being formulated some seventy years later. In Danielson's view, the only raft to save Russia from the capitalist deluge is in fact the old *obshchina*, the rural community founded on communal ownership of the land. Onto this communal form are to be grafted the advances of modern large-scale industry and modern technology (although the measures that are to achieve this remain Danielson's secret), in order that it can serve as the foundation of a "socialized" higher form of production. Russia has no choice beyond this alternative: it must either reverse the course of capitalist development, or face ruin and death.[232]

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* A reference to the Peasant Reform of 1861, which freed the serfs. The Crimean War was waged from 1853 to 1856.

Having delivered a devastating critique of capitalism, Danielson thus arrives at the same old "Populist" panacea that had already been hailed in the 1850s as a "specifically Russian" guarantee of a higher social development (and such claims were indeed more justified at the time), and whose reactionary character, as an unviable relic of ancient social organization, Engels had already exposed in his "Refugee Literature" essay in *Volksstaat*. Engels writes,

> Further development of Russia in a bourgeois direction would here also destroy communal ownership little by little, without any need for the Russian government to intervene "with bayonet and knout" [as the revolutionary Populists imagined—*R. L.*] … Under such conditions and under the pressure of taxes and usury, communal landownership of the land is no longer a blessing; it has become a fetter. The peasants often run away from it, either with or without their families, to earn their living as migratory laborers, and leave the land behind them. It is clear that communal ownership in Russia is long since past its period of florescence and, to all appearances, is moving toward its disintegration.[*]

Here, eighteen years before Danielson's main text, Engels had hit the nail on the head in relation to the question of the *obshchina*. If Danielson, with renewed courage, conjured up the same specter of the *obshchina*, this was to prove itself to be deeply anachronistic from a historical point of view—around a decade later the *obshchina* was officially buried by the state.[†] The absolutist government, which for half a century had sought to hold together artificially the apparatus of the peasant land-community for fiscal reasons, found itself obliged to give up this Sisyphean task. It soon became apparent, in relation to the agrarian question, which was the most potent factor in the Russian revolution, how far the old delusions of the "Populists" now lagged behind the actual course of economic events, and, conversely, how forcefully capitalist development, whose stillbirth they mourned and cursed, was able to demonstrate amid lightning and thunder its viability and the fecundity of its ventures. This turn of events in a completely different historical setting proves yet again, and this time definitively, that a social critique of capitalism that starts out theoretically from a position of skepticism as to the possibilities of capitalist development will, with a fatal logic, end up in a reactionary utopianism—this was as true in France in 1819 as it was in Germany in 1842 or in Russia in 1893.[233]

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* See Frederick Engels, *Refugee Literature V: On Social Relations in Russia*, in *Marx and Engels Collected Works*, Vol. 24 (New International Publishers, 1989), pp. 47–8. This pamphlet was first published by Engels as *Soziales aus Rußland* (Leipzig: Verlag des Genossenschaftsbuchdruckerei, 1875).

† This is something of an overstatement, since the *obshchina* remained an important rural institution well into the twentieth century and was not completely eliminated until Stalin's forced industrialization campaign of the 1930s.

Chapter 21. Struve's "Third Parties" and "Three World Empires"

Attention will now be turned to the critique of the above position by the Russian Marxists.

Peter Struve, who in 1894 had given a thorough appraisal of Danielson's book in an article entitled "On Capitalist Development in Russia,"[234] also published in the same year a book in Russian, *Kriticheskie zametki k voprosu ob ekonomicheskom razvitii Rossii* [Critical Comments on the Problem of Economic Development in Russia],[235] in which he criticizes the "Populist" theories from various angles. In terms of the question being dealt with here, however, Struve mainly restricts himself to countering Vorontsov's and Danielson's positions by showing that capitalism does not restrict its internal market—on the contrary, it expands it. Danielson's error, which he has taken over from Sismondi, is in fact patently obvious, according to Struve. Both Sismondi and Danielson had only described one side of the capitalist destruction of the traditional forms of production—i.e. of small-scale enterprise. They could see only the resulting erosion of prosperity and the impoverishment of broad layers of the population. They had not noticed the significance of the other side of this economic process, which consisted in the elimination of the natural economy and the introduction of the commodity economy in its place in the countryside. This implies, however, that capitalism transforms new strata into purchasers of its commodities with every step through its continuous absorption of new layers of previously independent and self-sufficient producers into its own sphere. The course of capitalist development is thus the exact opposite of the one depicted by the "Populists" following the Sismondian paradigm: capitalism does not destroy its own internal market; instead it actually brings it into being, precisely through the proliferation of the money economy.

In particular, Struve refutes Vorontsov's theory that surplus value cannot be realized on the internal market, as follows. He argues that Vorontsov's theory is based upon the idea that a developed capitalist society consists only of entrepreneurs and workers. Danielson, too, operates under this assumption at all times. Struve states that it is of course impossible to conceive of the realization of the capitalist total social product from this standpoint. Vorontsov's theory is also correct insofar as "it states the fact that neither the capitalists' nor the workers' consumption can realize the surplus value, so that the existence of 'third parties' must be presumed."[236] By contrast, Struve maintains that there are probably such "third parties" in every capitalist society. Vorontsov and Danielson's conception is nothing but a fiction "that cannot advance our understanding of any historical process by a hair's breadth."[237] There is no capitalist society, however highly developed, that consists purely of entrepreneurs and workers, argues Struve.

> Even in England and Wales, of every 1,000 inhabitants who are capable of gainful employment, 543 are engaged in industry, 172 in commerce, 140 in agriculture, 81 in casual wage labor, and 62 in the Civil Service, the liberal professions, and the like.

Thus, even in the U.K., there are large numbers of "third parties," and it is in fact they who, through their consumption, help to realize the surplus value that is not consumed by the entrepreneurs. Struve leaves it open whether consumption by these "third parties" is sufficient to realize all surplus value—in any case "the contrary would first have to be proved."[238] For a country as large as Russia, with its enormous population, this is surely not demonstrable. According to Struve, Russia is in fact in the fortunate situation of being able to dispense with external markets, and—here Struve borrows from the intellectual legacy of Professors Wagner, [Albert] Schäffle, and [Gustav von] Schmoller—in this it shares the same happy fate as the United States of America.

> If the example of the North American Union proves anything, it is the fact that, under certain circumstances, capitalist industry can attain a very high level of development almost entirely on the basis of the internal market.[239]

This proposition is illustrated by a reference to the low level of industrial exports from the U.S. in 1882. Struve establishes the following proposition as a general thesis: "The vaster the territory, and the larger the population of a country, the less that country requires external markets for its capitalist development." On this basis, Struve infers a more brilliant future for capitalism in Russia than in other countries—the exact opposite of the "Populist" position:

> On the basis of commodity production, the progressive development of agriculture is bound to create a market wide enough to support the development of Russian industrial capitalism. This market is capable of indefinite expansion, in step with the economic and cultural progress of the country and the concomitant displacement of the natural economy. In this respect, capitalism enjoys more favorable conditions in Russia than in other countries.[240]

Struve paints a detailed and colorful picture of the way in which new markets are opened up for Russia in Siberia, Central Asia, Asia Minor, Persia, and the Balkans thanks to the Trans-Siberian Railway. Struve does not notice that in his prophetic elation he has switched from the "indefinitely expanding" internal market to quite specific external markets. A few years later he was to be found on the side, in a political sense, too, of this sanguine Russian capitalism, whose liberal program of imperialist expansion he had already justified theoretically as a "Marxist."

In fact, what comes across from Struve's argumentation is merely a strong sense of optimism in relation to the unrestricted capacity for development of capitalist production. Actual economic justification for such optimism is rather meager in contrast. For Struve, "third parties" represent the main pillar of the accumulation of surplus value, but he omits to reveal with sufficient clarity what he understands this to mean; his references to British employment statistics in particular indicate that he has in mind the various private employees and public servants, members of the liberal professions—in short, the famous "*grand public*," toward which bourgeois vulgar economists are in the habit of gesturing vaguely when they do not know which way to turn, and of which Marx said that it renders the economist "the service" of explaining things for which he can otherwise find no explanation. It is clear that when the consumption of capitalists and workers is referred to in a categorial sense, what is meant is not the entrepreneur as an individual, but rather the capitalist class as a whole, along with its appended strata of employees, public servants, members of the liberal professions, etc. All these "third parties," who are certainly to be found in every capitalist society, are in economic terms mostly parasites on surplus value, to the extent that they do not also prove to be parasites on wages. These strata can only derive their means of purchase from the wages of the proletariat or from surplus value, or in the best of cases, from both, but as a general rule they should be regarded as parasites on surplus value. Their consumption is thus to be included in that of the capitalist class, and if Struve leads them back on to the stage through a back door, and introduces them as "third parties" to the capitalist in order to save the latter's embarrassment and help him realize his surplus value, the wily profiteer will, with one glance at this general public, instantly recognize the train of leeches who first take the money out of his pocket, only to purchase his commodities with this same money. Struve's "third parties" are thus of no use.

Equally untenable is Struve's theory of the external market and its importance for capitalist production. Here Struve entirely follows the "Populists" in their mechanistic conception—itself derived from the kind of schema to be found in a textbook of any one of the professors—according to which a capitalist country first exploits its internal market as extensively as it can, and only turns to external markets when its internal one is completely or virtually saturated. On this basis Struve, following in the footsteps of Wagner, Schäffle, and Schmoller, also arrives at the vulgar notion that a country with "vast territories" and a large population can form a "self-contained whole" in terms of its capitalist production, and can make do with its internal market alone "indefinitely."[241] As a matter of fact, capitalist production is inherently world production, and from its infancy it begins to produce for the world market, which is precisely the opposite of what is ordained by the pedantic schema of German academic wisdom. In the U.K., its various pioneering branches, such as the textiles, iron, and coal industries, sought out markets in all countries and continents of the world long before the processes of the destruction of peasant ownership, the ruin of handicraft production and of the old forms of cottage industry had run their course. Try offering the German chemical or electrical engineering industries, for instance, the sage advice that, instead of producing for the five continents as they have in fact done since their emergence, they should first rather restrict themselves to the internal German market, which is massively supplied from abroad, because in so many *other* branches it has not yet been saturated by homegrown industries. Or try explaining to the German machine industry that it should not yet launch itself onto external markets, since German imports statistics show in black and white that a large part of Germany's requirements for the products of this branch are met by external suppliers. Such complex interrelations of the world market, with its countless ramifications and with all the nuances of the international division of labor, are unintelligible from the standpoint of this schema of "external trade." The industrial development of the U.S., which has now become a dangerous competitor to the U.K. on the world market and even within the U.K. itself, just as it is able to beat its German competitors on the world market and even within Germany itself in the electrical engineering industry, completely belies Struve's deductions, which were in any case already obsolete when he noted them down.

Struve also endorses the crude conception of the Russian Populists, according to which the international interconnections of the capitalist world economy—with its historical tendency to form a homogeneous living organism with a social division of labor, which itself is based on the whole diversity of production worldwide in terms of natural wealth and conditions—are reduced in the main to the salesman's mundane concern for his "market." Struve accepts Wagner and Schmoller's fiction of the three self-sufficient world empires (the U.K. and its colonies, Russia, and the U.S.), and thus completely ignores or artificially downplays the fundamental role of an unrestricted supply of capitalist industry with foodstuffs, raw and auxiliary materials, and labor-power—a supply that is just as much regulated through the world market as are the sales of finished commodities. The history of the British cotton industry alone, which encapsulates the history of capitalism as a whole, and whose arena spanned the five continents for the duration of the nineteenth century, makes a mockery at every step of these professors' infantile notions, whose only real significance is to provide a convoluted theoretical justification for the system of protective tariffs.

Chapter 22. Bulgakov and His Extension of Marx's Analysis

The second critic of "Populist skepticism," Sergei Bulgakov, wastes no time in flatly rejecting Struve's "third parties" as the sheet anchor of capitalist accumulation. His only reaction to them is a mere shrug of the shoulders:

"The majority of economists before Marx," he declares,

> solved the problem by saying that some sort of "third party" is needed, as a *deus ex machina*, to cut the Gordian knot, i.e. to consume the surplus value. This part is played by landowners indulging in luxuries (as with Malthus), or by extravagant capitalists, or yet by militarism and the like. In the absence of some such extraordinary means, surplus value will find no market in which to be realized; it will be stranded on the markets and the result will be overproduction and crises.[242]
>
> Struve thus assumes that the development of capitalist production can be propped up by the consumption of some fantastic sort of "third party." But wherein lies the source of the purchasing power of this *grand public*, whose special purpose it is to consume surplus value?[243]

For his part, Bulgakov focuses the whole problem from the outset on the analysis of the total social product and its reproduction as given by Marx in the second volume of *Capital*. He understands perfectly that, in order to solve the problem of accumulation, it is first necessary to begin with simple reproduction and to gain a thorough understanding of its mechanism. Here it is especially important to get a clear idea of the consumption of the surplus value and wages of those branches of production that do not produce consumer goods on the one hand, and of the circulation of that part of the total social product representing used up constant capital on the other. This, according to Bulgakov, is a completely new problem, one that economists have completely failed to register, and that was first posed by Marx.

> In order to solve this problem, Marx divides all commodities produced by capitalist production into two great and fundamentally different categories: the production of means of production and that of means of consumption. There is more theoretical importance in this division alone than in all previous disputes over the theory of markets.[244]

It is immediately apparent that Bulgakov is an outspoken and enthusiastic supporter of Marx's theory. He also declares that the object of his inquiry is to reassess the thesis that capitalism cannot exist without external markets.

> For this purpose, the author has made use of the most valuable analysis of social reproduction given by Marx in Volume 2 of *Capital* that for reasons unknown has scarcely been utilized in economic theory. Though this analysis cannot be taken as fully completed, we are yet of opinion that even in its existing, unfinished state it offers an adequate foundation for a solution of the problem of markets that differs from that adopted by Messrs. Danielson, V. Vorontsov, and others, and that they claim to have found in Marx.[245]

Bulgakov formulates the solution that he has derived from Marx himself as follows:

> In certain conditions, capitalism may exist solely by virtue of an internal market. It is not an inherent necessity peculiar to the capitalist mode of production that the external market be able to absorb the surplus of capitalist production. The author has arrived at this conclusion in consequence of his study of the above-mentioned analysis of social reproduction.

By now the reader is keen to hear Bulgakov's argument in support of the above thesis. It turns out to be unexpectedly simple at first. Bulgakov faithfully reproduces the Marxian schema of simple reproduction, adding a commentary that is a testament to his understanding of it. He then cites Marx's equally familiar schema of expanded reproduction—and with that, he has furnished the required proof:

> Consequent upon what has been stated above, it will not be difficult now to determine that in which accumulation consists. Department I (the department producing means of production) must produce the additional means of production necessary for expanding both its own production and that of Department II (the department producing means of consumption). Department II, in its turn, will have to supply additional consumption goods for the expansion of the variable capital in both departments. Disregarding the circulation of money, the expansion of production is reduced to an exchange of additional products of Department I needed by Department II against additional products of Department II needed by Department I.

Thus Bulgakov faithfully follows Marx's exposition and fails to recognize that his thesis remains unproved. He is under the impression that he has solved the problem of accumulation with these mathematical formulae. No doubt the proportions that he has transcribed from Marx are conceivable. It is equally certain that *if* the expansion of production is to occur, it can express itself in these formulae. Bulgakov overlooks the main question, however: *for whom* does such an expansion, the mechanics of which he is examining, occur? Since accumulation can be represented on paper in mathematical formulae, the task has been accomplished. Yet having declared the problem solved in this way, Bulgakov, in his attempt to introduce the circulation of money into his analysis, immediately comes up against the question of where Departments I and II are to obtain the money for the purchase of the additional products. It has been seen in the case of Marx how the weak point of his analysis, the actual question of the consumers for the expanded production, recurs again and again in the distorted form of the question of additional sources of money. Here Bulgakov slavishly follows Marx's approach, and accepts his misleading formulation of the problem, without noticing the displacement that has occurred. Bulgakov does note, however, "Marx himself did not answer this question in the drafts that were used to compile the second volume of *Capital*." It is all the more interesting, then, to see what solution Marx's Russian pupil will attempt to deduce on his own account.

"The following solution," Bulgakov says,

> seems to us to correspond best to Marx's doctrine as a whole: The new variable capital in money-form supplied by Department II for both departments has its commodity equivalent in the surplus value of Department II. It has already been observed in the consideration of simple reproduction that the capitalists themselves must throw the money needed to realize their surplus value into circulation, and that this money ultimately reverts to the possession of the very capitalist from which it originated. The quantity of money required for the circulation of the surplus value is determined, in accordance with the general law of commodity circulation, by the value of the commodities in which this surplus value is contained, divided by the average number of times that money turns over. This same law must apply here; the capitalists of Department II must dispose of a certain amount of money for the circulation of their surplus value, and must consequently possess certain money reserves. These reserves must be ample enough for the circulation both of that portion of the surplus value that represents the consumption fund and of that which is to be accumulated as capital.

Bulgakov further develops the point of view that, to the question of how much money is required for the circulation of a given quantity of commodities within a country, it makes no difference whatsoever whether a part of these commodities represents surplus value or not. "In answer to the general question as to where this money originates from inside the country, however, our solution is that it is supplied by the producer of gold."[246]

If more money is required by the expansion of production, then gold production is increased accordingly. Ultimately, then, the quest leads felicitously to the door of the producer of gold, who already plays the role of *deus ex machina* in Marx. It must be admitted that Bulgakov bitterly disappoints here, given that his new solution had been so eagerly anticipated. "His" solution to the problem has not advanced one *iota* beyond the analysis provided by Marx. It can be reduced to the following three extremely simple propositions: (1) Question: how much money is required in order to realize surplus value? Answer: as much as is necessary according to the general law of commodity circulation. (2) Question: where do the capitalists get this money from in order to realize the capitalized surplus value? Answer: they just have to have it somehow. (3) Question: how does the money enter the country? Answer: it comes from the producer of gold. The extraordinary simplicity of this mode of explanation is not so alluring after all, and instead gives grounds for suspicion.

However it would be superfluous to refute this theory of the producer of gold as a *deus ex machina*. Bulgakov himself refutes it. Some eighty pages later, he returns to the gold producer in a completely different context, namely the wage fund theory, against which, for no apparent reason, he has become embroiled in a wide-ranging polemic. Here, he suddenly develops the following astute insight:

> We know already that, among all the other producers, there is also a producer of gold. On the one hand, the latter increases the absolute quantity of money circulating inside the country, even under conditions of simple reproduction; on the other, he purchases means of production and consumption without, in his turn, selling commodities—i.e. he pays for the goods he buys directly with the general exchange equivalent that his own product represents. Might the gold producer now perhaps render the service of buying the whole accumulated surplus value from Department II and pay for it in gold, which Department II can then use to buy means of production from Department I and to increase its variable capital—i.e. in order to purchase additional labor-power? In this case, the gold producer would now present himself as the real external market.
>
> This assumption, however, is quite absurd. To accept it would mean to make the expansion of social production dependent upon the expansion of gold production. [Bravo!—*R. L.*] This in turn presupposes an unrealistic increase in gold production. If the gold producer were obliged to buy off all the accumulated surplus value from Department II through the purchases of his own workers, his own variable capital would have to grow by the day and indeed by the hour. Yet his constant capital as well as his surplus value would also have to grow in proportion, and gold production as a whole would consequently have to take on immense dimensions. [Bravo!—*R. L.*] Instead of examining whether this absurd presupposition is borne out statistically—which in any case would hardly be possible—a single fact can be adduced that would alone refute it: the development of the institution of credit that accompanies the development of capitalist economy. [Bravo!—*R. L.*] Credit tends to diminish the amount of money in circulation (relatively, rather than absolutely, of course); it is the necessary complement to a developing exchange economy that would otherwise very soon find itself hampered by a lack of coined money. I think we need not give figures in this context to prove that the role of money in exchange transactions is now much reduced. Clearly, the proposed hypothesis thus directly contradicts the facts and must be rejected.[247]

Bravissimo! Well done! Yet Bulgakov hereby “rejects” the only explanation he has offered thus far as to how, and by whom, the capitalist surplus value is realized. Moreover, in this self-refutation, he merely expounds in more detail something that Marx had already said in a single word in describing the hypothesis of the gold producer who swallows up the entire social surplus value as "crude."

In fact, Bulgakov's actual solution, and the one offered in general by the Russian Marxists who have engaged with the problem in detail, lies elsewhere. He, like Tugan-Baranovsky and Lenin,[*] places the emphasis on the fact that the opposing camp—the skeptics—commits a capital error in the value-analysis of the total social product in relation to the possibility of accumulation. The latter—especially Vorontsov—assume that the total social product consists of means of consumption, and proceed from the erroneous presupposition that consumption is the actual purpose of capitalist production. Here, the Marxists explain, lies the root of the whole misconception, and it is from this source that flow the imaginary difficulties of the realization of surplus value that gave the skeptics such a headache:

> This school created nonexistent difficulties because of this mistaken conception. Since the normal conditions of capitalist production presuppose that the capitalists' consumption fund is only a part of the surplus value, and the smaller part at that, the larger being set aside for the expansion of production, it is obvious that the difficulties imagined by this [the Populist—*R. L.*] school do not really exist.[248]

The complacency with which Bulgakov overlooks the problem here is striking—it does not even seem to occur to him that the question of *for whom* becomes unavoidable as soon as expanded reproduction is assumed, whereas it is a question of secondary importance under the assumption that the entire surplus value is personally consumed.

All of these "imaginary difficulties" are dissolved by two discoveries made by Marx, which his Russian pupils never tire of quoting against their opponents. The first is that the value-composition of the total social product is not $v + s$, but $c + v + s$; the second is that, with the advances in capitalist production, the part corresponding to c constantly increases relative to v, while at the same time the capitalized part of surplus value constantly increases relative to the part that is consumed. On this basis Bulgakov establishes a whole theory of the relation of production to consumption in capitalist society. The latter plays such an important role for the Russian Marxists, and especially for Bulgakov, that it is necessary to become thoroughly acquainted with it.

* In the original text, Luxemburg refers to Lenin by his pen name, "Ilyin."

Bulgakov states the following:

Consumption, the satisfaction of social needs, is but an incidental moment in the circulation of capital. The volume of production is determined by the volume of capital, and not by the amount of social requirements. Not only is the development of production unaccompanied by a growth in consumption—the two are in fact mutually antagonistic. Capitalist production knows no other than effective consumption (i.e. consumption backed by the ability to pay), but only such persons who draw either surplus value or labor wages can be effective consumers, and their purchasing power strictly corresponds to the amount of those revenues. Yet it has been shown that the fundamental laws of the development of capitalist production tend to diminish the relative size of variable capital as well as of the capitalists' consumption fund (although these grow in absolute terms). It can be stated, then, that *the development of production diminishes consumption*.[249] The conditions of production and of consumption thus stand in contradiction with one another. Production cannot and does not expand for the sake of consumption. Expansion, however, is an inherent fundamental law of capitalist production and confronts every individual capitalist in the form of a strict imperative to compete. The way out of this contradiction consists in the fact that expanding production itself constitutes a market for additional products. "The internal contradiction seeks resolution by extending the external field of production."[*] [Bulgakov here quotes a proposition of Marx in a completely distorted sense; this point will be returned to later —*R. L.*] It has just been shown how this is possible. [A reference to the analysis of the schema of expanded reproduction—*R. L.*] Evidently, the greater share of the expansion is apportioned to Department I, i.e. to the production of constant capital, and the relatively smaller share to Department II that produces goods for immediate consumption. This alteration in the relations of the two departments shows with sufficient clarity what part is played by consumption in a capitalist society, and it indicates where we should expect to find the most important markets for capitalist commodities.[250]

Even within these narrow constraints [of the profit motive and the crises—*R. L.*], even on this thorny path, capitalist production is capable of unrestricted expansion, irrespective of, and even despite, a decrease in consumption. The Russian literature frequently points out that in view of diminishing consumption a considerable increase of capitalist production is impossible without external markets. This, however, is due to an erroneous evaluation of the part played by consumption in a capitalist society, to the failure to appreciate that consumption is not the ultimate end of capitalist production, and that the latter does not exist by virtue of an increase in consumption but because of an extension of the external field of production that in fact constitutes the market for capitalist products. A whole series of Malthusian investigators, discontented with the superficial harmony doctrine of the school of Say and Ricardo, have slaved away at a solution of the insoluble problem: how to discover means of increasing consumption that the capitalist mode of production strives to decrease. Marx was the first to provide an analysis of the real interconnections: he showed that the growth of consumption lags inexorably behind that of production, and must do so whatever "third parties" one might invent. Therefore consumption and its volume should by no means be deemed immediate restrictions upon the expansion of production. Through its crises, capitalist production atones for deviating from this true purpose of production, but it is independent of consumption. The expansion of production is alone restricted by, and dependent upon, the volume of capital.[251]

* Karl Marx, *Capital*, Vol. 3, translated by David Fernbach (New York: Penguin, 1981), p. 353.

Here Bulgakov attributes his theory and that of Tugan-Baranovsky to Marx, such was the extent to which it seemed to these Russian Marxists to follow directly from, and integrate itself organically with, Marx's own theory. Bulgakov gives an even clearer formulation elsewhere of his theory as a direct interpretation of Marx's schema of expanded reproduction. After the capitalist mode of production has penetrated a given country, its internal movement begins to develop according to this schema:

> The production of constant capital makes up the Department I of social reproduction, thereby constituting an independent demand for means of consumption corresponding to the magnitude of its own variable capital and of the consumption fund of its capitalists. Department II in its turn generates the demand for the products of Department I. *Thus a closed circle is already formed at the initial stage of capitalist production, in which it depends on no external market but is self-sufficient and can grow automatically, as it were, by means of accumulation*.[252]

Elsewhere, Bulgakov manages to surpass himself with an even crasser formulation of his theory: "The only market for the products of capitalist production is this production itself."[253]

In the hands of the Russian Marxists, this theory became the main weapon with which they assailed their opponents, the "Populist" skeptics, on the question of markets, and its boldness can only be properly appreciated by recalling the remarkable extent to which this theory contradicts everyday practice and everything that is known about the reality of capitalism. Yet this is not all: this theory, which was proclaimed so triumphantly as the purest Marxist truth, is all the more admirable when one considers that it is based on a capital confusion. However, this question will be gone into in more detail below in the treatment of Tugan-Baranovsky.

Bulgakov further establishes a completely erroneous theory of external trade on the basis of his misconception of the relationship between consumption and production in capitalist society. There is in fact no place for external trade in the above conception. If capitalism, from the outset of its development in each country, forms such a "closed circle," in which it chases its own tail like a cat and "is self-sufficient," creating its own unrestricted markets, and spurs itself on to expand, then each capitalist country is in economic terms also a self-contained, "self-sufficient" whole.

External trade would then be conceivable in one case only: as the means to compensate for a given country's deficiency in natural resources due to conditions of the soil, climate, etc. through imports from abroad—i.e. when raw materials or foodstuffs are imported out of sheer necessity. Bulgakov in fact constructs a theory of the international trade between capitalist nations by turning the thesis of the Populists on its head: the import of agricultural products is the constitutive, active element, and industrial exports are merely the unavoidable counterpart to these imports. Here, the international circulation of commodities is not a phenomenon grounded in the essence of the mode of production, but in the natural conditions given in the countries concerned—at any rate, it is a theory borrowed not from Marx, but from the German scholars of bourgeois economics. Just as Struve takes his three-world empires model from Wagner and Schäffle, Bulgakov, for his part, adopts the division of states into categories of "agricultural," "agricultural/manufacturing" from the blessed [Friedrich] List,* revising them as "manufacturing" and "agricultural/manufacturing" in accordance with historical progress. The first of these categories is afflicted by a lack of its own raw materials and foodstuffs and is therefore reliant on external trade, whereas nature has provided the second category with all its needs, such that it does not give a damn about external trade. The U.K. is the archetype of the first category, the U.S. that of the second. For the U.K., the abolition of external trade would deal a fatal blow to its economy, whereas for the U.S. it would only cause a temporary crisis, from which its full recovery would be assured: "Production there is capable of unrestricted expansion on the basis of the internal market."[254]

* List argued that societies based on agricultural production tend to stagnate and decline, whereas those existing in temperate climates are best suited for combining agriculture with industry and becoming more productive. He also held (contrary to the views of Adam Smith) that the passage from agricultural and pastoral life to societies that combine agriculture and industry requires direct state intervention in the economy.

This theory, which forms a venerable legacy of German economics to this day, has no notion of the interconnections of the capitalist world economy, and explains today's world trade in terms of the conditions that prevailed in the time of the Phoenicians. Professor [Karl] Bücher, for example, offers the following lecture:

> Although the liberalist era has greatly facilitated international trade, it would be a mistake to infer from this that the period of the national economy is nearing its end, to be replaced by a period of the international economy … Granted that we see in Europe today a number of states that are not independent nations in respect of their supply of goods, being compelled to import substantial amounts of their foodstuffs and luxuries, while their industrial productive output is in excess of the national needs and creates a permanent surplus that must be realized in foreign spheres of consumption. Yet although industrially producing countries and those producing raw materials exist side by side and depend upon one another, this "international division of labor" should not be regarded as a sign that mankind is about to attain to a higher stage of development that would warrant being theorized as the stage of the world economy, and as necessarily standing in opposition to the … previous stages. No stage of economic development has ever permanently guaranteed full autonomy in the satisfaction of needs. On the one hand, every one of them has left certain gaps that had to be filled in by some means or other. The so-called "world economy," on the other hand, has not, at any rate so far, engendered any phenomena that are essentially different from those of the national economy, and it is very doubtful whether such phenomena will appear in the foreseeable future.[255]

For Bulgakov, at any rate, this conception has an unexpected consequence: his theory of capitalism's unrestricted capacity for development applies only to certain countries with favorable natural conditions. In the U.K., capitalism will collapse due to the saturation of the world market, whereas in the U.S., India, and Russia, it will flourish and undergo unrestricted development because of these countries' "self-sufficiency."

Yet, aside from these conspicuous peculiarities, Bulgakov's line of argument in relation to external trade again contains a fundamental misconception. His fundamental argument against the skeptics, from Sismondi to Danielson, who believed they had to resort to the external market in order to ensure the realization of surplus value, is the following: these experts obviously consider external trade to be a "bottomless pit" into which the excess in capitalist production, which cannot be sold internally, will disappear forever. Bulgakov counters this by triumphantly emphasizing that external trade is no "pit," and certainly not a "bottomless" one, that it represents a double-edged sword, and that exports imply imports, and that these tend to counterbalance one another. That which is pushed out across one border, therefore, will be pushed back in across another one in the form of different use-values:

> Room must be found within the limits of the given market for the imported commodities representing the equivalent of those exported, but as there is no such room, the recourse to external markets would only entail new difficulties.

Elsewhere Bulgakov states that the way out of the problem of the realization of surplus value found by the Russian Populists—i.e. external markets—is "much less favorable than that discovered by Malthus, von Kirchmann, and Vorontsov himself when he wrote the essay 'On Militarism and Capitalism.'"[256] Here Bulgakov betrays the fact that, for all his enthusiastic rendition of the Marxian reproduction schemas, he has failed to understand wherein the actual problem lies (unlike the skeptics from Sismondi to Danielson, who had at least been groping around in its vicinity): he rejects external trade as a putative way out of the difficulty, because this reintroduces the surplus value that has been realized back into the country, "albeit in a changed form." Bulgakov thus believes, in accordance with the crude conception of von Kirchmann and Vorontsov, that it is a question of *eliminating* a certain quantity of surplus value, of wiping it from the face of the earth; he has no inkling of the fact that it is a question of the *realization* of surplus value, of the metamorphosis of commodities, and thus that it is precisely the "changed form" of surplus value that is at issue.

Bulgakov thus finally arrives at the same place as Struve, albeit via a different route: he proclaims the self-sufficiency of capitalist accumulation, which consumes its own products just as Cronus devoured his own children, and which, from its own womb, reproduces itself ever more powerfully. By now there was only one more step to be taken to complete the return from Marxism to bourgeois economics; this step was gladly taken by Tugan-Baranovsky.

Chapter 23. Tugan-Baranovsky's "Disproportionality"

Tugan-Baranovsky is dealt with last here, despite the fact that he already had formulated his conception in Russian in 1894, before Struve and Bulgakov. This is in part because it was not until later that he developed his theory in a more mature form in his *Studies on the Theory and History of Commercial Crises in England* (1901)[*] and *Theoretical Foundations of Marxism* (1905),[†] which were published in German; and in part because he drew the most far-reaching consequences from the premises commonly held by the Marxist critics referred to in this study.

Like Bulgakov, Tugan-Baranovsky takes Marx's analysis of social reproduction as his starting point. He, too, finds in this analysis the key to navigating his way through this whole labyrinthine and bewildering complex of problems. However, whereas Bulgakov, the enthusiastic adept of Marx's doctrine, attempts to develop it in a way that is faithful to his master, to whom he simply imputes his own conclusions, Tugan-Baranovsky does the opposite, and admonishes Marx that he did not understand how to make use of his own brilliant investigation of the reproduction process. The most important general conclusion that Tugan-Baranovsky draws from Marx's propositions, and that he makes the pivot of his whole theory, is the following: contrary to the assumptions of the skeptics, capitalist accumulation is not only possible given the capitalist forms of revenue and consumption, but it is also entirely independent of them. Rather than consumption, it is production itself that forms its own best market. Thus production and its market are identical; given, then, that the expansion of production has no intrinsic restrictions, it follows that the capacity for its products to be absorbed is similarly unconfined—i.e. the market for its products knows no restrictions. He argues as follows:

> The schema quoted was to prove conclusively a postulate that, though simple enough, might easily give rise to objections, unless the process be adequately understood—the postulate, namely, that capitalist production creates a market for itself. So long as it is possible to expand social production, if the productive forces are adequate for this purpose, the proportionate division of social production must also bring about a corresponding expansion of the demand inasmuch as under such conditions all newly produced goods represent a newly created

purchasing power for the acquisition of other goods. Comparing simple reproduction of the social capital with its reproduction on a rising scale, we arrive at the most important conclusion that in capitalist economy the demand for commodities is in a sense independent of the total volume of social consumption. Absurd as it may seem to "common-sense," it is yet possible that the volume of social consumption as a whole goes down while at the same time the aggregate social demand for commodities grows.[257]

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* In *The Accumulatiom of Capital*, Luxemburg uses the German edition of Tugan-Baranovsky's work, *Theorie und Geschichte der Handelskrisen in England* (Jena: Gustav Fischer, 1901). The book was originally published in Russian in 1894 under the title, *Promyshlennye krizisy v sovremennoy Anglii, ikh prichiny i vliianie na narodnuyu zhizn*'. For an English translation of parts 1 and 7 of the book, see "Studies on the Theory and the History of Business Crises in England," in *Value, Capitalist Dynamics and Money*, Vol. 18 (2000), pp. 53–80 and 81–110.

† See Tugan-Baranovsky, *Theoretischen Grundlagen des Marxismus* (Leipzig: Dunckler, 1905).

Likewise, Tugan-Baranovsky subsequently states the following:

> Arising from the abstract analysis of the reproductive process of social capital we have formed the conclusion that nothing will be left over of the social product in view of the proportionate division of the social capital.[258]

On this basis, Tugan-Baranovsky revises Marx's theory of crisis, which supposedly rests on the Sismondian theory of "underconsumption":

> The widespread view, shared to a certain extent by Marx, is that the poverty of the workers—i.e. of the great majority of the population—renders the realization of the products of an ever-expanding capitalist production impossible due to insufficient demand. This view is to be rejected as mistaken. We have seen that capitalist production creates its own market—consumption being only one of the moments of capitalist production. If social production were organized through planning, and the managers of production were thoroughly equipped with *information* about demand and with the *power* to transfer labor and capital freely from one branch of production to another, then, however low the level of social consumption, the supply of commodities would not exceed the demand.[259]

According to Tugan-Baranovsky, the only circumstance that periodically causes the market to be flooded is the lack of proportionality in the expansion of production. He describes the course of capitalist accumulation under this presupposition as follows:

> What would the workers … produce if production were allocated proportionately? Obviously their own means of subsistence and means of production? Which purpose would these serve? To expand production in the second year. The production of which products? Again, that of means of production and subsistence for the workers—and so on ad infinitum.[260]

It should be noted that this game of question and answer is not intended as self-satire—it is meant to be taken seriously. The result is thus the prospect of an endless accumulation of capital:

> If the expansion of production has no practical limits, then we must assume that the expansion of markets is equally unlimited, *for if social production is proportionately organized, there is no limit to the expansion of the market other than the productive forces available*.[261]

Since production generates its own demand in this way, the external trade of capitalist states is thus assigned the peculiar mechanical role with which Bulgakov has already familiarized us. For the U.K., for example, the external market is absolutely necessary:

> Does not this prove that capitalist production creates a surplus product for which there is no room on the internal market? Why, come to that, does England require an external market? The answer is not difficult: because a considerable part of England's purchasing power is expended on obtaining foreign commodities. The import of foreign commodities for the English home market also makes it essential to export English commodities abroad. Since England cannot manage without importing from abroad, exports are a vital condition for that country, since without them she would not be able to pay for her imports.[262]

Here, then, agricultural imports are once again characterized as the stimulus, as the decisive factor, and likewise two categories of countries are identified—"an agricultural type and an industrial type"—that depend by nature on exchange with one another, quite in accordance with the model of the German professors.

Which argument, then, does Tugan-Baranovsky offer to justify his bold solution of the accumulation problem, which is also the basis upon which he also elucidates the problem of crises and a whole series of further questions? It is hard to believe, and therefore all the more important to note: Tugan-Baranovsky's proof consists exclusively and entirely in the Marxian schema of expanded reproduction. *Ni plus ni moins*.[*] Although Tugan-Baranovsky does expand elsewhere on Marx's "abstract analysis of the reproductive process of social capital" and on the "compelling logic" of his analysis, the whole "analysis" reduces itself to the transcription of the Marxian schema of expanded reproduction, for which he has merely chosen a different set of figures. There is no trace to be found of any other proof anywhere in Tugan-Baranovsky's study. Now, in Marx's schema, accumulation, production, realization, exchange, and reproduction all run like clockwork. Furthermore, such "accumulation" can indeed be continued "ad infinitum"—for as long as paper and ink will allow, that is. This harmless exercise with arithmetic equations on paper is something that Tugan-Baranovsky passes off in all seriousness as the *proof* that things play out this way in reality: “The schemas we have adduced are bound to prove conclusively that …”

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* “No more, no less.”

Furthermore, on another occasion he counters [John A.] Hobson, who is convinced of the impossibility of accumulation, in the following way: “Schema No. 2 of the reproduction of social capital on an expanding scale corresponds to the case of capital accumulation observed by Hobson. But does this schema show an excess product arising? Far from it.”[263]

Thus, because no excess product is generated “in the schema,” Hobson, too, has already been disproved and the matter is concluded.

In actual fact, Tugan-Baranovsky knows only too well that in harsh reality things do not proceed quite so smoothly. There are continual fluctuations in exchange, and periodic crises. However, crises only occur because proportionality is not maintained in the expansion of production—i.e. the proportions of “Schema No. 2” are not adhered to *ex ante*.[*] If these proportions were adhered to, then there would be no crises, and everything would pass off as neatly in capitalist production as on paper. Now Tugan-Baranovsky is forced to concede that it is permissible to disregard crises, given that the reproduction process as a whole as an ongoing process is being considered. Although “proportionality” might be compromised at any given moment, it will always be reestablished as an average over the economic cycle as a whole through constant deviations, through day-to-day price fluctuations and, periodically, through crises. That this “proportionality” is, on the whole, actually adhered to somehow or another is proved by the circumstance that the capitalist economy persists and continues to develop—otherwise an almighty furor and an economic collapse would have long since been experienced. On average, over the long run, Tugan-Baranovsky’s proportionality is ultimately maintained, from which it can be concluded that reality conforms to “Schema No. 2.” Furthermore, since this schema can be infinitely extended, it follows that the accumulation of capital can proceed ad infinitum.

What is striking in all this is not so much the result at which Tugan-Baranovsky arrives, namely the assumption that the schema actually corresponds to the actual course of things (indeed, it has been seen above that Bulgakov also shared this belief), but rather the fact that Tugan-Baranovsky does not even deem it necessary to pose the *question* as to whether the "schema" is correct, and that, instead of proving the schema, he does the opposite and regards the schema itself, the arithmetic exercise on paper, as proof that things behave this way in reality, too. Bulgakov made a sincere effort to project the Marxian schema onto the actual concrete relations of the capitalist economy and capitalist exchange, and sought to struggle through the resulting difficulties—although admittedly he failed to do so, ultimately remaining bogged down in Marx's analysis, which he himself regarded as being patently unfinished and abortive. Tugan-Baranovsky, on the other hand, requires no such proofs, and does not trouble his head too much: since the arithmetic proportions resolve satisfactorily and can be extended at will, *this itself* is precisely proof that capitalist accumulation can likewise proceed indefinitely, providing the said "proportionality" obtains, even if this is only achieved by a roundabout route, as Tugan-Baranovsky himself would not deny.

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* Before the event.

As a matter of fact, Tugan-Baranovsky does have an indirect proof that the schema and its strange results correspond to reality and represent its true reflection. This consists in the circumstance that, in capitalist society, quite in accordance with the schema, human consumption is subordinated to production, such that the former is the means and the latter an end in itself, just as human labor is put on an equal footing with the "labor" of machines:

> Technical progress is expressed by the fact that the means of labor, the machine, increases more and more in importance as compared to living labor, to the worker himself. Means of production play an ever-growing part in the productive process and on the commodity market. Compared to the machine, the worker recedes further into the background and the demand resulting from the consumption of the workers is also put into the shade by that which results from productive consumption by the means of production. The entire workings of capitalist economy take on the character of a mechanism existing on its own, as it were, in which human consumption appears as a simple moment of the reproductive process and the circulation of capitals.[264]

Tugan-Baranovsky regards this discovery as the fundamental law of the capitalist economy, and one that is confirmed by a very tangible phenomenon: as capitalist development proceeds, the department producing means of production grows ever more relative to the department producing means of consumption, and at the cost of the latter. Marx himself established this law, and his schematic exposition of reproduction is based on it, although for the sake of simplicity he disregards the changes implied by it in terms of the figures he gives in the further development of the schema. Here, then, in the automatic growth of the department of means of production relative to the department of means of consumption, Tugan-Baranovsky has found the only objective, exact proof for his theory that, in capitalist society, human consumption tends to diminish in significance, while production increasingly becomes an end in itself. He makes these theses the cornerstone of his entire theoretical edifice. He proclaims,

> In all the industrial states, we are confronted by the same phenomenon—the development of national economies everywhere follows the same fundamental law. The coal, iron, and steel industries that create the means of production for modern industry come more and more to the fore. The relative decrease in exports of immediately consumable manufactured goods from the U.K. is thus also an expression of the fundamental law governing capitalist development. The further technical progress advances, the more means of consumption recede relative to means of production. Human consumption plays an ever-decreasing part as against the productive consumption of the means of production.[265]

Even though this "fundamental law," like all of his other "fundamental" theses, insofar as they signify anything tangible and precise, has been borrowed *in toto* ready-made from Marx, Tugan-Baranovsky remains unsatisfied by this, and he hastens to instruct Marx with wisdom gained from the latter himself. Scratching around like a blind hen, Marx has unearthed another nugget, but has no idea what to do with it. Before Tugan-Baranovsky, nobody had the wherewithal to know how to reap the results of this "fundamental" discovery for science, and in the latter's hands, Marx's law suddenly sheds light on the entire internal mechanism of the capitalist economy. Here, in this law of the expansion of the department of means of production at the cost of the department of means of consumption, is a clear, unequivocal, precise, and perceptible expression of the ever-diminishing importance of human consumption for capitalist society and of the fact that that this society accords human beings the status of means of production. Consequently, the law also expresses the fact that Marx was fundamentally mistaken in assuming that only humans create surplus value and not machines, that human consumption represents a restriction upon capitalist production, and that this circumstance will inevitably lead to periodic crises in the present and the collapse and horrific end of the capitalist economy in the near future.

In short, for Tugan-Baranovsky, this "fundamental law" of the growth of the expansion of the means of production at the cost of the means of consumption reflects the specific essence of capitalist society as a whole; according to Tugan-Baranovsky, Marx failed to grasp this, and it fell to Tugan-Baranovsky himself to finally decipher it.

The decisive role that the said capitalist "fundamental law" played in the controversy between the Russian Marxists and the skeptics has already been noted above. The position taken by Bulgakov is already familiar. Another Marxist, the already mentioned Lenin, expresses the same point of view in his polemic against the "Populists":

> It is well known that the law of capitalist production consists in the fact that the constant capital grows more rapidly than the variable capital, that is to say an ever-increasing part of the newly formed capital falls to the department of social production that creates producer goods. In consequence, this department is absolutely bound to grow more rapidly than the department creating consumer goods, that is to say, the very thing happens that Sismondi declared to be "impossible," "dangerous," etc. In consequence, consumer goods make up a smaller and smaller share of the total bulk of capitalist production, and *this is entirely in accordance with the historical "mission" of capitalism and its specific social structure: the former in fact consists in the development of the productive forces of society (production as an end in itself), and the latter prevents that the mass of the population should turn them to use*. [Emphasis by R. L.][266]

Tugan-Baranovsky naturally goes further than the others in this case, too. With his penchant for paradoxes, he even indulges in the prank of offering a mathematical proof that the accumulation of capital and the expansion of production are possible even in the case of an absolute decline in consumption. Here it is Karl Kautsky who exposes the scientifically risqué maneuver carried out by Tugan-Baranovsky in performing his audacious deduction in relation to a specific moment of the process that is only conceivable as a theoretical exception and in practice never comes into consideration: the transition from simple to expanded reproduction.[267]

Kautsky declares Tugan-Baranovsky's fundamental law to be a mere illusion generated by the latter himself by only considering the organization of production in the old countries with capitalist large-scale industry. Kautsky says:

> It is correct, that with a progressive division of labor, there will be comparatively fewer and fewer factories, etc., for the production of goods direct for personal consumption, together with a relative increase in the number of those which supply both the former and one another with tools, machines, raw materials, transport facilities, and so on. While in original peasant economy an enterprise that cultivated the flax also made the linen with its own tools and got it ready for human consumption, nowadays hundreds of enterprises may share in the manufacture of a single shirt, by producing raw cotton, iron rails, steam engines and railway trucks that bring it to port, and so on. With international division of labor it will happen that some countries—the old industrial countries—can only slowly expand their production for personal consumption, while making large strides in their production of producer goods that is much more decisive for the heartbeat of economic life than the production of consumer goods. From the point of view of the nation concerned, we might easily form the opinion that producer goods can be turned out on a constantly rising scale with a more rapid rate of increase than in the production of consumer goods, and that their production is not bound up with that of the latter.

This point of view—i.e. that the production of means of production is independent of consumption—is of course a vulgar economic mirage of Tugan-Baranovsky's. Not so the fact cited in support of this fallacy, namely the faster growth of the department of means of production relative to that of the department of means of consumption. This fact is incontrovertible, and more specifically it does not only hold true for the old industrial countries, but wherever technical progress dominates production. It is also the foundation of Marx's fundamental law of the tendency of the rate of profit to fall. However, despite this circumstance, or even precisely because of it, a great error is made by Bulgakov, Lenin, and Tugan-Baranovsky if they imagine that in this law they have uncovered the specific essence of the capitalist economy, in which production is an end in itself and human consumption is merely incidental.

The growth in constant capital at the expense of variable capital is merely the capitalist expression of the general effects of the increasing productivity of labor. The formula c is greater than v ($c > v$), translated from capitalist language to that of the social labor process, means no more than this: the greater the productivity of human labor, the shorter the time needed to transform a given quantity of means of production into finished products.[268]

This is a universal law of human labor, one that was just as valid under all precapitalist forms of production and that will remain so in the future in the socialist social order. In terms of the material use-form of the total social product, this law must manifest itself in an ever-increasing employment of social labor time in the production of means of production relative to that of means of consumption. To be sure, this transformation would be considerably faster in a socialist economy—i.e. an organized and planned social economy—than in the present, capitalist one. Firstly, the employment on a large scale of rational scientific techniques in agriculture is only possible when the constraints posed by private ownership of the land have been removed. As a consequence of this, an enormous revolution will take place across a wide area of production, generally resulting in the comprehensive replacement of living labor by machine labor, and allowing technical projects to be undertaken on a scale impossible under present conditions. Secondly, the use of machinery in general in the process of production will be placed on a new economic foundation. At present, the machine does not enter into competition with living labor, but only with the paid component of living labor. The minimum level at which machinery can be used is given by the cost of labor-power replaced by it. This means that a machine will only be considered for use by a capitalist if its costs of production—given equal efficiency—are less than the wages of the workers replaced by it. From the standpoint of the social labor process, which is the only determining factor in socialist society, the machine is not in competition with the labor necessary for the maintenance of working people, but with the labor performed by them. The upshot of this is that, for a society in which it is not the perspective of profitability that is decisive, but rather labor savings, the use of a machine is economically appropriate if it costs less labor to produce it than the living labor that it saves. No account is taken in this instance of the fact that, in many cases, such as when the health of working people and other similar considerations of their interests are themselves at issue, the use of a machine might be contemplated even though this minimum level of economic savings has not been reached. At any rate, the contrast here is between the economic applicability of machinery in capitalist and socialist society, and the difference in this sense is at least equal to the difference between living labor and its paid component—i.e. it corresponds exactly to total capitalist surplus value. It follows from this that, with the elimination of capitalist profit interests and the introduction of the social organization of labor, the limit of the applicability of machinery will at a stroke be extended by the total magnitude of capitalist surplus value, and vast, endless areas of production will be opened up for it to conquer. It would then become patently obvious that the capitalist mode of production, which supposedly stimulates the most extreme development of technology, in fact places a restriction upon technological progress in the form of the profit motive that is its foundation, and that, when this restriction is eliminated, development will surge ahead so powerfully that all the technological miracles of capitalist production will seem like child's play in contrast.

If this technological shift is expressed in the composition of the social product, it can only mean that, measured in labor time, the production of means of production will increase incomparably more rapidly relative to the production of means of consumption in socialist society than is the case at present. Thus the relation between both departments of social production, which the Russian Marxists took to be a specific expression of capitalist depravity, of the contempt for human consumption needs, proves instead to be the precise expression of the progressive domination of nature by social labor, an expression that will become most accentuated precisely when human needs are the only decisive factor in production. The only objective proof for Tugan-Baranovsky's "fundamental law" thereby collapses as a "fundamental" confusion, and his entire construction, from which he derives the "new crisis theory" along with the theory of "disproportionality," is reduced to its paper foundations: the slavishly transcribed Marxian schema of expanded reproduction.

Chapter 24. The Outcome of Russian "Legal Marxism"

It is to the credit of the Russian "legal" Marxists, and Tugan-Baranovsky in particular, that they were able to apply the analysis of the social process of reproduction and its exposition by Marx in the second volume of *Capital* in a way that was fruitful for scientific theory in the course of their struggle with the skeptics of capitalist accumulation. However, since Tugan-Baranovsky mistakenly took this schematic exposition to be the very solution of the problem, rather than its mere formulation, he came to conclusions that necessarily turned the very foundations of Marx's theory upside down.

Tugan-Baranovsky's conception, according to which capitalist production can create markets for itself ad infinitum and is independent of consumption, leads him directly to Say and Ricardo's theory of natural equilibrium between production and consumption, between supply and demand. The only difference is that Say and Ricardo remain exclusively within the confines of simple commodity production, whereas Tugan-Baranovsky simply transfers the same conception to the circulation of capital. His theory of crises resulting from "disproportionalities" is essentially nothing but a paraphrase of Say's old trite vulgarisms: if too much of a given commodity has been produced, this merely demonstrates that too little of some other commodity has been produced. Tugan-Baranovsky merely presents this vulgar conception in the language of Marx's analysis of the reproduction process. Moreover, even if Tugan-Baranovsky states, in contrast to Say, that general overproduction is entirely possible, and refers specifically to the circulation of money, which the latter completely neglects, the pretty operations Tugan-Baranovsky performs with Marx's schema are in fact based on the same neglect of money circulation as characterized Say's and Ricardo's approaches to the problem of crises: "Schema No. 2" bristles with barbs and spikes as soon as it is transposed to money circulation. Bulgakov got caught on these barbs in his attempt to think Marx's abortive analysis through to the end. Tugan-Baranovsky modestly refers to his own amalgamation of forms of thought borrowed from Marx with content from Say and Ricardo as his "attempt at a synthesis between Marx's theory and classical economics."

Thus, after almost a century, the optimistic theory, which defended the possibility of capitalist production and its capacity for development against petty-bourgeois skepticism, returned via Marx's theory and through its "legal" advocates to its point of departure, to Say and Ricardo. The three "Marxists" regressed to the positions of the bourgeois harmonists of the good old days shortly before the Fall of Man and the expulsion of bourgeois economics from the Garden of Eden—the circle was closed.

The Russian "legal" Marxists undoubtedly defeated their adversaries, the "Populists," but in fact they went too far in their victory. In the heat of the battle, all three of them—Struve, Bulgakov, and Tugan-Baranovsky—demonstrated more than was necessary. At issue was whether capitalism was capable of development in general and in Russia in particular, and the three Marxists corroborated this capacity so thoroughly that they even theoretically demonstrated that capitalism could go on forever. It is obvious that if it is assumed that the accumulation of capital has no restrictions, then the capacity of capital to endure ad infinitum has also been proved. Accumulation is the specifically capitalist method of expanding production, of developing the productivity of labor, of boosting the productive forces, and of economic progress in general. If the capitalist mode of production is able to ensure unconfined expansion of the productive forces and continuous economic progress, then it cannot be overcome. With this, the most important objective pillar of the theory of scientific socialism collapses; socialist political action and the intellectual content of the proletarian class struggle cease to be a reflection of economic processes, and socialism is no longer a historical necessity. The line of argument that starts out from the possibility of capitalism ends up with the impossibility of socialism.

The three Russian Marxists were fully conscious that they had shifted the terrain on which the combat took place. Indeed, in his exultation over capitalism's civilizing mission, Struve was no longer concerned by the forfeit of this valuable guarantee.[269] Bulgakov attempted to plug the gaping hole that had been torn in socialist theory with the makeshift use of another tattered fragment of the same theory: he hoped that the capitalist economy would, in spite of its immanent equilibrium between production and sales, still necessarily collapse because of the fall in the rate of profit. This somewhat nebulous consolation is ultimately negated by Bulgakov himself, however, when, forgetting the last plank that he himself has reached out to rescue socialism, he suddenly advises Tugan-Baranovsky that the relative decline in the rate of profit for large capitals is offset by the absolute growth in capital.[270]

Finally, Tugan-Baranovsky, the most consistent of the three, tears down all the objective economic pillars of socialist theory with all the brutish gratification of a son of nature, and reconstructs in his own mind a "more beautiful world"—one with "ethics" as its foundation. "The individual protests against an economic order that transforms the end (man) into a means (production) and the means (production) into an end."[271]

All of the three Marxists considered here demonstrated in their own person just how flimsy and specious were the new attempts to establish the grounds for socialism: no sooner had they refounded socialism, than they proceeded to turn their backs on it. While the Russian masses were risking their lives in the struggle for the ideals of a social order that is due, one day, to put the end (humankind) before the means (production), "the individual" ran for cover in the bushes and found philosophical and ethical solace with Kant. The Russian "legal" Marxists ended up in practice where their theoretical position led them—in the camp of bourgeois "harmonies."

Section III
The Historical Conditions of Accumulation

Chapter 25. Contradictions Within the Schema of Expanded Reproduction

In Section I, it was established that the Marxian schema of accumulation gives no answer to the question of for whom expanded reproduction actually occurs. If the schema is taken literally as it is set out at the end of Volume 2 of *Capital*, then the impression is given that capitalist production realizes its entire surplus value exclusively by itself, employing the capitalized surplus value for its own requirements. Marx confirms this in his analysis of the schema, in which he makes repeated attempts to analyze circulation within the schema exclusively in monetary terms—i.e. in terms of the demand of the capitalists and the workers; these attempts ultimately lead him to introduce the producer of gold into reproduction as a deus ex machina. In addition, there is the following very significant passage in Volume 1 of *Capital* that must be interpreted in the same way:

> Annual production must in the first place furnish all those objects (use-values) from which the material components of capital, used up in the course of the year, have to be replaced. After we have deducted this, there remains the net or surplus product, which contains the surplus value. And what does this surplus product consist? Only of things destined to satisfy the needs and desires of the capitalist class, things that consequently enter into the consumption fund of the capitalists? If that were all, the cup of surplus value would be drained to the very dregs, and nothing but simple reproduction would ever take place.
>
> Accumulation requires the transformation of a portion of the surplus product into capital. But we cannot, except by a miracle, transform into capital anything but such articles as can be employed in the labor process (i.e. means of production), and such further articles as are suitable for the sustenance of the laborer (i.e. means of subsistence). Consequently, a part of the annual surplus labor must have been applied to the production of additional means of production and subsistence, over and above the quantity of these things required to replace the capital advanced. In a word, surplus value can be transformed into capital only because the surplus product, whose value it is, already comprises the material components of a new quantity of capital.[272]

Here, the following conditions for accumulation are laid down:

1) The surplus value that is to be capitalized first comes into existence in the natural form of capital (as additional means of production and additional means of subsistence for the workers).

2) The expansion of capitalist production is undertaken exclusively with means of production and means of subsistence that are themselves produced by capitalist production.

3) The scope of any given expansion of production is given a priori by the amount of surplus value available (to be capitalized)—it cannot exceed

this amount, since it is tied to the quantity of means of production and means of consumption that represent the surplus product; nor, however, can it fall beneath this amount, since in this case a part of the surplus product would be unusable in its natural form. Deviations above and below this amount can cause periodic fluctuations and crises, which must be disregarded here; on average, the surplus product that is to be capitalized and actual accumulation must correspond to each other.

4) Since capitalist production is itself the exclusive purchaser of its surplus product, no restrictions upon the accumulation of capital can be identified.

These conditions also apply to Marx's schema of expanded reproduction. Here, accumulation proceeds without it becoming apparent in the slightest for which new consumers production is ultimately being constantly expanded. The schema presupposes something like the following procedure: the coal industry is expanded in order to expand the iron industry; the latter is expanded in order to expand the machine industry; this in turn is expanded in order to expand the production of means of consumption, which is itself expanded in order to maintain the growing army of coal miners, workers in the iron and machine industries, and its own workers. So it goes on in a circle ad infinitum—according to Tugan-Baranovsky's theory. That the Marxian schema, *considered in isolation*, does indeed allow such an interpretation, is demonstrated by the mere circumstance that what Marx actually sets out do, as he states repeatedly and emphatically, is to present the accumulation process of total social capital in a society consisting only of capitalists and workers. References to this effect can be found in each volume of *Capital*.

In the first volume of *Capital*, in the very chapter on the "The Transformation of Surplus Value into Capital," Marx states the following:

> In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world of trade as one nation, and assume that capitalist production is established everywhere and has taken possession of every branch of industry.[273]

In the second volume, this same presupposition is restated a number of times; the following is stated in Chapter 17 on "The Circulation of Surplus Value," for instance:

> All that exists now are two starting points, the capitalist and the worker. All third parties must either receive money from these two classes for the performance of services, or insofar as they receive money without providing services in return, they are co-proprietors of surplus value in the form of rent, interest, etc. … The capitalist class is the primary point of departure for the money cast into circulation by the workers.[274]

At a later point in the same chapter, when dealing with the circulation of money under the presupposition of accumulation, Marx states the following:

> But difficulties start to arise when we assume not partial accumulation of money capital but general accumulation within the capitalist class. Outside of this class, on our assumption—that of the universal and exclusive domination of capitalist production—there is no other class except the working class.[275]

Similarly, in Chapter 20: "For here there are just two classes: the working class, which only disposes of its labor-power, and the capitalist class, which has the monopoly of the means of social production, and of money."[276]

In Volume Three, Marx makes the following very explicit statement in his exposition of the total process of capitalist production:

> Let us conceive the whole society as composed simply of industrial capitalists and wage laborers. Let us also leave aside those changes in price that prevent large portions of the total capital from being replaced in their average proportions, and that, in the overall context of the reproduction process as a whole, particularly as developed by credit, must recurrently bring about a situation of general stagnation. Let us otherwise ignore the fraudulent businesses and speculative dealings that the credit system fosters. In that case, a crisis could be explicable only in terms of a disproportion in production between different branches and a disproportion between the consumption of the capitalists themselves and their accumulation. But as things actually are, the replacement of the capitals invested in production depends to a large extent on the consumption capacity of the non-productive classes; while the consumption capacity of the workers is restricted partly by the laws governing wages and partly by the fact that they are employed only as long as they can be employed at a profit for the capitalist class.[277]

This last quotation refers to the question of crises, which is not the concern here; it shows unequivocally, however, that Marx presents the movement of total social capital, "as things actually are," as being dependent on three categories of consumers: capitalists, workers, and the "non-productive classes"—i.e. the strata appended to the capitalist class ("king, priest, professor, prostitute, mercenary"),[278] which he correctly dismisses in Volume 2 as the mere representatives of a derivative purchasing power and thus as parasites on surplus value or on wages.

Finally, in *Theories of Surplus Value*, in the chapter on "Theory of Accumulation,"[279] Marx formulates the general presuppositions under which he examines accumulation as follows:

> Here we need only consider the forms that capital passes through in the various stages of its development. The real conditions within which the actual process of production takes place are therefore not analyzed. It is assumed throughout, that the commodity is sold at its value. We do not examine the competition of capitals, nor the credit system, nor the actual composition of society, which by no means consists only of two classes, workers and industrial capitalists, and where therefore consumers and producers are not identical. The first category, that of the consumers (whose revenues are in part not primary, but secondary, derived from profit and wages), is much broader than the second category [of producers—*R. L.*], and therefore the way in which they spend their revenue gives rise to very considerable modifications in the economy and particularly in the circulation and reproduction process of capital.

Here, too, then, even though he speaks of the "actual constitution of society," Marx in fact merely makes allowances for the parasites on surplus value and on wages as an appendage to fundamental categories of capitalist production.

There can be no doubt, therefore, that Marx's aim was to give an exposition of the process of accumulation in a society under the general and exclusive domination of the capitalist mode of production, and consisting exclusively of capitalists and workers. Under these presuppositions, however, his schema allows no other interpretation than that of production for production's sake.

To recall, the second example of Marx's schema of expanded reproduction was as follows:

1st year

$$\begin{array}{lcl} \text{I. } 5{,}000c + 1{,}000v + 1{,}000s & = & 7{,}000 \text{ (means of production)} \\ \text{II. } 1{,}430c + 285v + 285s & = & \underline{2{,}000} \text{ (means of consumption)} \\ & & 9{,}000 \end{array}$$

2nd year

$$\begin{array}{lcl} \text{I. } 5{,}417c + 1{,}083v + 1{,}083s & = & 7{,}583 \text{ (means of production)} \\ \text{II. } 1{,}583c + 316v + 316s & = & \underline{2{,}215} \text{ (means of consumption)} \\ & & 9{,}798 \end{array}$$

3rd year

$$\begin{aligned}
&\text{I. } 5{,}869c + 1{,}173v + 1{,}173s = && 8{,}215 \text{ (means of production)}\\
&\text{II. } 1{,}715c + 342v + 342s = && \underline{2{,}399} \text{ (means of consumption)}\\
& && 10{,}614
\end{aligned}$$

4th year

$$\begin{aligned}
&\text{I. } 6{,}358c + 1{,}271v + 1{,}271s = && 8{,}900 \text{ (means of production)}\\
&\text{II. } 1{,}858c + 371v + 371s = && \underline{2{,}600} \text{ (means of consumption)}\\
& && 11{,}500
\end{aligned}$$

Here, accumulation continues uninterrupted from year to year under the condition that capitalists consume half of the surplus value obtained each time, and that the other half is capitalized. In this capitalization, the same technical basis—i.e. the same organic composition or division into constant and variable capital—and also the same rate of exploitation (always 100 percent) is maintained for the additional capital as for the original capital. The capitalized part of surplus value first comes into existence in the form of additional means of production and means of subsistence for the workers, in accordance with Marx's assumption in the first volume of *Capital*. Both of these serve to constantly increase production in Department I and Department II. Given the presuppositions of Marx's schema, it is impossible to ascertain for whom this progressive increase in production occurs. It is true that consumption increases along with production in this society: the consumption of the capitalists increases (in terms of value, in the first year it amounts to 500 + 142, in the second year to 542 + 158, in the third year to 586 + 171, and in the fourth year to 635 + 185); the consumption of the workers also increases—its precise indicator in terms of value is the variable capital that grows from year to year in both departments. Yet, quite apart from everything else, the growing consumption of the capitalist class cannot be considered the purpose of accumulation; on the contrary, to the extent that this consumption occurs and increases, no accumulation takes place—the personal consumption of the capitalists is consistent with the rubric of simple reproduction. The question is rather: for whom do the capitalists produce, insofar as they do not themselves consume—i.e. insofar as they "practice abstinence" and accumulate? Even less can the maintenance of an ever-greater army of workers be the purpose of the uninterrupted accumulation of capital. The consumption of the workers is, from the capitalist point of view, a consequence of accumulation, and never its purpose and presupposition, unless the foundations of capitalist product are to be turned upside down. In any case, the workers can only consume a part of the product, i.e. that corresponding to variable capital, and not an *iota* more. Who, then, realizes the constantly increasing surplus value? The schema replies: the capitalists themselves, and they alone. What do they do with their ever-increasing surplus value? The schema responds: they use it to constantly increase their production. These capitalists are thus zealots of the expansion of production for its own sake. They have ever more machines built in order to build yet more machines. The result of all this is not the accumulation of capital, but the increasing production of means of production without any purpose, and it is also characteristic of Tugan-Baranovsky's audacity and *penchant* for paradoxes that he assumes that this never-ending merry-go-round in midair is a true theoretical reflection of capitalist reality and that it can actually be derived from Marx's own theory.[280]

Apart from the outline of an analysis of expanded reproduction that Marx gives in Volume 2 of *Capital*, and that is broken off right at the beginning, he sets out his general conception of the characteristic course of capitalist accumulation very extensively and explicitly throughout his work, and especially in Volume 2. It is sufficient to think this conception through in order immediately to appreciate the inadequacy of the schema at the end of the second volume.

If the schema of expanded reproduction is examined from the standpoint of Marx's theory, then it will be found that it is in contradiction with the latter from several points of view.

First and foremost, the schema takes no account of the increasing productivity of labor. That is, it presupposes the same composition of capital—i.e. the same technical foundation of the production process—from year to year, despite accumulation. This simplifying procedure is in itself completely admissible. Subsequently, however, the abstraction from the technological changes that run in parallel with the process of capital accumulation, and that are inseparable from it, must at least be taken into consideration and offset in a inquiry into the concrete conditions of the realization of the total social product, and into those of reproduction. If the increasing productivity of labor is taken into account, then it follows that the increase in the material mass of the social product—both means of production and means of consumption—relative to its mass in value-terms is much more accelerated still than that which is shown by the schema. The other side of this growth in the mass of use-values, however, is also a corresponding shift in the value-relations. According to Marx's compelling demonstration, which forms one of the cornerstones of his theory, the increasing development of the productivity of labor manifests itself in the fact that the composition of capital and the rate of surplus value cannot remain constant as the accumulation of capital proceeds, as is presupposed in the schema. On the contrary, with progressive accumulation, the constant capital, c, in both departments will not only increase absolutely, but also relative to $v + s$ (the total newly created value): this is the social expression of the productivity of labor. At the same time, constant capital will increase relative to variable capital, and likewise surplus value will increase relative to variable capital—i.e. the rate of surplus value will rise: this is the capitalist expression of the productivity of labor. These changes need not occur literally every year, just as the indications "first, second, third year, etc." in Marx's schema do not necessarily refer to the calendar year, and may be taken to represent any given period of time. Finally, it does not matter whether the changes in the composition of capital and in the rate of surplus value are arbitrarily assumed to occur in the first, third, fifth, and seventh years, etc., or alternatively in the second, sixth, and ninth years, etc. It is merely important that they are taken into consideration, and as a periodic phenomenon. If the schema is extended accordingly, it transpires that, even with this pattern of accumulation, an ever-increasing deficit in means of production and an ever-increasing surplus in means of consumption will arise each year. Now, it is true that Tugan-Baranovsky, with his ability to master any difficulty on paper, simply constructs a schema with different proportions, whereby variable capital is reduced by 25 percent from year to year. Since this arithmetic exercise also works out successfully on paper, Tugan-Baranovsky feels that he has grounds to proclaim triumphantly that he has "proved" that accumulation runs like clockwork even with an absolute decrease in consumption.

Ultimately, however, even Tugan-Baranovsky himself is forced to admit that his assumption of an absolute decrease in variable capital blatantly contradicts reality. In actual fact, variable capital grows absolutely in every capitalist country, and only declines relatively vis-à-vis the faster growth of constant capital. If, on the other hand, in keeping with the actual course of things, a faster increase in constant capital and a slower increase in variable capital from year to year are assumed, as well as an increasing rate of surplus value, then a discrepancy is manifested between the material composition of the social product and the value-composition of capital. Let it be assumed, for example, that instead of the constant proportion between variable and constant capital of 5:1 in the Marxian schema, there is a progressively rising composition of capital as capital is accumulated, such that this proportion is 6:1 in the second year, 7:1 in the third, and 8:1 in the fourth. Let a continually increasing rate of surplus value corresponding to the increasing productivity of labor also be assumed, instead of the stable rate of surplus value of 100 percent: given the relatively declining variable capital, the figures given by Marx in his schema for surplus value can be used for this purpose. Finally, let it be presupposed that half of the surplus value appropriated each year is capitalized (with one exception: following Marx, it is assumed that in the first year more than half of the surplus value in Department II is capitalized—i.e. 184 of 285*s*). The following results are then obtained:

1st year
I. 5,000c + 1,000v + 1,000s = 7,000 (means of production)
II. 1,430c + 285v + 285s = 2,000 (means of consumption)

2nd year
I. 5,428$\frac{4}{7}$c + 1,071$\frac{3}{7}$v + 1,083s = 7,583 (means of production)
II. 1,587$\frac{5}{7}$c + 311$\frac{2}{7}$v + 316s = 2,215 (means of consumption)

3rd year
I. 5,903c + 1,139v + 1,173s = 8,215 (means of production)
II. 1,726c + 331v + 342s = 2,399 (means of consumption)

4th year
I. 6,424c + 1,205v + 1,271s = 8,900 (means of production)
II. 1,879c + 350v + 371s = 2,600 (means of consumption)

If accumulation were to proceed in this manner, then there would be a deficit of 16 in means of production in the second year, 45 in the third year, and 88 in the fourth year; there would simultaneously be a surplus of means of consumption of 16 in the second year, 45 in the third year, and 88 in the fourth year.

The deficit in means of production could in part be a matter of mere appearance. As a consequence of the increasing productivity of labor, the growth in the mass of means of production is faster than their growth in value terms, or, to express it differently, the means of production are cheapened. Since it is above all use-value—i.e. the material elements of capital—rather than value that plays a determining role in the development of more efficient productive techniques, it can be assumed that, to a certain degree, there is a sufficient quantity of means of production in order for accumulation to continue, despite the deficit in value terms. It is this phenomenon which, among others, slows the fall in the rate of profit and transforms it into a merely tendential one. Indeed, as the above example shows, the fall in the rate of profit would not merely have been reduced, but stopped altogether. On the other hand, the same circumstance implies a much greater surplus of unsalable means of consumption than is indicated by the expression of this surplus in terms of value. The only option here, then, is either to have the capitalists of Department II consume this surplus themselves, as Marx does elsewhere, which would bend the law of accumulation back toward simple reproduction for these capitalists, or to declare this surplus unsalable.

Admittedly, it could be countered that the deficit in means of production that was engendered in the above example would be very easy to redress: it need only be assumed that the capitalists of Department I capitalize their surplus value to a greater degree. Indeed, there is no compelling reason to suppose that capitalists only transform half of their surplus value into capital each time, which was Marx's assumption in his example. It is possible that, with the increasing productivity of labor, a progressively increasing proportion of surplus value will be capitalized. Such an assumption is in itself all the more permissible for the fact that one of the consequences of technological advances is also the cheapening of the means of consumption of the capitalist class, such that the relative reduction in the value of the revenue consumed by the latter (vis-à-vis the part that is capitalized) might be manifested as the same or even a higher standard of living for this class. It may then be assumed, for example, that the deficit in means of production that has been discovered might be covered for

Department I by the transfer of a corresponding part of the surplus value consumed by its capitalists (which originally comes into existence in the form of means of production, as is the case with all the value-components of the product of this department) to constant capital; the values transferred would amount to $11\frac{4}{7}$ in the second year, 34 in the third year, and 66 in the fourth year.[281] The solution for one difficulty, however, only aggravates another. It is readily apparent that any relative reduction in the consumption of the capitalists of Department I in order to facilitate accumulation will be matched by an unsalable residue of means of consumption in Department II and a corresponding inability to increase constant capital in this department, even on the previous technical basis. The first presupposition—i.e. the progressive relative reduction of the consumption of the capitalists of Department I—would have to be complemented by another, namely the progressive relative increase in the private consumption by the capitalists of Department II; the acceleration of accumulation in the first department would have to be complemented by its deceleration in the second; and technical progress in one department would have to be complemented by technical regression in the other.

These results are no coincidence. That which the above experiments with the Marxian schema were merely supposed to illustrate is the following. According to Marx himself, technical progress will manifest itself in the relative growth of constant capital vis-à-vis variable capital. This results in the necessity of a progressive change in the allocation of capitalized surplus value between constant and variable capital. The capitalists of Marx's schema are in no way able to undertake this allocation arbitrarily, however, since they are tied to the *material form* of their surplus value. Since, under Marx's assumption, the entire expansion of production is undertaken with means of production and consumption that are themselves the results of capitalist production—here there are no other places or forms of production, nor are there any other consumers than the capitalists and workers of both departments—and since it is also a precondition for accumulation to proceed smoothly that the total product of both departments is completely absorbed by circulation, the following result is obtained: the technical configuration of expanded reproduction is here strictly prescribed by the material form of the surplus product. In other words: in Marx's schema, the expansion of production can, and must, each time be undertaken on such a technical basis that the entire surplus value produced in Departments I and II will find employment, and bearing in mind that both departments can only obtain their respective elements of production through reciprocal exchange. In this way, the respective division of the surplus value to be capitalized between constant and variable capital, as well as the allocation of the additional means of production and means of consumption (of the workers) between departments I and II, is determined a priori by the material relations and value-relations between the two departments of the schema. These material relations and value-relations are themselves the expression of a very determinate technical configuration of production. Under the presuppositions of the Marxian schema, this implies that, as accumulation proceeds, the techniques of production given in each case determine a priori those of the succeeding periods of expanded reproduction. This means the following: given the assumptions of the Marxian schema, namely that the capitalist expansion of production is always undertaken with the surplus value that has been produced in the form of capital, and that, furthermore, accumulation in one department of capitalist production strictly depends on accumulation in the other (which is merely the corollary of the same assumption), it follows that a change in the technical basis of production (to the extent that it is expressed in the relation between constant and variable capital) is impossible.

The same point can be formulated in yet another way. It is clear that the rising organic composition of capital, i.e. the faster growth of constant capital relative to that of variable capital, will find its material expression in the faster growth of the production of means of production (Department I) relative to the production of means of consumption (Department II). Yet such a divergence in the respective rates of accumulation of the two departments is excluded by the Marxian schema, which is based on their strict equivalence. In itself, there is nothing problematic about the assumption that a larger portion of the surplus value to be capitalized is invested by society in the department producing means of production rather than in the one producing means of consumption as accumulation proceeds and advances are made in terms of its technical basis. Since both departments of production merely constitute branches of total social production or, as it were, subsidiary enterprises of the total capitalist, there can be no objection to the assumption of such a progressive transfer of a part of the accumulated surplus value from one department to the other according to technical requirements; in fact this corresponds to the actual practice of capital. However, this assumption is only tenable as long as the surplus value that is designated for capitalization is considered as a magnitude of value. In Marx's schema, and in its internal relations, however, this part of surplus value is bound to a specific material form that is directly designated for capitalization. Thus the surplus value of Department II presents itself as means of consumption. Furthermore, since these can only be realized by Department I, the intended transfer of a part of the capitalized surplus value from Department II to Department I fails firstly due to the material form of this surplus value, which is clearly of no use to Department I, and secondly due to the exchange relations between both departments, which dictate that the transfer of a part of the surplus value of Department II in the form of its products to Department I must be matched by an equivalent transfer of the products of Department I to Department II. The faster growth of Department I relative to Department II is thus absolutely unfeasible within the internal relations of the Marxian schema.

However the technical alterations of the mode of production in the course of accumulation are regarded, these cannot be implemented without upsetting the fundamental relations of Marx's schema.

Furthermore, according to Marx's schema, the capitalized surplus value is in each case directly and entirely absorbed by production in the next period of production, as, apart from the consumable portion, it is given in the natural form that permits no other use than this. The formation of reserves of surplus value in monetary form as capital in search of investment is excluded by this schema. Marx himself takes the following free monetary forms of capital to exist for the individual capital: firstly, the money deposited gradually against the wear and tear on fixed capital for its eventual replacement, and secondly, those sums of money that represent realized surplus value but that have not yet reached the minimum level required for reinvestment. Neither source of free capital in the form of money is of any significance from the standpoint of the total capital. For even if it is presupposed that a part of the realized total social surplus value remains in the form of money and seeks investment, the question immediately arises: who purchased the natural form of this part, and who provided the money? If the answer is that other capitalists did so, then, for the capitalist class as a whole, which is presented in the schema as consisting of two departments, this part of surplus value must also be considered as actually having been invested and used in production, in which case the analysis has reverted to the situation in which the entire surplus value is directly invested.

Alternatively, the coagulation of a part of the surplus value in the form of money in the hands of certain capitalists will mean that a corresponding part of the surplus product has remained in its material form in the hands of other capitalists—the saving-up of realized surplus value by one set of capitalists implies that another is unable to realize its surplus value, as capitalists are the only purchasers of surplus value for one another. In this case, however, the smooth progress of accumulation as set out by the schema would be interrupted. A crisis would ensue, but not a crisis of overproduction, rather one that results from the mere intention to accumulate, of the kind envisaged by Sismondi.

In one passage of his *Theories of Surplus Value*, Marx states explicitly that he is not at all concerned here with the case of "in which more capital is accumulated than can be invested in production, and for example lies fallow in the form of money at the bank. This results in loans abroad, etc."[282] He defers the treatment of these phenomena to the section on competition. However, it is important to note that his schema directly excludes the formation of such an additional capital. Competition, however construed, is clearly unable to create values (i.e. capital) that do not arise from the reproduction process.

In this way, the schema precludes sudden leaps in the expansion of production. It only provides for a steady expansion, one that is precisely in step with the formation of surplus value and that rests on the identity between the realization and capitalization of surplus value.

For the same reasons, the schema presumes an accumulation that takes hold of both departments, and thus all branches of capitalist production, to the same degree. Sudden leaps in the expansion of markets are ruled out, as is the onesided development of individual branches of capitalist production, running far ahead of the others.

The schema thus presupposes a movement of the total social capital that contradicts the actual course of capitalist development. The history of the capitalist mode of production is at first glance characterized by two facts: on the one hand, the periodic expansion of the whole field of production in sudden leaps and bounds, and on the other, the highly irregular development of the various branches of production. The history of the British cotton industry, the most characteristic chapter in the history of the capitalist mode of production from the last quarter of the eighteenth century up to the 1870s, is completely inexplicable from the standpoint of the Marxian schema.

Finally, the schema contradicts the conception of the capitalist total process and its trajectory laid out by Marx in the third volume of *Capital*. The fundamental idea of this conception is the immanent contradiction between the unconfined capacity for expansion of the productive forces and the restricted capacity for expansion of social consumption under capitalist relations of distribution. Marx gives an extensive account of this contradiction in Chapter 15, "Development of the Law's Internal Contradictions," as follows:

> Assuming the necessary means of production, i.e. a sufficient accumulation of capital, the creation of surplus value faces no other barrier than the working population, if the rate of surplus value, i.e. the level of exploitation of labor, is given; and no other barrier than this level of exploitation, if the working population is given. And the capitalist process essentially consists of this production of surplus value, represented in the surplus product or the aliquot portion of commodities produced in which unpaid labor is objectified. It should never be forgotten that the production of this surplus value—and the transformation of a portion of it back into capital, or accumulation, forms an integral part of surplus value production—is the immediate purpose and determining motive of capitalist production. Capitalist production, therefore, should never be depicted as something that it is not, i.e. as production whose immediate purpose is consumption, or the production of the means of enjoyment for the capitalist. [And, of course, even less for the worker—*R. L.*] This would be to ignore completely its specific character, as this is expressed in its basic inner pattern.
>
> It is extraction of this surplus value that forms the immediate process of production, and this faces no other barriers than those just mentioned. As soon as the amount of surplus labor it has proved possible to extort has been objectified in commodities, the surplus value has been produced. But this production of surplus value is only the first act in the capitalist production process, and its completion only brings to an end the immediate production process itself. Capital has absorbed a given amount of unpaid labor. With the development of this process as expressed in the fall in the profit rate, the mass of surplus value thus produced swells to monstrous proportions. Now comes the second act in the process. The total mass of commodities, the total product, must be sold, both that portion that replaces constant and variable capital and that which represents surplus value. If this does not happen, or happens only partly, or only at prices that are less than the price of production, then although the worker is certainly exploited, his exploitation is not realized as such for the capitalist and may even not involve any realization of the surplus value extracted, or only a partial realization; indeed, it may even mean a partial or complete loss of his capital. The conditions for immediate exploitation and for the realization of that exploitation are not identical. Not only are they separate in time and space, they are also separate in theory. The former is restricted only by society's productive forces, the latter by the proportionality between the different branches of production and by society's power of consumption. And this is determined neither by the absolute power of production nor by the absolute power of consumption but rather by the power of consumption within a given framework of antagonistic conditions of distribution, which reduce the consumption of a vast

majority of society to a minimum level, only capable of varying within more or less narrow limits. It is further restricted by the drive for accumulation, the drive to expand capital and produce surplus value on a larger scale. This is the law governing capitalist production, arising from the constant revolutions in methods of production themselves, from the devaluation of the existing capital that is always associated with this, and from the general competitive struggle and the need to improve production and extend its scale, merely as a means if self-preservation, and on pain of going under. The market, therefore, must be continually extended, so that its relationships and the conditions governing them assume ever more the form of a natural law independent of the producers and become ever more uncontrollable. The internal contradiction seeks resolution by extending the external field of production. But the more productivity develops, the more it comes into conflict with the narrow basis on which the relations of consumption rest. It is in no way a contradiction, on this contradictory basis, that excess capital coexists with a growing surplus population; for although the mass of surplus value produced would rise if these were brought together, yet this would equally heighten the contradiction between the conditions in which the surplus value was produced and the conditions in which it was realized.[283]

A comparison of this account with the schema of expanded reproduction shows that they do not accord with each other at all. According to the schema, there is no immanent contradiction between the production of surplus value and its realization, but rather an immanent identity. Here, surplus value comes into existence already in a natural form exclusively designed for the requirements of accumulation. It emerges from the point of production already as additional capital, and its realizability is thus given, i.e. it is given in the very drive to accumulate of the capitalists themselves. As a class, the latter appropriate surplus value, and they have this surplus value produced already in the material form that permits as well as conditions its use for the purposes of further accumulation. Here, the realization of surplus value and its accumulation are merely two sides of one and the same process, and they are conceptually identical. Society's capacity for consumption therefore represents no restriction upon the process of reproduction as it is presented in the schema. Here, the expansion of production proceeds automatically from year to year without society's capacity for consumption transcending its "antagonistic conditions of distribution." To be sure, this automatic continuation of expansion, of accumulation, is a "law of capitalist production … on penalty of failure." Yet according to the analysis in the third volume, "the market, therefore, must be continually extended"—i.e. "the market" must obviously exceed the consumption of capitalists and workers. Furthermore, if Tugan-Baranovsky interprets the proposition that immediately follows—i.e. that "this internal contradiction seeks resolution by extending the external field of production"—as if Marx in fact meant production itself by "the external field of production," then he does violence not only to the sense of the language used by Marx, but also to his clear line of thought. Here, "the external field of production" is clearly and unequivocally not production itself, but consumption, "which must be continually extended." That this was what Marx meant, and not anything else, is sufficiently borne out by the following passage in *Theories of Surplus Value*, for example:

> Ricardo is therefore consistent in denying the necessity of *an expansion of the market* simultaneously with the expansion of production and the growth of capital. All the available capital in a country can also be advantageously employed in that country. Hence he polemicizes against Adam Smith, who on the one hand put forward *his* (Ricardo's) view and, with his usual rational instinct, contradicted it as well.[284]

In yet another passage, this time from Volume 3 of *Capital*, Marx clearly indicates that Tugan-Baranovsky's notion of production for production's sake was entirely alien to him:

> And besides this, there is also, as we have already seen (Volume Two, Part Three), a constant circulation between one constant capital and another (even leaving aside the accelerated accumulation) that is initially independent of individual consumption in so far as it never goes into this even though it is ultimately limited by it, for production of constant capital takes place never for its own sake but simply because more of it is needed in those spheres of production whose products do go into individual consumption.[285]

To be sure, according to the schema in the second volume, to which Tugan-Baranovsky clings as his only support, the market is identical with production. Expansion of the market follows necessarily from the expansion of production, since production constitutes its own exclusive market (consumption by workers is only a moment of production, namely the reproduction of variable capital). It follows that the expansion of production and the market has one and the same constraint: the volume of the total social capital, or the level already attained by accumulation. The greater the quantity of surplus value that has been extracted in the natural form of capital, the more can be accumulated; the more that is accumulated, the more surplus value can be invested—i.e. realized—in the form of capital, which is its natural form. According to the schema, then, the contradiction that is identified in the analysis of the third volume does not exist. Here, in the process as it is presented in the schema, it is not necessary to continually extend the market beyond the consumption of capitalists and workers, and society's restricted capacity for consumption is absolutely no impediment to the smooth continuation of production and the unconfined capacity for the expansion of production. To be sure, the schema does allow for crises, but exclusively those caused by a disproportionality of production, i.e. by the lack of social control over the production process. By contrast, it precludes the profound and fundamental antagonism between the respective capacities for production and consumption of capitalist society—an antagonism that is precisely a consequence of the accumulation of capital, that periodically erupts in crises, and that drives capital constantly to expand its markets.

Chapter 26. The Reproduction of Capital and its Milieu

Marx's schema of expanded reproduction cannot explain the process of accumulation as it occurs in reality and imposes itself historically. Why is this? The reason lies in the very presuppositions of the schema itself. The schema sets out to present the process of accumulation under the assumption that capitalists and workers are the only representatives of social consumption. As has been shown, Marx quite consistently and consciously bases his analysis in all three volumes of *Capital* on the theoretical premise of the universal and exclusive dominance of the capitalist mode of production. Under these conditions, as in the schema, there are indeed no other social classes than capitalists and workers: as consumers, all "third parties" in capitalist society (public servants, the liberal professions, the clergy, etc.) are to be counted as belonging to these two classes, and preferentially to the capitalist class. This premise is a theoretical expedient—in reality there has never been a self-sufficient capitalist society with the exclusive dominance of capitalist production. This theoretical expedient is entirely admissible, however, where it does not alter the conditions of the problem itself, but rather enables them to be expounded in their pure form. A case in point is the analysis of the simple reproduction of the total social capital. Here, the problem itself is based on the following fiction: in a society with capitalist production (i.e. one based on the generation of surplus value), the entire surplus value is consumed by those who appropriate it, namely the capitalist class. The schema seeks to present the necessary configuration of social production and reproduction under such conditions. The way the problem is posed here presupposes that production knows no other consumers than capitalists and workers, and it thus corresponds fully to Marx's presupposition of the universal and exclusive dominance of the capitalist mode of production. One fiction is the theoretical counterpart to the other. Equally admissible is the assumption of the absolute dominance of capitalism in the analysis of the accumulation of individual capitals as given in the first volume of *Capital*. The reproduction of the individual capital is the basic element of total social reproduction. Yet this is an element whose movement follows an independent course and is in contradiction with the movements of the other elements, such that the total movement of social capital is no mechanical aggregate of the individual movements of the capitals, but yields instead a peculiarly transposed result. Although the aggregate value of the individual capitals, as well as its respective components (constant capital, variable capital, and surplus value) corresponds exactly to the magnitude of the value of the total social capital, i.e. its two component parts and the total surplus value, the material presentation of this value-magnitude in the respective components of the total social product completely diverges from the way in which the value relations of the individual capitals are materially embodied. The relations of reproduction of individual capitals in their material form thus coincide neither with one another, nor with those of the total social capital.[*] Each individual capital undergoes its own circulation, and thus its own accumulation, completely on its own account, and—in the normal course of the circulation process—depends on other capitals only insofar as it must realize its product [†] and find available to it the necessary means of production for it to operate. As far as the individual capital is concerned, it is of no significance whether it is within the sphere of capitalist production that this realization occurs and these means of production are produced. On the other hand, however, the most favorable theoretical premise for the analysis of the accumulation of individual capitals is the assumption that capitalist production represents the only setting within which this process occurs—i.e. that it has attained universal and exclusive dominance.[286]

Now, however, the question arises whether the premises that apply to individual capitals should also be considered admissible in the case of the total social capital. As a matter of fact, Marx himself identifies the conditions for the accumulation of total social capital with those of the individual capitals, as he confirms explicitly in the following passage:[‡]

> The problem has now to be formulated thus: *assuming general accumulation*, in other words, assuming that capital is accumulated to some extent in all trades—this is in fact a condition of capitalist production and is just as much the urge of the capitalist as a capitalist, as the urge of the hoarder is the piling up of money (it is also necessary if capitalist production is to go ahead)—what are the *conditions* of this general accumulation, what does it amount to?

Marx gives the following answer:

> *The conditions for the accumulation of capital are thus the very same as those for its original production or for reproduction in general*. These conditions, however, were: that labor was bought with one part of the money, and with the other, commodities (raw materials, machinery, etc.) … The accumulation of new capital can therefore proceed only under the same conditions as the reproduction of already existing capital.[287]

In reality, the actual conditions for the accumulation of total social capital are completely different to those that govern the accumulation of individual capitals and simple reproduction. The problem hinges on the following question: how is social reproduction configured, given the condition that a growing portion of surplus value is not consumed by capitalists, but used for the expansion of production? The complete absorption of the total social product by the consumption of workers and capitalists, with the exception of the replacement of constant capital, is a priori excluded, and this circumstance is the most essential moment of the problem. By the same token, the realization of the total social product by the workers and capitalists themselves is also excluded. By themselves, they can only ever realize the variable capital, the part of constant capital that is used up and the part of surplus value that is consumed, thus merely satisfying the conditions for the renewal of production on the previous scale. By contrast, the part of surplus value that is to be capitalized cannot possibly be realized by the workers and capitalists themselves. The realization of surplus value for the purposes of accumulation is thus an impossible task in a society consisting only of workers and capitalists. Remarkably, all the theorists who studied the problem of accumulation, from Ricardo and Sismondi to Marx proceeded from this very premise that rendered the problem insoluble. The correct intuition that there is a necessity for “third parties”—i.e. for consumers apart from the immediate agents of capitalist production, the workers and capitalists—for the realization of surplus value, led to all kinds of stratagems: certain theorists appeal to “unproductive consumption,” as incarnated in the person of the feudal landowner (Malthus), in militarism (Vorontsov), or in the “liberal professions” and various other strata appended to the capitalist class (Struve); alternatively, external trade is adduced and accorded a prominent role as a safety valve, as was done by all the skeptics of accumulation from Sismondi to Danielson. In part, too, the impossibility of the task led some theorists, such as von Kirchmann and Rodbertus, to renounce accumulation altogether, and others, such as Sismondi and his Russian epigones, the “Populists,” to argue that it was at least necessary to curb accumulation as much as possible.

* The preceding two sentences were left out of Schwarzschild's translation of *The Accumulation of Capital*.

† Luxemburg presumably means, "realize the value of its product."

‡ This sentence was omitted in Schwarzschild's translation of *The Accumulation of Capital*.

However, it was not until the deeper analysis and precise schematic exposition of the process of total social production by Marx—especially his brilliant exposition of the problem of simple reproduction—that the crux of the problem of accumulation and the stumbling block of the earlier attempts to find a solution was laid bare. Marx's analysis of the accumulation of total social capital is broken off in its early stages, however, and is further impaired by the fact that it is carried out in the context of the polemic against Smith's analysis, which hardly facilitates a clear formulation of the problem, as mentioned above; as such, it does not immediately offer a finished solution, and in fact it rather complicates the problem by presupposing the exclusive dominance of the capitalist mode of production. Yet Marx's whole analysis of simple reproduction and his characterization of the capitalist process as a whole in all its internal contradictions, and of the way that these develop, implicitly contain a solution to the problem of accumulation that accords with the other elements of Marx's theory and with the historical experience and daily practice of capitalism, and thus allow the deficiencies of the schema to be corrected. On closer inspection, the schema of expanded reproduction itself points beyond itself to relations lying beyond capitalist production and accumulation.

Until now, expanded reproduction has only been considered from one side, namely in terms of the question of how surplus value is realized. This is the difficulty with which skeptics have been exclusively concerned to this day. The realization of surplus value is indeed the vital question for capitalist accumulation. If the consumption fund of the capitalists is disregarded altogether in order to simplify the problem, then the realization of surplus value requires a circle of purchasers beyond capitalist society as its first condition. *Purchasers* are deliberately referred to here, rather than *consumers*, since the realization of surplus value says nothing a priori of the material form of surplus value. The decisive moment here is that surplus value can be realized neither by workers—nor capitalists, but by social strata or societies that do not engage in capitalist production. There are two conceivable cases here:

1) Capitalist production supplies means of consumption beyond its own requirements (i.e. beyond those of its workers and capitalists), and these are purchased by noncapitalist strata and countries. For example, the British cotton industry supplied cotton textiles to the peasantry and the petty-bourgeoisie in the towns of the European continent and further abroad, to the peasantry in India, America, Africa, etc., during the first two-thirds of the nineteenth century, and to an extent continues to do so to this day. Thus it was consumption by non-capitalist strata and countries that formed the basis of the enormous expansion of the cotton industry in the U.K.[288] An extended machine industry was developed to supply this cotton industry with spindles and weaving looms, and in turn the metal and coal industries, etc., evolved in order to supply the former. As such, the products of Department II (means of consumption) were increasingly realized by extra-capitalist social strata, thus creating an increasing demand on its part for the intra-capitalist production of Department I (means of production), and thus enabling this department in turn to realize its surplus value and to accumulate at a faster pace.

2) Conversely, capitalist production supplies means of production beyond its own requirements and finds purchasers in noncapitalist countries. For example, in the first half of the nineteenth century, British industry supplied materials for the construction of railways in the American and Australian states. The construction of railways does not in itself necessarily imply the predominance of the capitalist mode of production in a country. In fact, the railways were themselves merely one of the first preconditions for the introduction of capitalist production in these cases. Alternatively, the German chemical industry supplies means of production, such as dyes, which find huge markets in noncapitalist producing countries in Asia, Africa, etc.[289] Here it is Department I that realizes its product in extra-capitalist spheres. The resulting progressive expansion of Department I elicits a corresponding expansion of Department II, which supplies means of consumption for the expanding army of Department I.

Each of these two cases differs from the Marxian schema. In the first case, the product of Department II exceeds the requirements of both departments in terms of variable capital and the consumed part of surplus value; in the second case, the product of Department I exceeds the size of the constant capital of both departments, even when its growth for the purposes of the expansion of production is accounted for. In neither case does surplus value come into existence in a natural form that would facilitate and condition its capitalization. In reality, both of these typical cases intersect at every step, complement one another, and devolve into one another.

One point is unclear in all this. If, for instance, an excess of means of consumption, e.g. cotton fabrics, is sold in noncapitalist spheres, then it is clear that these cotton fabrics, as capitalist commodities, do not merely represent surplus value, but also constant and variable capital. It would appear to be completely arbitrary to assume that precisely these commodities that are sold outside the sphere of capitalist society represent nothing but surplus value. On the other hand, it transpires that, in this case, the other department (Department I) does not merely realize its surplus value, but can also accumulate without selling its product outside of the two departments of capitalist production. Both objections, however, are merely superficial, and can be dismissed by a proportional exposition of the value of the mass of products according to its respective components. Under capitalist production, it is not only the total social product, but also each individual commodity that contains surplus value. This fact does not prevent the total social product from being analyzed into three proportional parts corresponding in value terms to the aggregate constant capital used up, the aggregate variable capital, and the aggregate surplus value extracted in society, just as the individual capitalist accounts, against the successive sales of his particular mass of commodities, first for the replacement of the constant capital he has invested, then for that of the variable capital (or, more incorrectly, but in keeping with actual practice: he accounts first for the replacement of his fixed capital, and then for that of his circulating capital), in order to enter the net proceeds as his profit. In simple reproduction, the material form of the total social product also corresponds to the above value proportions: constant capital reappears in the form of means of production, variable capital in the form of means of subsistence for workers, and surplus value in the form of means of consumption for capitalists. Yet, as has been shown, simple reproduction in this categorial sense—i.e. where the entire surplus value is consumed by the capitalists—is a mere theoretical fiction. As far as expanded reproduction or accumulation is concerned, according to the Marxian schema there is a strict proportionality between the value-composition of the total social product and its material form: the portion of surplus value that is determined as being for capitalization comes into existence already in the ratio between material means of production and means of consumption that corresponds to the expansion of production on the given technical basis. However, as has been observed, this conception, which is predicated on the self-sufficiency and isolation of capitalist production, breaks down when it comes to the realization of surplus value. Yet if it is assumed that the surplus value is realized *outside* capitalist production, then this implies that its material form has nothing to do with the requirements of capitalist production itself. Its material form corresponds to the requirements of those noncapitalist spheres that help to realize it. Capitalist surplus value can thus come into existence in the form of means of consumption (e.g. as cotton fabrics) or in the form of means of production (e.g. construction materials for railways). This surplus value, which is realized in the form of the products of one department, thus also helps to realize the surplus value of the other department in the ensuing expansion of production; however, this circumstance in no way alters the fact that the *total social* surplus value has been realized in part directly, and in part indirectly, outside both departments. An analogy can be drawn here with the fact that the individual capitalist can realize his surplus value even if his entire commodity-product merely goes to replace the variable or the constant capital of another capitalist.

The realization of surplus value is not the only decisive moment of reproduction, however. Let it be assumed that Department I has realized its surplus value by external sales (i.e. outside both departments) and has been able to proceed with accumulation, and further that there are prospects of an expansion in these external markets. With these assumptions, however, only half of the conditions for accumulation are given: there's many a slip 'twixt the cup and the lip. For now the requirement that the corresponding material elements of the expansion of production be readily available imposes itself as the second precondition for accumulation. Where can these be obtained, given that the surplus product in the form of the products of Department I—i.e. means of production—has just been transformed into money by selling it to markets that are external to capitalist production? The very transaction that has enabled the realization of surplus value has simultaneously removed—through the other door, so to speak—the prerequisites for the transformation of this realized surplus value into the form of productive capital. It would appear, then, that the remedy is worse than the illness. The problem will now be examined more closely.

Here the constant capital of Department I as well as that of Department II is taken as if these together constituted the entire constant portion of capital in production. As has been observed, however, this is false. In order to simplify the problem, the fact that the constant capital that figures in departments I and II in the schema is only a portion of the total constant capital (i.e. that portion that circulates annually, is used up within the period of production, and is transferred to the product) has been disregarded. It would be completely absurd to assume, however, that capitalist production (or any other, for that matter) uses up its entire constant capital and reproduces it from scratch in each period of production. On the contrary, production as it is presented in the schema presupposes a large mass of means of production that is periodically replaced in its entirety through the annual renewal of the part used up—such is the implication of the schema. With the increasing productivity of labor and the expanding scale of production, this mass does not merely grow absolutely, but also relative to the portion that is consumed in production; this also means, however, that the potential efficiency of constant capital increases at the same time. Thus, in the first instance, the expansion of production implies the more efficient use of this portion of constant capital without any direct increase in its value.

> In the extractive industries, mines, etc., the raw materials do not form part of the capital advanced. The object of labor is in this case not a product of previous labor, but something provided by nature free of charge, as in the case of metals, minerals, coal, stone, etc. Hence the constant capital consists almost exclusively of instruments of labor that can very easily absorb an increased quantity of labor (day and night shifts, for example). All other things being equal, the mass and value of the product will rise in direct proportion to the labor expended. As on the first day of production, the two original agencies working to form the product, man and nature, continue to cooperate, and now, as creators of the products, they are also creators of the material elements of capital. Thanks to the elasticity of labor-power, the domain of accumulation has extended without any prior increase in the size of the constant capital.
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> In agriculture, the amount of land under cultivation cannot be increased without laying out more seed and manure. But once this has been done, the purely mechanical ploughing of the soil itself produces a marvellous effect on the size of the product. A greater quantity of labor, performed by the same number of laborers as before, thus increases the fertility of the land without requiring any new contribution in the form of instruments of labor. It is once again the direct action of man on nature, which becomes an immediate source of greater accumulation, without the intervention of any new capital.
>
> Finally, in industry proper, every additional expenditure of labor presupposes a corresponding additional expenditure of raw materials, but not necessarily of instruments of

> labor. And as extractive industry and agriculture supply manufacturing industry both with its own raw materials and with those for its instruments of labor, the additional product provided by extractive industry and agriculture without any additional advance of capital also redounds to the advantage of manufacturing industry.
>
> We arrive, therefore, at this general result: by incorporating with itself the two primary creators of wealth, labor-power and land, capital acquires a power of expansion that permits it to augment the elements of its accumulation beyond the limits apparently fixed by its own magnitude, or by the value and the mass of the means of production that have already been produced, and in which it has its being.[290]

Moreover, there is no reason why all requisite means of production and consumption should only derive from capitalist production. Although Marx's schema of accumulation is based on this very assumption, it corresponds neither to the daily practice and history of capital, nor to the specific character of this mode of production. A large part of the surplus value that was generated in the U.K. in the first half of the nineteenth century emerged from the production process in the form of cotton fabrics. Yet although the material elements of its capitalization—raw cotton from the slave states of the American Union, or cereals (means of subsistence for the British workers) from the fields of serfowning Russia—did, for their part, constitute a *surplus product*, this was by no means capitalist *surplus value*. The extent to which capitalist accumulation depends on these means of production deriving from noncapitalist production is demonstrated by the cotton crisis in the U.K. that was brought about by the suspension of the cultivation of the plantations during the American Civil War,[*] or the crisis in European linen weaving caused by the interruption of imports of flax from serf-owning Russia due to the Crimean War.[†] For the rest, it suffices to recall the role played by the imports of grain produced by peasants (i.e. noncapitalist production) in the nutrition of the mass of industrial workers in Europe (i.e. as an element of variable capital) in order to appreciate the extent to which the accumulation of capital, in terms of its material elements, is bound up with noncapitalist spheres.

Moreover, the character of capitalist production itself precludes any restriction to means of production generated by capitalist production. In the drive of individual capitals to increase their rate of profit, an essential means by which they do so is to strive for the cheapening of the elements of constant capital. On the other hand, the constant increase in the productivity of labor, which is the most important method for raising the rate of surplus value, implies the unconfined exploitation of all the resources, all the materials and conditions provided by nature and by the Earth, and it is thus bound up with these. In this respect, it is in keeping with the essence and mode of existence of capital that it will tolerate no restrictions. After several centuries of its development, the capitalist mode of production as such still constitutes only a fraction of total world production, and until now it has been centered primarily around the small continent of Europe (where there are still whole spheres of production that it has not come to dominate, such as peasant agriculture and independent handicrafts, and also whole geographical areas), large parts of North America, and individual pockets on the other continents. In general, the capitalist mode of production has hitherto been predominantly restricted to industry in the countries of the temperate zone, whereas it has made relatively slight progress in the East and South. Accordingly, if it had been exclusively dependent on the elements of production available within these narrow borders, then it would not have attained its current level, and indeed would not have been able to develop at all. In its forms and laws of motion, capitalist production reckons with the whole world as the treasury of productive forces, and has done so since its inception. In its drive to appropriate these productive forces for the purposes of exploitation, capital ransacks the whole planet, procuring means of production from every crevice of the Earth, snatching up or acquiring them from civilizations of all stages and all forms of society. Far from being already resolved by the material form of the surplus value generated by capitalist production, the question of the material elements of capital accumulation transforms itself into an entirely different one: for the productive employment of realized surplus value, it is necessary for capital to dispose ever more fully over the whole globe in order to have available to it a quantitatively and qualitatively unrestricted range of means of production.

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* During the U.S. Civil War of 1861–65, over 95 percent of U.S. cotton production could not be exported to Europe because of the Union blockade of Southern ports. This drove up the price of cotton dramatically. England responded by turning to India and Egypt as its main source of cotton; the production of the crop in India alone quickly shot up by 700 percent.

† Since the Crimean War pitted Russia against both the U.K. and France, its embargo on the export of flax to its adversaries—the raw material in much of linen production—caused a severe downturn in that industry.

One of the most indispensable preconditions of the process of accumulation, elastic and mercurial as this is, consists in unrestricted and instant access to new areas of raw materials in order to cope with all potential vicissitudes and interruptions in the supply of raw materials from the previous sources, as well as with any sudden expansion in social requirements. When the American Civil War interrupted imports of American cotton to the U.K., causing the infamous "cotton famine," huge new cotton plantations sprang up as if by magic in Egypt within the briefest period of time. Here it was oriental despotism in combination with the ancient relation of bondage that had created a new sphere of activity on which European capital could draw. Only capital, with its technical means, can conjure up such amazing transformations in such a brief period of time. However, it is only on the precapitalist soil of more primitive social relations that it is able to develop such a power of command over the material and human forces of production that figure among these wonders. Another similar example is the enormous increase in the world use of rubber: in value terms, imports of natural rubber now amount to one billion marks annually. The economic basis for this production of raw materials is formed by the primitive systems of exploitation as practiced by European capital in the African colonies as well as in America, which consist in varying combinations of slavery and relations of bondage.[291]

It should be noted that the above assumption that the first or the second department realizes only its surplus product in noncapitalist spheres is merely to give the most favorable case for the interrogation of the Marxian schema—i.e. the one that shows the relations of reproduction in their pure form. In reality, there is no reason why it should not be assumed that a part of the constant and variable capital in the product of the respective departments is also realized outside of the capitalist sphere. Indeed, the expansion of production, as well as the replacement of the elements of production that have been used up in their material form could equally be undertaken using the products of noncapitalist spheres. What the above example was intended to show is the fact that, *at the very least*, the surplus value that is to be capitalized and the corresponding part of the capitalist mass of products cannot possibly be realized within the capitalist sphere, and must therefore at all costs find purchasers outside this sphere, in social strata and formations not engaged in capitalist production.

Thus there are two different transactions between each period of production, in which surplus value is produced, and the ensuing accumulation, in which it is capitalized: the transformation of surplus value into its pure value-form (realization), and the transformation of this pure value-form into the form of productive capital. Each of these transactions occurs between capitalist production and the surrounding noncapitalist world. Thus, from both standpoints (i.e. from that of the realization of surplus value and from that of the acquisition of the elements of constant capital), international trade is from the outset a historical condition for the existence of capitalism: in the given concrete relations, it is essentially an exchange between the capitalist and the noncapitalist forms of production.

Until now accumulation has been considered only from the standpoint of surplus value and constant capital. The third fundamental moment of accumulation is variable capital. Progressive accumulation is accompanied by an increasing variable capital. In the Marxian schema, this is manifested in the material form of a growing mass of means of subsistence for the workers. The actual variable capital does not consist of the means of subsistence of the workers, but living labor-power, for whose reproduction the means of subsistence are required. Thus one of the fundamental conditions for accumulation is a supply of living labor that matches its requirements, and that capital sets in motion. In part, the increase of this quantity is achieved through the lengthening of the working day and the intensification of labor, as far as conditions permit. However, in neither case does this increase in living labor manifest itself in a growth in variable capital, or if so, only to a slight extent (e.g. as payment for overtime). Moreover, both methods are confined within definite and rather narrow constraints that they cannot exceed, and that are given by resistances that are in part natural, and in part social. The progressive increase in variable capital that accompanies accumulation must therefore express itself in the employment of a growing workforce. Yet where does this additional workforce come from?

In his analysis of the accumulation of individual capitals, Marx answers this question as follows:

> Now in order that these components may actually function as capital, the capitalist class requires additional labor. If the exploitation of the workers already employed does not increase, either extensively or intensively, additional labor-powers must be enlisted. The mechanism of capitalist production has already provided for this in advance, by reproducing the working class as a class dependent on wages, a class whose ordinary wages suffice, not only to maintain itself, but also to

> increase its numbers. All capital needs to do is to incorporate this additional labor-power, annually supplied by the working class in the shape of labor-powers of all ages, with the additional means of production comprised in the annual product, and the transformation of surplus value into capital has been accomplished.[292]

Here the increase in variable capital is simply reduced directly to the growth through natural propagation of the working class that is already under the command of capital. This also corresponds precisely to the schema of expanded reproduction, which, according to Marx's assumptions, only recognizes two social classes—i.e. the capitalists and the workers—and a single and absolute mode of production—i.e. the capitalist one. Under these presuppositions, the natural propagation of the working class is the only source of the increase of the available labor-power under the command of capital. Yet this conception contradicts the laws of motion of accumulation. The natural propagation of the workers stands neither in a temporal, nor in a quantitative, relation to the requirements of the accumulating capital. In particular, such propagation is not able to keep pace with the suddenly expanding requirements of capital, as Marx himself brilliantly demonstrates. As the only basis of the movements of capital, the natural propagation of the working class would preclude the continuation of accumulation in its periodic oscillation between overexpansion and contraction, and in its sudden leaps in the extension of the productive sphere, thereby rendering accumulation itself impossible. The latter requires the same unrestricted freedom of movement in relation to the growth in variable capital as it does in relation to the elements of constant capital—i.e. it must be able to dispose over the supply of labor-power without restriction. According to Marx's analysis, this requirement finds its precise expression in the formation of an "industrial reserve army of workers." Marx's schema of expanded reproduction does not in fact recognize such a reserve army, nor does it leave any room for one—i.e. the industrial reserve army cannot be formed through the natural propagation of the capitalist waged proletariat. It must be able to draw on other social reservoirs of labor-power not previously under the command of capital, which are added to the wage proletariat as required. It is only from noncapitalist strata and countries that capitalist production can continuously draw this additional labor-power. In his analysis of the industrial reserve army,[293] Marx in fact only considers (a) the displacement of older workers by machinery, (b) an influx of rural workers into the towns as the consequence of the dominance of agriculture by capitalist production, (c) the workforce that has been discarded by industry and that has only irregular employment, and finally (d) the lowest sediment of the relative surplus population—pauperism. Each of these categories represents a different form of excretion from capitalist production and comprises wage proletarians who have in one form or another been used up and have become surplus to requirements. For Marx, the rural workers constantly migrating to the towns are wage proletarians who were previously under the command of agricultural capital and now simply come under the dominion of industrial capital. Here Marx is evidently drawing on the conditions in the U.K., which was at a high stage of capitalist development. In contrast, he does not deal in *this* connection with the question of the source of this urban and rural proletariat, nor does he consider what is, in the European context, the most important source of this stream of new proletarians: the constant proletarianization of the rural and urban middle strata, and the decline of the peasant economy and small-scale handicraft production. What Marx fails to take into account here, then, is precisely the constant transition of labor-power from noncapitalist relations to capitalist ones, as an excretion not from the capitalist mode of production, but from precapitalist ones as these undergo a progressive process of collapse and dissolution. It is not just the processes of the decomposition of the European peasant economy and handicraft production that are to be considered here, but also the dissolution of the most varied primitive forms of production and society in non-European countries.

Since capitalist production must have all territories and climes at its disposal in order for it to develop, it can no more be confined to the natural resources and productive forces of the temperate zone than it can make do with the labor-power of the white race alone. Capital needs other races to exploit territories where the white race is not capable of working, and in general it needs unrestricted disposal over all the labor-power in the world, in order to mobilize all of the Earth's productive forces to the extent that this is possible within the constraints of surplus value production. However, in most cases, as capital encounters this labor-power, the latter is rigidly bound by outmoded, precapitalist relations of production, from which it must first be "set free," in order to be enlisted in the active army of capital. The process of extricating labor-power from primitive social relations and absorbing it into the capitalist wage system is one of the indispensable historical foundations of capitalism. The British cotton industry, which was the first genuinely capitalist branch of production, would have been impossible not only without cotton from the southern states of the American Union, but also without the millions of Black Africans who were transported to America in order to provide labor-power for the plantations, and who subsequently joined the ranks of the capitalist class of wage laborers as free proletarians after the American Civil War.[294] The importance of acquiring the requisite labor-power from noncapitalist societies becomes very palpable for capital in the form of the so-called labor problem in the colonies. In order to solve this problem, all possible methods of "soft power" are employed to detach the labor-power that is subordinated to other social authorities and conditions of production from these and to place it under the command of capital. These endeavors give rise in the colonial countries to the most peculiar hybrid forms of the modern wage system and primitive relations of domination.[295] These latter give a palpable demonstration of the fact that capitalist production is not feasible without labor-power from other social formations.

Marx does in fact deal in great detail with the process of the appropriation of noncapitalist means of production as well as that of the transformation of the peasantry into a capitalist proletariat. The whole of Chapter 28 of the first volume of *Capital* is given over to an account of the emergence of the British proletariat, of the agricultural capitalist tenant farmer class and of industrial capital. The looting of the colonial countries by European capital plays a prominent role in Marx's portrayal of the last of these processes. It should be noted, however, that all this is merely treated from the point of view of so-called "primitive accumulation." In Marx's account, the processes specified here merely illustrate the genesis of capital, the moment that it comes into the world—they constitute the birth pangs as the capitalist mode of production emerges from the womb of feudal society. As soon as Marx begins his theoretical analysis of the process of capital (of production as well as circulation), he constantly returns to his presupposition of the universal and exclusive dominance of capitalist production.

However, it is evident that, even in its full maturity, capitalism depends in all of its relations on the simultaneous existence of noncapitalist strata and societies. This relation of dependence is not exhausted by the bare question of the market for the "excess product," as the problem was posed by Sismondi and the later critics and skeptics of capitalist accumulation.

The accumulation process of capital is tied to noncapitalist forms of production in all of its value relations and material relations—i.e. with regard to constant capital, variable capital, and surplus value. These noncapitalist forms of production form the given historical setting for this process. The accumulation of capital cannot adequately be presented under the presupposition of the exclusive and absolute dominance of the capitalist mode of production—in fact it is inconceivable in every respect without the noncapitalist spheres that form its milieu. Sismondi and his followers did in fact reveal a correct instinct for the conditions of existence of accumulation even if they reduced its difficulties to that of the realization of surplus value alone. There is a crucial difference between the conditions that determine this latter process and those that govern the expansion of constant and variable capital in their material form: capital cannot do without the means of production and labor-power of the entire planet—it requires the natural resources and labor-power of all territories for its movement of accumulation to proceed unimpeded. Since these are *in actual fact* overwhelmingly bound by the precapitalist forms of production that constitute the historical milieu of capital accumulation, capital is characterized by a powerful drive to conquer these territories and societies. In itself, capitalist production would be just as well served by rubber plantations operating on capitalist lines, for example, as have already been established in India. However, the actual predominance of noncapitalist social relations in the countries of these branches of production spurs capital to strive to bring these countries and societies under its dominion; indeed, in so doing, the primitive relations facilitate such extraordinarily rapid and violent surges in accumulation as would be unthinkable under purely capitalist social relations.

The same cannot be said of the realization of surplus value. This is a priori bound up with noncapitalist producers and consumers. The existence of non-capitalist purchasers of surplus value is thus an immediate, vital condition for capital and its accumulation, and is as such the decisive factor in the problem of capital accumulation.

Be that as it may, the fact of the matter is that the accumulation of capital as a historical process, in all its relations, is contingent upon noncapitalist social strata and forms.

The solution of the problem that has been a bone of contention in economic theory for almost a century thus lies between the two extremes—

i.e. between on the one side the petty-bourgeois skepticism of Sismondi, von Kirchmann, Vorontsov, and Danielson, who declared accumulation to be impossible, and on the other the crude optimism of Ricardo, Say, and Tugan-Baranovsky, for whom capitalism can fructify itself ad infinitum, hence the merely logical corollary that it is eternal. The solution as defined by Marx's theory lies in the dialectical contradiction that the movement of capitalist accumulation requires an environment of noncapitalist social formations, that it is in a constant process of metabolism with the latter as it proceeds, and that it can only exist for as long as it finds itself within this milieu.

On this basis, the concepts of internal and external markets, which have played such a prominent role in the theoretical disputes around the problem of accumulation, can be revised. Internal and external markets certainly each play a great and fundamentally differentiated role in the course of capitalist development—not as concepts of political geography, however, but rather as ones of social economy. From the standpoint of capitalist production, the internal market is the capitalist market, this production is itself the purchaser of its own products and the supplier of its own elements of production. The external market, from the point of view of capital, is the noncapitalist social environment, which absorbs its products and supplies it with elements of production and labor-power. From this economic standpoint, Germany and the U.K. for the most part represent the internal, capitalist market for one another in terms of their reciprocal exchange of commodities, whereas the exchange between German industry and German peasants as both consumers and producers represents external market relations as far as German capital is concerned. As can be observed from the schema of reproduction, these are rigorous, precise concepts. In the internal capitalist trade, only certain components of the value of the total social product can be realized: the constant capital that has been used up, the variable capital and the part of surplus value that has been consumed; in contrast, the portion of surplus value that has been determined as being for capitalization must be realized "externally." If the capitalization of surplus value is the actual purpose and driving motive of production on the one hand, then the renewal of constant and variable capital (along with the part of surplus value that is consumed) forms the broad basis and precondition for this capitalization on the other. Furthermore, as capitalism develops internationally, the capitalization of surplus value becomes ever more urgent and ever more precarious, the broad basis of constant and variable capital becomes ever more vast in absolute terms and in relation to surplus value. Hence the contradictory phenomenon that the old capitalist countries represent ever-greater markets for one another and become ever more indispensable for one another, even as they contend with each other ever more jealously as competitors vis-à-vis the noncapitalist countries.[296] The conditions for the capitalization of surplus value are in ever greater contradiction with those for the renewal of the total social capital—a contradiction that, incidentally, is a mere reflection of the contradictory law of the falling rate of profit.

Chapter 27. The Struggle Against the Natural Economy

Capitalism comes into existence and develops itself historically in a noncapitalist social milieu. In the Western European countries, it is first surrounded by the feudal milieu, from whose womb it emerges (the *corvée* economy in the countryside, and the artisanal guilds in the towns) and then, after the stripping away of feudalism, by a predominantly peasant-artisanal milieu engaging in simple commodity production both in agriculture and in the handicraft enterprises. Further afield, European capitalism is surrounded by vast territories of non-European cultures that comprise the whole range of stages of development, from the most primitive communist hordes of nomadic hunter-gatherers right up to peasant and artisanal commodity production. This is the milieu within which the process of capital accumulation drives itself forward.

Within this process, there are three phases to be distinguished: the struggle between capital and the natural economy; the struggle between capital and the commodity economy; and capital's competitive struggles on the world stage over the remaining conditions of accumulation.

Capitalism requires noncapitalist forms of production for its existence and further development. However, not all of these forms serve it in this way. It requires noncapitalist social strata as a market in which to realize its surplus value, as a source for its means of production and as a reservoir of labor-power for its wage system. Forms of production based on a *natural economy* are of no use to capital for any of these purposes. In all natural economic formations, whether these are primitive rural communes with common ownership of the land, or feudal relations of bondage and the like, the economy pivots around subsistence production, and there is therefore little or no need for external commodities, and as a rule no excess product, or at least no urgent need to dispose of an excess product. Most important, however, is the following: the fundamental characteristic of all forms of production based on a natural economy is that the means of production and labor-power are bound in one form or another. The economic organization of the communist rural commune, no less than that of the feudal estate based on *corvée* and the like, rests on the trammeling of the most important means of production—the land—as well as of labor-power through the rule of law and tradition. The requirements of capital thus come up against the rigid constraints of the natural economy in every respect. Therefore capitalism above all wages a constant war of annihilation everywhere against any historical form of natural economy that it encounters, whether this be the slave economy, feudalism, primitive communism, or the patriarchal peasant economy. Political violence (revolution, war), oppressive taxation by the state, and cheap commodities form the main methods by which this struggle is fought. These methods partly run in parallel, and partly succeed each other, and they act to mutually reinforce each other. If the violent struggle in Europe took the form of revolution against feudalism (as is ultimately the case in the bourgeois revolutions of the seventeenth, eighteenth, and nineteenth centuries), then in non-European countries it took the form of colonial policy in the struggle against more primitive social forms. Here, the system of taxation that was established, and trade, especially with primitive communities, constituted a conglomeration in which political power and economic factors closely interlock.

The economic goals pursued by capitalism in its struggle with societies based on a natural economy can be enumerated as follows:

1) To gain direct control over important sources of the forces of production, such as land, wild game in the jungles, minerals, precious stones and ores, the products of exotic flora, such as rubber, etc.;

2) To set labor-power "free" and to compel it to work for capital;

3) To introduce the commodity economy;

4) To separate handicraft production and agriculture.

During original accumulation, i.e. during the historical emergence of capitalism in Europe at the end of the Middle Ages, the dispossession of the peasants in the U.K. and on the continent represented the most tremendous means for transforming the means of production and labor-power into capital on a massive scale.*

Since then, however, and to the present day, this same task has been accomplished under the rule of capital through an equally tremendous, although completely different, means: modern colonial policy. It is illusory to hope that capitalism could ever be satisfied with the means of production that it is able to procure by means of the exchange of commodities. Indeed, the difficulty for capital in this respect consists in the fact that, over vast expanses of the exploitable surface of the globe, the productive forces are in the possession of social formations that either have no inclination to exchange commodities or, worse still, cannot offer for sale the most important means of production on which capital depends, because their forms of property and social structures as a whole preclude this a priori. This goes above all for the land with all its rich mineral resources underground and its wealth of pastures, forests, and waterways on the surface, and also for the livestock of primitive pastoral peoples. For capital, to rely on the gradual process of the internal disintegration of these natural economic formations (a process to be reckoned in centuries), and to await the resulting alienation of these formations' most important means of production by means of commodity exchange, would be tantamount to forgoing the productive forces of these territories altogether. From the standpoint of capitalism, the inference to be drawn here is that the violent appropriation of the colonial countries' most important means of production is a question of life or death for it. However, since the primitive social bonds of the indigenous inhabitants constitute the strongest bulwark both of their societies and of the latter's material basis of existence, what ensues is that capital introduces itself through the systematic, planned destruction and annihilation of any noncapitalist social formation that it encounters. This is no longer a question of original accumulation: this is a process that continues to this day. Each new colonial expansion is accompanied by capital's relentless war on the social and economic interrelations of the indigenous inhabitants and by the violent looting of their means of production and their labor-power. The aspiration to restrict capitalism to "peaceful competition," i.e. to commodity exchange proper as it occurs between capitalist producing countries, rests on the doctrinaire delusion that the accumulation of capital could manage without the productive forces and demand of the more primitive social formations, and that it could rely on the slow, internal process of the disintegration of the natural economy. Given its mercurial capacity for expansion, the accumulation of capital can no more afford to wait for the natural increase in the working population than it can be content to bide its time during the naturally long process of the disintegration of noncapitalist forms and their transition to the commodity-economy. Capital knows no other solution to the problem than violence, which has been a constant method of capital accumulation as a historical process, not merely during its emergence, but also to the present day. For the primitive societies, on the other hand, since in such cases it is a question of their very existence, the only possible course of action is to engage in resistance and a life-or-death struggle until they are completely exhausted, or exterminated. Hence permanent military occupation of the colonies, indigenous uprisings, and expeditions to crush these are the order of the day for any colonial regime. These violent methods are here the direct consequence of the clash between capitalism and the natural economic formations that represent constraints upon its accumulation. The means of production and labor-power of these formations, as well as their demand for the capitalist surplus product, are indispensable to capitalism itself. In order to wrest these means of production and this labor-power from these formations, and to convert them into purchasers of its commodities, capitalism strives purposefully to annihilate them as independent social structures. From the standpoint of capital, this method is the most expedient, because it is simultaneously the one that is most rapid and most profitable. Indeed, its reverse side is growing militarism: the significance of the latter for accumulation will be considered in another context below. British policy in India and that of the French in Algeria represent the classical examples of capital's application of this method.

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* Marx details this violent process in Part 8 of *Capital*, Vol. 1, entitled "the so-called Primitive Accumulation of Capital."

The ancient economic organization of the Indians—the communist village community—had persisted in its various forms for millennia and had undergone a long, internal history, despite the political storms that had raged in the "lands of the clouds." In the sixth century BC the Persians invaded the Indus basin and conquered a part of the country. Two centuries later the Greeks swept in, leaving behind them the Alexandrian colonies as the offshoots of a totally alien culture. Subsequently, there was an incursion by savage Scythians, and the Arabs ruled India for centuries.* Later the Afghans descended from the highlands of Iran, until they in turn were driven out by the brutal onslaught of Tartar hordes from Transoxiana.† Later still, the Mongols left a trail of terror and destruction: entire villages were massacred, and the peaceful paddy fields with their tender rice stalks ran crimson with streams of blood. Yet the Indian village community survived all this, since the entire succession of Muslim conquerors, each one ousting the one before, ultimately left intact the internal social life of the mass of peasants and its traditional structure. These conquerors merely installed their own governors in the provinces to oversee military organization and to collect tributes from the population. All of these conquerors pursued the aim of dominating and exploiting the country; none of them had any interest in robbing the people of its productive forces and annihilating its social organization. In the Moghul Empire, peasants had to pay their annual tribute in kind to the foreign ruler, but they could live undisturbed in their villages and cultivate rice on their *sholguras*[‡] just as their ancestors had done. Then came the British, and the blight of capitalist civilization accomplished in a short time what millennia, and the sword of the Nogais,[§] had failed to achieve, namely the complete destruction of the entire social organization of the people. The purpose of British capital was ultimately to gain control of the very basis of existence of the Indian community: the land.

This purpose was served above all by the fiction, ever popular with European colonizers, that the entire land of a colony belongs to the political sovereign.[¶] The British retroactively granted all of India as private property to the Moghul and his governors so that it would pass to them as "legitimate" successors of the latter. The most reputable economics scholars, such as James Mill, dutifully provided "scientific" grounds for this fiction, especially with the famous argument that it was necessary to assume land ownership by the sovereign in India, "for if it did not reside in him, it will be impossible to show to whom it belonged."[297] Accordingly, in Bengal the British transformed all the *zamindars* (i.e. the Muslim tax farmers and also the hereditary market superintendents) that they found in each district into the owners of the land there, in order to gain a strong ally in the country in the campaign against the peasant masses. They also proceeded in exactly the same way during subsequent conquests in the province of Agra,[*] in Awadh, and in the central provinces. This caused a series of turbulent peasant uprisings, during which tax collectors were frequently driven out. In the ensuing general confusion and anarchy, British capitalists managed to gain possession of a sizeable portion of the land.

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* Although Arab armies invaded areas of the Indian subcontinent such as Sindh as early as 711, they failed to impose lasting political control over significant parts of India. By 738 the Arabs no longer exerted significant political control east of the Indus River, although traders from Arabia later gained control of parts of southern India and Ceylon.

† Luxemburg appears to be conflating a number of different historical events here. Mahmud of Ghazni conquered large parts of northern India in the eleventh century; the Ghaznavids were not Arab but rather a Turkic people heavily influenced by Persian language and culture. At the end of the twelfth century, the Afghan warrior Mohammed Ghori conquered the Ghaznavids. Although the Mongol invasions of the twelfth century took control of what is now western Pakistan from the Delhi Sultanate (established by Ghori's successors), they did not end its control of northern India. The Delhi Sultanate was severely weakened by the invasion of Timur (Tamerlane) in 1398, but was not destroyed until the Mughal conquest of 1526.

‡ Small plots of communally owned land; Luxemburg apparently learned of the term from James Mill's *History of British India*.

§ Luxemburg appears to be confusing the Nogais, a Turkic-Mongol people living north and east of the Caspian Sea in the sixteenth and seventeenth century, with the Moghuls.

¶ The claim that the sovereign power in India owned the entirety of landed property was first advanced by James Mill, and it became the basis of the theory of "Oriental Despotism." Like Luxemburg, Marx considered Mill's claim to be a fictitious portrayal of actual conditions in India that functioned only to serve British imperialist interests. See Marx's "Notebooks on Kovalevsky," in Lawrence Krader, *The Asiatic Mode of Production* (Assen, NL: Van Gorcum, 1975), pp. 343–412.

* Agra is the former capital of Hindustan, in the northern state of Uttar Pradesh. Awadh is in the center of Uttar Pradesh and is a major area of grain production.

Furthermore, the tax burden was so ruthlessly increased that it swallowed up almost all the fruits of the labor of the local population. This was taken to such an extreme that, according to the 1854 official report by the British tax authorities, the peasants of the districts of Delhi and Allahabad found it to their advantage to simply lease or bond their plots of land against the taxes that were levied on them. This taxation system provided the conditions for usury to infiltrate the Indian village and take hold like a cancer, consuming the social organization from within.[298] In order to accelerate this process, the British passed a law that flew in the face of all the traditions and concepts of right of the village community: this law provided for the compulsory alienability of village land in case of tax arrears. The attempts of the old kinship associations to protect themselves against this through their preemptive right over the village lands and related tracts of land were in vain—the process of disintegration was in full swing.

Compulsory auctions, the forced withdrawal of individuals from the village lands, indebtedness, and expropriation were the order of the day.

Following their usual strategy in the colonies, the British attempted to make it appear that their policy of violence, which had undermined the traditional relations of land ownership and led to the collapse of the Hindu peasant economy, was actually in the interests of the peasantry and was necessary for the latter's protection from indigenous tyrants and exploiters.[299] First, the U.K. artificially created a landed aristocracy in India at the expense of the ancient property rights of the peasant communities, in order subsequently to protect the peasants from these oppressors and to bring this "illegally usurped land" into the possession of British capitalists.

Large estates thus emerged in India within a short space of time, while across large swaths of the country the peasants were transformed into an impoverished, proletarianized mass of small-scale tenant farmers with a short-term lease.

Finally, the specifically capitalist method of colonization finds expression in the following striking circumstance. The British were the first conquerors of India to show a gross indifference toward the works of civilization that formed its public utilities and economic infrastructure. Arabs, Afghans, and Mongols alike had initiated and maintained magnificent works of canalization, they had provided the country with a network of roads, built bridges across its rivers, and sunk wells. Timur, or Tamerlane, the founder of the Mongol dynasty in India, oversaw the allocation of resources for the cultivation of the soil, irrigation, security on the roads, and the provision of food and shelter for travelers.[300]

> The primitive Indian Rajahs, the Afghan or Mongol conquerors, at any rate, in spite of occasional cruelty against individuals, made their mark with the marvelous constructions we can find today at every step and that seem to be the work of a giant race. The Company that ruled India until 1858 [the East India Company—*R. L.*] did not make one spring accessible, did not sink a single well, nor build a bridge for the benefit of the Indians.[301]

Further testimony is given by a Briton by the name of James Wilson:

> In the Madras province, no one can help being impressed by the magnificent ancient irrigation systems, traces of which have been preserved until our time. Locks and weirs dam the rivers into great lakes, from which canals distribute the water for an area of sixty or seventy miles around. On the large rivers, there are thirty to forty of such weirs … The rainwater from the mountains was collected in artificial ponds, many of which still remain and boast circumferences of between fifteen and twenty-five miles. Nearly all these gigantic constructions were completed

> before the year 1750. During the war between the Company and the Mongol rulers—and, be it said, *during the entire period of our rule in India*—they have sadly decayed.[302]

This all follows quite naturally: for British capital, it was not a question of ensuring the survival of the Indian community or supporting it economically, but rather of destroying it in order to seize its productive forces. The ravenous greed, the voracious appetite for accumulation, the very essence of which is to take advantage of each new political and economic conjuncture with no thought for tomorrow, precludes any appreciation of the value of the works of economic infrastructure that have been left by previous civilizations. In Egypt, recently, British engineers, who had been charged with constructing enormous dams on the Nile for the purposes of capital, invested a lot of effort into uncovering the traces of the ancient system of canals there; meanwhile the British, with a mindless negligence equaling that of the Botocudos,[*] had allowed a homologous system of canals to decay completely in their Indian provinces. It was not until 1867 that the British were able to appreciate their noble endeavors, when the terrible famine that cost a million lives in the district of Orissa alone forced a British parliamentary inquiry into the causes of the emergency.[†] The British government is currently attempting to take administrative measures to rescue the peasants from usurers. The Punjab Alienation Act (1900) forbids the alienation or mortgaging of peasant land to the members of other castes than the peasant one, with individual exceptions to be made at the discretion of the tax collector.[303]

Having systematically severed the protective ties of the ancient Hindu communities and nurtured a system of usury in which an interest rate of 15 percent is a common phenomenon, the British are now proceeding to place the ruined and impoverished Indian peasants under the tutelage of the Exchequer and its officials, i.e. under the "protection" of the very leeches that have bled them dry.

Alongside the martyrdom inflicted upon British India, the history of French policy in Algeria can claim a place of honor in the annals of capitalist colonial economies. When the French conquered Algeria [in 1830], prevalent among the masses of the Arab-Kabyle population were ancient social and economic forms of organization that had persisted, in spite of the long and turbulent history of the country, until the nineteenth century, and indeed these continue to exist to some degree even today.

Although private property held sway in the towns, among the Moors and the Jews, and among merchants, artisans, and usurers, and although broad swaths of the countryside had been seized under Turkish suzerainty and placed under the dominion of the state, still almost half of the cultivated land was held by the Arab and Kabyle tribes as their common property; here, ancient, patriarchal customs prevailed. Many Arab clans led the same kind of nomadic life in the nineteenth century as they had done since time immemorial, an existence that might seem erratic and haphazard to the casual observer, but that is in reality strictly regulated and extremely monotonous. Men, women, and children would migrate along with herds of animals and tents each summer to the coastal region of Tell with its cooling sea-breezes; in the winter they would make the journey back to the protective warmth of the desert. Each tribe and each clan had its own determinate migration routes and summer and winter stations, where it would set up camp. Likewise, in many cases the arable farming Arabs still held the land as the communal property of the clans. The Kabyle extended family, too, lived according to traditional patriarchal rules under the guidance of its chosen leader.

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* The Butocudos is the name that European explorers and colonizers gave to the Aimorés or Krenak peoples of eastern Brazil. Devastated by European colonization, they were forced from their homelands to Minas Gerais, where small numbers of their descendants still survive.

† The Orissa famine, which impacted the east coast of India, lasted from 1866 to 1868. Although it originated from a drought that began in 1865, it was greatly exacerbated by the failure of the British colonial authorities to recognize how many Indians needed immediate assistance.

The eldest female member of this clan was likewise chosen by it to oversee its communal domestic economy, or else each female member assumed this responsibility in turn. In terms of its organization, the Kabyle extended family formed a peculiar counterpart on the edges of the Sahara to the renowned Southern Slavonic *Zadruga*:[*] not only the land, but also all tools, weapons, and money that were required by its members in order to carry out their work or that were acquired by them were the communal property of the clan. Each man had only his suit of clothing as his private property, and each woman only the dresses and jewelry she had received as her dowry. All the more valuable garments and ornaments were considered the collective property of the clan, and could only by used by individual members with the consent of all the others. If the extended family was not too numerous, all meals would be taken at a common table, with all women cooking in turn, whereas the eldest were responsible for apportioning the food. If the clan was too large, then raw foodstuffs would be distributed monthly by the elders—following a principle of strict equality—to each individual family for it to prepare by itself. The closest ties of solidarity, mutual aid, and equality bound these communities, and, as their last bequest on their deathbeds, patriarchs would enjoin their sons to remain true to the collective family group.[304]

Turkish rule, which had been established in Algeria in the sixteenth century, had already seriously encroached upon these social relations. However, it was certainly a myth subsequently invented by the French that the Turkish tax authorities had confiscated all the land. This flight of fancy, which could only occur to a European mind, was in contradiction with the whole economic foundation of Islam and with those who professed this faith.[†] In fact, the opposite was true: the property relations of the village communities and the extended families generally went untouched by the Turks. The latter merely seized a large proportion of uncultivated lands from the clans as the dominion of the state and transformed them into *Beyliks*[‡] under local administrators; in part these lands were worked on behalf of the state, employing indigenous labor-power, and in part they were leased to tenants for a rent or against services performed. Furthermore, the Turks took advantage of each mutiny by the subjugated clans and each disturbance in the country to expand the possessions of the state through the large-scale confiscation of land, and either established military colonies or publicly auctioned the confiscated property, in which case it mostly fell into the hands of Turkish and other usurers. In order to avoid these confiscations and the burden of taxation, many peasants placed themselves under the protection of the Church, just as they had done in Germany in the Middle Ages; the Church thus became the overall landowner of significant tracts of land in the country. As a result of these historical vicissitudes, property relations in Algeria presented the following picture at the time of conquest by the French: 1.5 million hectares were under the dominion of the state, and a further 3 million hectares of uncultivated land were likewise considered as belonging to the state as the "common property of the true believers" (*Bled-el-Islam*); private property accounted for some 3 million hectares held by the Berbers since Roman times, and a further 1.5 million hectares that had come into private ownership under Turkish rule; finally, a mere 5 million hectares remained the communal property of the Arab clans. In the Sahara, some of the 3 million hectares of fertile land around the oases was communally owned by the extended families, and some was privately owned. The remaining 23 million hectares mostly comprised barren land.

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* A form of rural community based on an extended family that was indigenous to the south Slavs of the Balkans. It was similar to the Russian *obshchina*.

† For more on this, see Peter Hudis, "Marx Among the Muslims," *Capitalism, Nature, Socialism*, Vol. 15 (4), December 2004, pp. 51–68.

‡ Beyliks were members of the Janissaries, personal bodyguards and members of the standing army under the command of the Ottoman Sultan. Most of them were recruited from Christian families as young boys and raised for lifelong service in the military. They obtained considerable power and wealth, often rivaling that of the Turkish Muslim aristocracy.

After the French had colonized Algeria, they set about their civilizing mission with much pageantry. Had not Algeria, having shaken off the yoke of Turkish rule at the beginning of the eighteenth century, become a free hideout for pirates who made the Mediterranean unsafe and trafficked in Christian slaves? Spain and the U.S. in particular declared a relentless war against such heinous conduct by the Muslims,[*] even though they themselves were active participants in the slave trade at the time. A crusade against anarchy in Algeria was also proclaimed during the great French Revolution, and the French conquest of Algeria was thus carried out under the banners of the campaign against slavery and the institution of orderly and civilized conditions. Practice was soon to reveal the reality behind these slogans. As is well known, in the forty years that followed the conquest of Algeria, no European state changed its political system more than France. The restoration of the monarchy was followed by the July Revolution [of 1830] and the reign of the "Citizen King" [Louis-Philippe], which was succeeded in turn by the February Revolution [of 1848], the Second Empire [of 1852–70], and finally the *débâcle* of 1870[†] and the Third Republic.[‡] Political ascendancy passed in turn from the aristocracy to high finance, to the petty-bourgeoisie, and to the broad middle stratum of the bourgeoisie. Yet French policy in Algeria was a pole of constancy throughout this series of phenomena; from beginning to end, it was oriented toward a single goal, and it revealed more clearly than anything else that all of these transformations of the political regime in nineteenth-century France revolved around one and the same fundamental interest—i.e. the dominance of the capitalist bourgeoisie and its form of property.

* The Barbary Wars were fought between the U.S. and the Barbary States in Northern Africa in 1801–05 and 1815. The Barbary States had demanded tribute payments from the U.S. in order for it to do commerce in the area.

† This refers to France's defeat in the Franco–German War of 1870. It was followed by the Paris Commune of 1871, the first successful seizure of power by the proletariat in a European city.

‡ The Third Republic lasted from 1870 to 1940.

In the session of the French National Assembly of June 30, 1873, the rapporteur for the Commission for the Regulation of Agrarian Affairs in Algeria, Deputy [Gustav] Humbert, made the following statement:

> The bill submitted for your consideration is but the crowning touch to an edifice well founded on a whole series of ordinances, edicts, laws, and decrees of the Senate that together and severally have as the same object: the establishment of private property among the Arabs.

In effect, regardless of the storms raging in internal French politics over half a century, the compass of French colonial policy was oriented toward the ever-constant pole of the systematic and deliberate elimination and parcelization of communal property. This corresponded to the following clearly discernable double interest: first, the elimination of communal property was above all intended to shatter the power of the Arab clans as forms of social organization and thus to break their stubborn resistance to the French yoke—a resistance that, despite France's military superiority, manifested itself in countless tribal rebellions, resulting in a permanent state of war in the colony.[305] Second, the break-up of communal property was also a prerequisite for the economic exploitation of the conquered country—i.e. in order to seize the land held by the Arabs for a millennium and to transfer it into the hands of French capitalists. This purpose was served by the already familiar fiction that the land in its entirety was the property of the respective sovereign under Muslim law. Just as the British had done in India, Louis-Philippe's governors in Algeria declared communal property held by entire clans to be an "impossibility." On the basis of this fiction, the majority of uncultivated lands, but especially the commons, the woodlands, and pastures, were declared the property of the state and used for the purposes of colonization. A whole system of settlements was instituted—the so-called *cantonnements*, whereby French colonists were to settle in the midst of the lands held by the clans, while the tribes themselves were to be herded into a minimal area. These seizures of lands held by the Arab clans were "legally" sanctioned under the decrees of 1830, 1831, 1840, 1844, 1845, and 1846. In practice, this system of settlements did not bring about any actual colonization, and merely gave rise to rampant speculation and usury. In most cases, the Arabs managed to repurchase the lands that had been taken from them, although in so doing they incurred heavy debts. The pressure of French taxation had the same effect, especially the law of June 16, 1851, proclaiming all forests to be state property, thus robbing the indigenous inhabitants of 2.4 million hectares of pastures and woodland, and depriving them of the essential conditions for raising livestock. This welter of laws, ordinances, and provisions produced an indescribable confusion in the property relations in the country. In order to take advantage of the prevailing feverish speculation in land, many indigenous inhabitants sold their plots of land to French buyers in the hope of soon being able to regain them; they would often sell the same plot to two or three buyers simultaneously, only for it to be later proved that it was not their property at all, but the inalienable property of the clan. So it was that a group of speculators from Rouen was led to believe that it had bought some 20,000 hectares of land, whereas in fact it had only acquired 1,370 hectares of a disputed area. In another case, an area sold as 1,230 hectares proved ultimately to consist of 2 hectares after its legal status had been resolved.[*] There followed an endless series of lawsuits, in which the French courts generally upheld the claims and partitions made by the buyers. Uncertainty around property relations became generalized, as did speculation, usury, and anarchy. However, the French government's plan to secure strong support for itself in the shape of a mass of French colonists in the midst of the Arab population ended in abject failure. French policy under the Second Empire thus took a different turn: after stubbornly denying the existence of communal property for thirty years with characteristic European narrow-mindedness, the government was finally forced to rectify its position, and finally gave official recognition to the existence of the undivided property of the clans, only to promptly proclaim the necessity of its forcible division.

This is the double meaning of the decree issued by the Senate on April 22, 1863. General Allard made the following declaration:

> The government does not lose sight of the fact that the general aim of its policy is to weaken the influence of the tribal chieftains and to dissolve the family associations. By this means, it will sweep away the last remnants of feudalism [*sic*!—*R. L.*] defended by the opponents of the government bill … The surest method of accelerating the process of dissolving the family associations will be to institute private property and to settle European colonists among the Arab families.[306]

The law of 1863 created special commissions for the purposes of dividing up the communally held lands, consisting of a brigadier-general or captain as chairman, a subprefect, a representative of the Arab military authorities, and an official from the Land Authority. To these natural experts on economic and social relations in Africa, three tasks were allotted: first, to mark out the precise boundaries of the lands owned by the clans, then to divide up the land held by each individual clan among its various branches or extended families, and finally to divide up the tracts of land allotted to each branch of the clan into individual private plots. The expedition of the brigadiers-general into the Algerian interior was promptly dispatched, and the commissions proceeded to carry out their tasks in situ, combining the offices not only of land surveyor and land distributor, but also that of judge in all land disputes. In the final instance, the Governor General of Algeria would ratify the plans for distribution. Ten years of diligent exertions on the part of the commissions yielded the following results: between 1863 and 1873, of the 700 areas belonging to the Arab clans, approximately 400 were divided up among the extended families. In this process, the foundations were laid for future inequality, large-scale land ownership, and parcelization of the land: according to size of an area held by a clan, and the number of its members, each of the latter could be allotted between 1 and 4 hectares, 100 hectares, or as much as 180 hectares of land. The division of land did not progress beyond the level of the extended family, however. Despite the best efforts of the brigadiers-general, the division of the areas held by the extended families encountered insurmountable difficulties in the customs of the Arabs. On the whole, French policy had thus failed once again to achieve its aim of creating individual property in order for it to be transferred into French hands.

* This sentence was omitted in Schwarzschild's translation of *The Accumulation of Capital*.

It was the Third Republic, the undisguised regime of the bourgeoisie, that first summoned up the courage and the cynicism to put an end to all divagations and to attack the problem from the other end, dispensing with the preliminary steps taken by the Second Empire. In 1873, the National Assembly drew up a law whose explicit purpose was the direct division of the areas held by all 700 Arab clans into individual holdings, and thus the forcible imposition of private property in the briefest possible period of time. The pretext for this measure was the desperate situation in the colony. If the great famine of 1866 in India had first graphically demonstrated to the British public the benign consequences of British colonial policy and had prompted a parliamentary inquiry into the disaster, Europe was similarly alarmed by the distress calls emanating at the end of the 1860s from Algeria, where massive famine and extraordinary mortality rates among the Arabs were the outcome of more than forty years of French rule. A commission was appointed to investigate the causes of the emergency and to bring succor to the Arabs through new legislation, and it came to the unanimous conclusion that only one thing could serve as a lifebuoy for the Arabs: private property! For only then would all Arabs be in the position to sell or mortgage their plot of land and thus protect themselves against the threat of destitution. Thus it was declared that the only solution to the emergency faced by the Arabs, which had arisen as a result of the theft of Algerian land by the French and the indebtedness caused by oppressive French taxation, was to deliver them completely into the clutches of the usurers. This travesty was played out straight-faced before the National Assembly, and was received with equal earnestness by that worthy body. The "victors" over the Paris Commune reveled in their brazenness.

Two arguments particularly served the purpose of supporting the new law in the National Assembly. First, the advocates of the government bill repeatedly emphasized that the Arabs themselves urgently desired the introduction of private property. This was indeed true of the land speculators and usurers in Algeria, who had an urgent interest in "freeing" their victims from the protective ties and solidarity of the clans: for as long as Muslim law prevailed in Algeria, the non-alienability of clan and family property represented an insurmountable barrier to the mortgaging of land.

The law of 1863 had made a first breach in this barrier, and it was now a question of removing it altogether in order to give free rein to the usurers. The second argument was a "scientific" one. It derived from the same intellectual armory from which the esteemed James Mill had drawn in demonstrating his incomprehension of Indian property relations: British classical economics. In order to prevent famine, private property was the necessary precondition for a more intensive and improved cultivation of the soil in Algeria, for it was obvious that nobody would want to invest capital or intensive labor into land that was not his own individual property and whose fruits were not exclusively enjoyed by him: such was the argument recited emphatically by the scientifically schooled students of Smith and Ricardo. The facts spoke a different language, however. They showed that French speculators used the private property they had acquired in Algeria for anything but more intensive and improved cultivation of the soil. Of the 400,000 hectares of land belonging to the French in 1873, 120,000 were in the hands of two capitalist firms, the Algerian Company and the Setif Company, which did not engage in any agricultural production on them at all, merely leasing them back to the indigenous inhabitants, who cultivated them in the traditional way. A quarter of the remaining French landowners were likewise uninvolved in agricultural production. Capital investment and the intensive cultivation of the soil can no more be conjured up out of nothing than can capitalist relations in general. These existed only in the fantasies of French speculators in their greed for profits, and in the nebulous realms of the scientific doctrines of their economic ideologues. When all pretexts and embellishments used to justify the law of 1873 are stripped away, what it boiled down to was the naked desire to prize the basis of the Arabs' existence from them—i.e. the land. Despite the flimsiness and obvious mendacity in the arguments used to justify this law, which would sound the death knell for the Algerian population and for its material prosperity, it was passed almost unanimously on July 26, 1873.

This coup soon proved to be a fiasco, however. The policy of the Third Republic was scuppered by the difficulty of introducing, in one fell swoop, bourgeois private property into ancient communist extended family associations, just as the policy of the Second Empire had failed for the same reasons. By 1890, when it had been in force for seventeen years, the law of July 26, 1873, which was supplemented by a second law on April 28, 1887, had yielded the following results: 14 million francs had been spent on the adjudication process in relation to some 1.6 million hectares. It was calculated that the process would take until 1950 to be completed, and would cost a further 60 million francs. The goal of eliminating extended family communism had still not been achieved, however. In reality, the whole process had merely served to foster feverish land speculation, rampant usury, and the economic ruin of the indigenous inhabitants.

The fiasco of the forcible introduction of private property led to a new experiment. Although the laws of 1873 and 1887 had been reappraised and condemned in 1890 by a commission established by the Algerian General Government, it was still another seven years before the learned legislators on the Seine mustered the resolve to pass a reform in the interests of the ruined country. In this new shift in state policy, the compulsory introduction of private property has been abandoned in principle: the law of February 27, 1897, as well as the directive issued by the Algerian Governor-General on March 7, 1898, makes provisions mainly for the introduction of private property through voluntary applications either by owners or by prospective purchasers of land.[307] Since, however, certain clauses also provide for the introduction of private property in the case of an application by a *single* owner of a given tract of land without the consent of other co-owners, and furthermore, since usurers have the option to press for a "voluntary" application by indebted owners at any time, the new law leaves the door wide open for French and indigenous capitalists to continue eating away at and looting the lands belonging to the tribes and extended families.

Resistance to the eighty-year-long vivisection performed on Algeria has been all the weaker, especially in recent years, insofar as the Arabs have found themselves ever more encircled, defenseless, and abandoned in the face of French capital following the conquest in 1881 of Tunisia on one side and, latterly, of Morocco on the other.[*] The most recent effect of the French regime in Algeria has been the mass emigration of Arabs to Asia Minor.[308]

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[*] France gained control of Morocco in 1911.

Chapter 28. The Introduction of the Commodity Economy

The second all-important precondition both for the acquisition of means of production and for the realization of surplus value is the integration of communities based on the natural economy into commodity exchange and the commodity economy; this process occurs after—or through—the destruction of these communities. For capital, all noncapitalist strata and societies must become purchasers of its commodities, and must sell their products to it. On the face of it, this marks the beginning of "peace" and "equality," *do ut des*, mutual interests, "peaceful competition," and the "influences of civilization." While capital can use violence to wrest the means of production from alien social communities, and to compel workers to become the object of capitalist exploitation, it cannot force them to purchase its commodities or to realize its surplus value. What this assumption appears to confirm is the fact that means of transport—railways, shipping, canals—are the indispensable precondition for the extension of the commodity economy into areas where the natural economy prevails. The process of conquest by the commodity economy mostly begins with great works of civilization in the construction of modern transport links, such as the railways that cut across primeval forests and pierce mountain ranges, the telegraph cables that span deserts, and the ocean liners that sail to distant ports. The peacefulness of these transformations is merely apparent, however. The trade relations of the East Indian companies with the spice-producing countries were just as much based on theft, extortion, and flagrant fraudulence under the banner of trade as are present-day relations between American capitalists and the Aboriginal peoples in Canada from whom they buy furs, or those between German merchants and Black Africans.* The classical example of a "gentle" and "peace-loving" commodity trade with less developed societies is given by the modern history of China; European wars, whose purpose was to open up China to the commodity trade by violent means, traverse this history like a red thread. A whole series of events acted as the midwife of the commodity-trade in China from the beginning of the 1840s until the outbreak of the

Chinese Revolution.† Missionaries prompted the persecution of Christians, and riots were provoked by Europeans. There were periodic bloody massacres, the peaceful agrarian population finding itself completely helpless in the face of the most modern war techniques of the allied great powers of Europe. Onerous war contributions led to the emergence of a whole system of public debt, European loans, the European control of finances, and European military occupation. Finally, China was forced to open free ports and grant concessions for the construction of railways to European capitalists.

* Luxemburg uses the term "*Afrikanegern*." *Neger* has a universally pejorative connotation in present-day German. The translator has judged that it would be in keeping with the spirit and political intent of Rosa Luxemburg's writing to translate the term as "black Africans."

† This refers to the overthrow of the Manchu dynasty in the revolution of 1911.

The period in which China was opened up to European civilization—i.e. to the exchange of commodities with European capital—was inaugurated by the Opium Wars, in which China was forced to buy opium from Indian plantations in order to make money for British capitalists. The cultivation of opium poppies was introduced into Bengal by the British East India Company in the seventeenth century, and the use of the drug in China was propagated by its subsidiary in Guangzhou.* At the beginning of the nineteenth century, the price of opium fell so sharply that it rapidly became "an item of luxury consumption for the masses." In 1821, Chinese opium imports amounted to 4,628 chests at an average price of $1,325; the price then fell by 50 percent, and Chinese imports rose to 9,621 chests in 1825, and to 26,670 chests in 1830.[309] The devastating effects of the drug, especially of the cheapest varieties used by the poor population, soon caused a public disaster and induced China to place an emergency embargo on imports. The Viceroy of Canton† had already banned opium imports in 1828, which merely had the effect of diverting the trade to other ports. One of the Beijing censors was appointed to investigate the matter, and gave the following testimony:

> I have learnt that people who smoke opium have developed such a craving for this noxious drug that they make every effort to obtain this gratification. If they do not get their opium at the usual

hour, their limbs begin to tremble, they break out in sweat, and they cannot perform the slightest tasks. But as soon as they are given the pipe, they inhale a few puffs and are cured immediately.

Opium has therefore become a necessity for all who smoke it, and it is not surprising that under cross-examination by the local authorities they will submit to every punishment rather than reveal the names of their suppliers. Local authorities are also in some cases given presents to tolerate the evil or to delay any investigation already under way. Most merchants who bring goods for sale into Canton also deal in smuggled opium.

I am of the opinion that opium is by far a greater evil than gambling, and that opium smokers should therefore be punished no less than gamblers.

* In Luxemburg's time the city of Guangzhou was known as Canton.
† That is, of the modern city of Guangzhou.

The censor proposed that convicted opium smokers should be sentenced to eighty strokes of the bamboo cane, rising to a hundred strokes and three years' exile if they refused to divulge the identity of their supplier. This pig-tailed Cato of Beijing then concludes his report with a candor unheard of in European officialdom:

> Apparently opium is mostly introduced from abroad by dishonest officials in connivance with profit-seeking merchants who transport it into the interior of the country. Then the first to indulge are people of good family, wealthy private persons and merchants, but ultimately the drug habit spreads among the common people. I have learnt that in all provinces opium is smoked not only in the civil service but also in the army. The officials of the various districts indeed enjoin the legal prohibition of sale by special edicts. But at the same time, their parents, families, dependants, and servants simply go on smoking opium, and the merchants' profit from the ban by increased prices. Even the police have been won over; they buy the stuff instead of helping to suppress it, and this is an additional reason for the disregard in which all prohibitions and ordinances are held.[310]

Consequently, a stricter law was passed in 1833 establishing penalties of a hundred strokes and two months in the stocks. Provincial governors were obliged to include the results of the struggle against opium in their annual reports. As it turned out, this struggle had two sequels: in China's interior, especially in the Henan, Sichuan, and Guizhou provinces, large-scale poppy plantations were established; and the U.K. declared war on China, in order to force it to lift the embargo on imports. Thus began the glorious "opening-up" of China to European civilization in the shape of the opium pipe.

The first attack was on Guangzhou. The city's defenses at the mouth of the Pearl River could hardly have been more primitive. Their main component consisted of a barrier of iron chains that were attached each day at sunset to wooden rafts anchored at varying intervals. Furthermore, the

Chinese cannons could only fire at a fixed angle, and were thus completely harmless. These primitive fortifications, which could at most prevent a few merchant ships from entering the harbor, were all the Chinese had to counter the attack by the British. As a consequence, it merely took two British warships to force their way through on September 7, 1839. The sixteen war junks and thirteen fireships with which the Chinese resisted the British attack were shot up and dispersed within three-quarters of an hour. After this first victory, the British significantly reinforced their battle fleet and launched a new attack at the beginning of 1841. This time they attacked the Chinese fleet and forts simultaneously. The Chinese fleet consisted of a number of war junks, and the very first incendiary rocket penetrated the panels of a junk and its powder chamber, blowing the vessel and its entire crew sky-high. After a short time, eleven junks had been destroyed, including the flagship, and the remainder took evasive action. Meanwhile, the action on land went on for a few hours. Given the complete ineffectiveness of the Chinese cannons, the British were able to march through the defenses and climb to a strategic position that had remained completely unguarded, and they then proceeded to slaughter the defenseless Chinese from above. Estimated casualties of the battle were as follows: on the Chinese side, 600 dead; on the British side, one dead and 30 wounded, of whom more than half were injured by the accidental explosion of a powder magazine. A few weeks later, the British committed a new act of heroism. The forts of Anunghoy and North Wantong were to be taken. For this, the British had at their disposal no fewer than twelve fully equipped warships. Moreover, the Chinese had once again forgotten the most important thing, neglecting to fortify the island of South Wantong. The British were thus able to land a battery of howitzers quite untroubled and bombarded the fort from one side, while the warships shelled it from the sea. It only took a few minutes to drive the Chinese out of the forts, and the landing met with no resistance. The inhuman scene that ensued—according to a British report—will always remain a matter of deep regret for the British officers. As they attempted to flee from the ramparts, the Chinese fell into the ditches, and these were soon filled up to the brim with soldiers begging for mercy. This mass of prostrate human bodies was then fired upon relentlessly by the Sepoys[*]—allegedly against their officers' orders. This is how Guangzhou was opened up to commodity trade.

The other ports suffered a similar fate. On July 4, 1841, three British warships armed with 120 cannons appeared off the islands at the entrance to the city of Ningbo.[†] More warships arrived the following day. That evening, the British admiral sent a message to the Chinese governor demanding the surrender of the island. The governor declared that he lacked the capacity to resist, but could not surrender the island without orders from Beijing, and thus requested a period of grace. This was not granted, and at 2:30 a.m. the British commenced the storming of the defenseless island. Within nine minutes, the fort and the houses on the shore were reduced to smoldering piles of rubble. The troops landed on the deserted shore, which was littered with broken spears, swords, shields, muskets, and a few scattered corpses, and advanced up to the parapets of the island town of Tinghai in order to capture it. The next morning, having been reinforced by troops from the other ships that had arrived in the meantime, they placed scaling ladders against the scarcely defended ramparts, and within a few minutes they had conquered the town. This glorious victory was announced by the British in the following modest dispatch: "Fate has decreed that the morning of July 5, 1841, should be the historic date on which Her Majesty's flag was first raised over the most beautiful island of the Celestial Empire, the first European flag to fly triumphantly above this lovely countryside."[311]

On August 25, 1841 the British drew up to the town of Xiamen,[‡] whose forts were armed with several hundred of the largest caliber Chinese cannons. The almost total ineffectiveness of these guns and the ineptness of the Chinese commanders rendered the capture of the harbor child's play once more. British ships drew up to the walls of Gulangyu under cover of a heavy barrage, and then marines landed and drove out the Chinese troops after brief resistance from the latter. The British thereby captured twenty-six war junks with 128 cannons in the harbor, these having been abandoned by their crews. One battery, manned by Tartars, offered heroic resistance to the combined firepower of three British ships, but British troops landed behind them and wiped them out in a veritable bloodbath.

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[*] This was the name given to Indian soldiers under the command of the British army. It derives from the word "sipah," which meant infantry soldier in the Mughal Empire.

† Ningbo is a coastal city in eastern China, in Zhejiang Province. One of the oldest continuously occupied cities in China, it currently has a population of about eight million.

‡ Xiamen, also known as Amoy, is a seaport on the southeast coast of China, in Fujien Province. During the nineteenth century it was the main port for the export of Chinese tea.

This marked the end of the glorious Opium War. In the peace treaty of August 27, 1842, the island of Hong Kong was ceded to the British, and, in addition, Guangzhou, Xiamen, Fuzhou, Ningbo, and Shanghai were to open their ports to trade. Fifteen years later, the British fought a second war against China, this time in an alliance with the French. In 1857, the allied fleet stormed Guangzhou with the same heroism that had been displayed in the First Opium War. The 1858 Treaty of Tientsin granted access to the Chinese interior for opium imports, European commerce, and Christian missions. In 1859, the British reopened hostilities and attempted to destroy the Taku forts of the Chinese,* but were repelled after a murderous battle with 464 casualties (dead or injured).[312]

The U.K. and France subsequently joined forces once again. At the end of August 1860, 12,600 British and 7,500 French troops under General [Charles] Cousin-Montauban took the Taku forts without firing a single shot; they subsequently advanced first to Tianjin and then on to Beijing. In the course of this advance, there was a bloody battle at Palikao, which was surrendered by Beijing to the European powers. Entering the almost deserted and totally defenseless city, the victorious army first plundered the Imperial Palace—with the eager participation of General [Charles] Cousin-Montauban himself, who was later to become field marshal and Count of Palikao†—and then set fire to it by way of "retribution" on the orders of Lord Elgin.[313]

The European powers now obtained authorization to establish embassies in Beijing, and Tianjin and other cities were opened up to trade. The Chefoo Convention of 1876 made provisions for opium imports into China—and this at a time when the Anti-Opium League was campaigning against the proliferation of the drug in London, Manchester, and other industrial centers, and a parliamentary commission had declared its use to be extremely hazardous. All the treaties made with China in this period guaranteed the right of Europeans—whether merchants or missionaries—to acquire Chinese land. In this connection, deliberate fraud played an important role alongside artillery fire. For one thing, the ambiguity of the texts of the treaties offered a convenient pretext for the gradual encroachment of European capital beyond its occupation of the Treaty Ports. The subterfuge went further than this, however. On the basis of the infamous, barefaced distortion in the Chinese version of the additional 1860 Peking Convention between France and China, which was transcribed by the interpreter, Catholic missionary Abbé [Elzéar] Delamarre, concessions were wrung from the Chinese government permitting the missions to acquire land not only in the Treaty Ports, but also in all provinces of Imperial China. French diplomacy, and especially the Protestant missions, unanimously condemned this elaborate swindle by the Catholic priest, but this did not prevent them from issuing vociferous demands for the implementation of the expanded entitlement of the French missions that had been smuggled into the treaty, nor from having this entitlement extended to the Protestant missions in 1887.[314]

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* The Taku Forts, also known as the Peiho Forts, were located in northeastern China, along the Hai River. They were originally built to protect the major city of Tianjin from pirate attacks.

† Palikao is the name of a bridge in Beijing. Its capture by British and French forces in 1860 enabled them to capture Beijing itself—whereupon the Chinese government quickly capitulated to the conquerors' demands. Napoleon III of France anointed General Cousin-Montauban as the "Count of Pelikao" following the battle, in which over 1,000 Chinese were slaughtered.

The process of opening up China to commodity trade, which had begun with the Opium Wars, was sealed with a series of "leases"[*] and the China Expedition of 1900,[†] in which the pursuit of the commercial interests of European capital turned into undisguised international land theft. This contradiction between the initial theory and the ultimate practice of the bearers of European civilization in China is nicely brought out by the dispatch sent by the Empress Dowager to Queen Victoria after the capture of the Taku forts:

> To your Majesty, greetings!—In all the dealings of England with the Empire of China, since first relations were established between us, there has never been any idea of territorial aggrandizement on the part of Great Britain, but only a keen desire to promote the interests of her trade. Reflecting upon the fact that our country is now plunged into a dreadful condition of warfare, we bear in mind that a large proportion of China's trade, 70 or 80 percent, is done with England; moreover, your Customs duties are the lightest in the world, and few restrictions are made at your seaports in the matter of foreign importations; for these reasons our amiable relations with British merchants at our Treaty Ports have continued unbroken for the last half century, to our mutual benefit.—But a sudden change has now occurred and general suspicion

> has been created against us. We would therefore ask you now to consider that if, by any conceivable combination of circumstances, the independence of our Empire should be lost, and the Powers unite to carry out their long-plotted schemes to possess themselves of our territory [in a simultaneous message to the Emperor of Japan, the spirited Tzu Hsi openly refers to "The earth-hungry Powers of the West, whose tigerish eyes of greed are fixed in our direction"[315]—*R. L.*], the results to your country's interests would be disastrous and fatal to your trade. At this moment our Empire is striving to the utmost to raise an army and funds sufficient for its protection; in the meanwhile we rely on your good services to act as mediator, and now anxiously await your decision.[316]

In each war during this period, the European bearers of civilization engaged in widespread plundering and looting in the Chinese imperial palaces, state buildings, and ancient cultural monuments: in 1860, the French pillaged the Imperial Palace, with all its fabulous treasures, and in 1900 "all nations" vied with each other to steal public and private assets. Each European incursion was accompanied, hand in hand with the advancing commodity trade, by the razing to the ground of the largest and most ancient cities, the decline of agriculture over large stretches of the countryside, and intolerably oppressive taxation to extract war contributions. Each of the more than forty Chinese Treaty Ports was paid for with streams of blood, carnage, and destruction.

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* The Chinese Expedition of 1900 was an incursion into China by the U.S. army under the pretext of protecting U.S. and European nationals during the anti-imperialist Boxer Rebellion of 1898–1901. In fact, the Expedition, along with its European allies and Japan, played a critical role in violently suppressing the Rebellion. It marked the first time since the founding of the U.S. that it participated with allied nations in crushing an overseas national resistance movement.

† These leases were concluded at the end of the Second Opium War—when the U.K. forced China to give it a perpetual lease over the Kowloon Peninsula across from Hong Kong Island—and in 1898, when the U.K. obtained a ninety-nine-year lease on Hong Kong itself.

Chapter 29. The Struggle Against the Peasant Economy

An important concluding chapter to the struggle against the natural economy consists in the separation of agriculture from handicraft production, or the expulsion of rural handicraft production from the peasant economy. Handicrafts emerged historically as a subsidiary occupation, a mere appendage to agriculture among settled, civilized peoples. The history of European handicraft production in the Middle Ages is the history of its emancipation from agriculture, its release from the bonds of the manorial estate, its specialization and development into guild production in the towns. Whereas production in the towns had developed first from handicrafts to manufactures and then to the capitalist large-scale industrial factory, handicraft production in the rural, peasant economy remained tightly bound up with agriculture. During the time not devoted to cultivating the soil, handicrafts played an extremely important role in the peasant economy as auxiliary domestic production oriented to personal needs.[317] The development of capitalist production constantly tears away one branch of production after the other from the peasant economy, in order to concentrate them in the form of mass production in factories. The history of the textiles industry is a typical example. The same process occurs, if less conspicuously, in all other branches of handicraft production in the rural economy. In order to turn the peasant masses into buyers of its commodities, capital initially strives to reduce the peasant economy to the one branch that it cannot immediately take over (and that it can annex only with great difficulty in Europe, given property relations there): agriculture.[318] This process appears outwardly to be an entirely peaceful one; it is a process that is imperceptible, and that seems to be caused by purely economic factors. The technical superiority of mass production in the factory, with its specialization, its scientific ability to analyze the production process into its constituent parts and to recombine them, its access to raw materials on the world market, and its technically improved tools, is undisputed in comparison with primitive peasant industry. In reality, it is factors such as the burden of taxation, war, and the selling-off and monopolization of the nation's land—factors that belong equally to the spheres of political economy, political power, and criminal law—that are effective in this process of the separation of peasant agriculture from industry. Nowhere has this process been carried so thoroughly as in the United States of America. Railways—i.e. European, and above all, British capital—gradually brought the American farmer over the vast expanse of the Union, from the east to the west, and he exterminated the American Indians with firearms, bloodhounds, liquor, and syphilis and violently drove them westwards so that he could appropriate their land as "free land" in order to clear and cultivate it. The American farmer, the "backwoodsman" of the good old days before the American Civil War, was a completely different character in comparison to his modern counterpart. The former could do pretty much everything himself, and led a practically self-sufficient life on his isolated farm, rarely needing anything from the outside world. At the beginning of the 1890s, one of the leaders of the Farmers' Alliance, Senator [William A.] Peffer, wrote the following description:

> The American farmer of today is altogether a different sort of man from his ancestor of fifty or a hundred years ago. A great many men and women now living remember when farmers were largely manufacturers; that is to say, they made a great many implements for their own use. Every farmer had an assortment of tools with which he made wooden implements, as forks and rakes, handles for his hoes and ploughs, spokes for his wagon, and various other implements made wholly out of wood. Then the farmer produced flax and hemp and wool and cotton. These fibers were prepared upon the farm; they were spun into yarn, woven into cloth, made into garments, and worn at home. Every farm had upon it a little shop for wood and iron work, and in the dwelling were cards and looms; carpets were woven, bed-clothing of different sorts was prepared; upon every farm geese were kept, their feathers used for supplying the home demand with beds and pillows, the surplus being disposed of at the nearest market town. During the winter season wheat and flour and corn meal were carried in large wagons drawn by teams of six to eight horses a hundred or two hundred miles to market, and traded for farm supplies for the next year—groceries and dry goods. Besides this, mechanics were scattered among the farmers. The farm wagon was in process of building a year or two; the material was found near the shop; the character of the timber to be used was stated in the contract; it had to be procured in a certain season and kept in the drying process a length of time specified, so that when the material was brought together in proper form and the wagon made, both parties to the contract knew where every stick of it came from, and how long it had been in seasoning. During winter time the neighborhood carpenter prepared sashes and blinds and doors and moulding and cornices for the next season's building. When the frosts of autumn came the shoemaker repaired to the dwellings of the farmers and there, in a corner set apart to him, he made up shoes for the family during the winter. All these things were done among the farmers, and a large part of the expense was paid with products of the farm. When winter approached, the butchering season was at hand; meat for family use during the next year was prepared and preserved in the smoke house. The orchards supplied fruit for cider, for apple butter, and for preserves of different kinds, amply sufficient to supply the wants of the family during the year, with some to spare. Wheat was threshed, a little at a time, just enough to supply the needs of the family for ready money, and not enough to make it

> necessary to waste one stalk of straw. Everything was saved and put to use. One of the results of that sort of economy was that comparatively a very small amount of money was required to conduct the business of farming. A hundred dollars average probably was as much as the largest farmers of that day needed in the way of cash to meet the demands of their farm work, paying for hired help, repairs of tools, and all other incidental expenses.[319]

This idyll was brought to an abrupt end by the American Civil War. The war had saddled the Union with an enormous state debt of $6 billion, which caused the tax burden to be sharply increased. Particularly after the war, however, there had also begun a feverish development of the modern transport system and of industry, especially the machine industry, fostered by the imposition of higher protective tariffs. The railway companies were granted large-scale concessions of public lands in order to encourage railway construction and settlement of the land by farmers: in 1867 alone, they were conceded over 74 million hectares of land. The railway network then grew at an unprecedented rate. In 1860 it spanned less than 50,000 km, in 1870 just over 85,000 km, but by 1880 it covered more than 150,000 km (by means of comparison, the entire European railway network grew from 130,000 km to 169,000 km between 1870 and 1880). The speculation in railways and real estate provoked massive waves of immigration into the U.S. from Europe: there were more than 4.5 million immigrants to the U.S. in the twenty-three years from 1869 to 1892. A related phenomenon was the process whereby the U.S. gradually emancipated itself from European—principally British—industry, setting up its own factories and establishing its own textiles, iron, steel, and machine industries. Agriculture was revolutionized most rapidly of all. Shortly after the Civil War, the owners of the plantations in the Southern states had been forced to introduce the steam plough by the emancipation of African Americans. It was especially the new farms that were established in the west following the construction of railways that adopted the most modern machinery and techniques from the outset. According to the report of the U.S. Commissioner for Agriculture in 1867:

> The improvements are rapidly revolutionizing the agriculture of the West, and reducing to the lowest minimum ever attained, the proportion of manual labor employed in its operations … Coincident with this application of mechanics to agriculture, systematic and enlarged business aptitudes have also sought alliance with this noble art. Farms of thousands of acres have been managed with greater skill, a more economical adaptation of means to ends, and with a larger margin of real profit than many others of eighty acres.[320]

* The Morrill Tariff Act of 1861 increased a range of import duties on goods from overseas. Justin Smith Morrill was a U.S. congressman from Vermont. Thaddeus Stevens, the famous Abolitionist who was one of the most powerful figures in Congress at the time, was a cosponsor of the Morrill Tariff Act; he argued that it would help impoverish the southern slaveholding class.

At the same time, there was an enormous increase in both direct and indirect taxation. The Tariff Act of 1864,* which still forms the main foundation of the system in force today, increased excise duty and income tax to an extraordinary degree. Hand in hand with this development, there began a veritable orgy of protective tariff raising under the pretext of the heavy war taxation—the higher protective tariffs were to offset the increased burden of taxation on domestic production.[321] Messrs. [Justin Smith] Morrill, [Thaddeus] Stevens, and the other gentlemen who used the war to generate a storm of protest as a means of pushing through their protectionist program, founded the system whereby customs policy was openly and cynically transformed into the instrument of private interests of all kinds for the purposes of profiteering. Each and every domestic producer appearing before Congress in order to demand a special tariff for his own personal enrichment saw his request readily granted. The tariffs were simply ratcheted up as much as anyone demanded. Taussig, an American, writes as follows:

> The war had in many ways a bracing and ennobling influence on our national life; but its immediate effect on business affairs, and on all legislation affecting moneyed interests, was demoralizing. The line between public duty and private interests was often lost sight of by legislators. Great fortunes were made by changes in legislation urged and brought about by those who were benefited by them, and the country has seen with sorrow that the honor and honesty of public men did not remain undefiled.[322]

This tariff, which signaled a profound transformation in the economic life of the nation and remained unchanged for a further twenty years, and which essentially forms the basis for legislation on customs policy of the U.S. to this day, was literally rushed through the House of Representatives* in three days and the Senate in two days—without criticism, without debate,† and without opposition.[323]

* Luxemburg has “Congress” here.

† This is somewhat inaccurate; the southern states were furious about the Act, which they viewed as fostering the interests of northern industry at their expense. The bill moved quickly through Congress, largely because many of the southern representatives were not present since they had already decided upon secession from the Union.

This shift in U.S. fiscal policy marked the beginning of flagrant parliamentary corruption and the undisguised and unscrupulous use of elections, legislation, and the press as the instruments of the naked financial interests of large capitals. “Enrich yourselves!” became the motto in public life after the “noble war” to free humanity from the “blemish of slavery”: the Yankee liberator of African Americans indulged in orgies of mercenary speculation on the Stock Exchange; in Congress, he endowed himself with public lands, and enriched himself through duties and taxes, through monopolies, fraudulent share-issues, and the theft of public assets. Industry flourished. Gone were the days when the small- and medium-scale farmer could manage with hardly any cash, when he could thresh his wheat reserves as the need arose, in order to convert them into money. Now he always needed money—in great quantities—in order to pay his taxes, and he soon found that he needed to sell everything that he produced in order to acquire everything that he needed in turn from manufacturers in the form of commodities. Peffer provides the following account:

> Coming from that time to the present, we find that everything nearly has been changed. All over the West particularly the farmer threshes his wheat all at one time, he disposes of it all at one time, and in a great many instances the straw is wasted. He sells his hogs, and buys bacon and pork; he sells his cattle, and buys fresh beef and canned beef or corned beef, as the case may be; he sells his fruit, and buys it back in cans. If he raises flax at all, instead of putting it into yarn and making gowns for his children, as he did fifty years or more ago, he threshes his flax, sells the seed, and burns the straw. Not more than one farmer in fifty now keeps sheep at all; he relies upon the large sheep farmer for the wool, which is put into cloth or clothing ready for his use. Instead of having clothing made up on the farm in his own house or by a neighbor woman or country tailor a mile away, he either purchases his clothing ready-made at the nearest town, or he buys the cloth and has a city tailor make it up for him. Instead of making implements that he uses about the farm—forks, rakes, etc.—he goes to town to purchase even a handle for his axe or his mallet; he purchases twine and rope and all sorts of needed material made of fibers; he buys his cloth and his clothing; he buys his canned fruit and preserved fruit; he buys hams and shoulders and mess pork and mess beef; indeed, he buys nearly everything now that he produced at one time himself, and these things all cost money. Besides all this, and what seems stranger than anything else, whereas in the earlier time the American home was a free home, unencumbered, not one case in a thousand where a home was mortgaged to secure the payment of borrowed money, and whereas but a small amount of money was then needed for actual use in conducting the business of farming, there was always enough of it among the farmers to supply the demand. Now, when at least ten times as much is needed, there is little or none to be obtained, nearly half the farms are mortgaged for as much as they are worth, and interest rates are exorbitant. As to the

> cause of such wonderful changes … the manufacturer came with his woollen mill, his carding mill, his broom factory, his rope factory, his wooden-ware factory, his cotton factory, his pork-packing establishment, his canning factory and fruit preserving houses; the little shop on the farm has given place to the large shop in town; the wagon-maker's shop in the neighborhood has given way to the large establishment in the city where … a hundred or two hundred wagons are made in a week; the shoemaker's shop has given way to large establishments in the cities where most of the work is done by machines.[324]

Finally, the agricultural work of the farmer himself has become mechanized:

> He ploughs and sows and reaps with machines. A machine cuts his wheat and puts it in a sheaf, and steam drives his threshers. He may read the morning paper while he ploughs and sit under an awning while he reaps.[325]

This revolution in American agriculture after the "Great War"[*] was not the end, but merely the beginning of the maelstrom in which the farmer was caught. The history of the American farmer itself brings into focus the second phase of the development of capitalist accumulation, which it illustrates in an equally apposite manner. Wherever it encounters the natural economy (i.e. production for one's own needs and the combination of agriculture with handicrafts), capitalism attacks and eliminates it, replacing it with the simple commodity economy. It requires the commodity economy as a means of disposing of its own surplus value. Commodity production is the general form that is required for capitalism to thrive. However, as soon as simple commodity production has taken root on the ruins of the natural economy, capitalism declares war on the former in turn. Capitalism enters into a relation of competition with the commodity economy: after it has summoned the latter into existence, capitalism competes with it for means of production, labor-power, and markets. If the objective was first to isolate the producer, to sever the protective ties binding him to the community, and then to separate agriculture from handicrafts, now the task at hand is to separate the petty commodity producer from his means of production.

In the U.S., as has been observed, the "Great War" ushered in an era of large-scale looting of the nation's lands by monopolist corporations and individual speculators. The feverish construction of railways, and especially the speculation in railways, gave rise to frenetic speculation in real estate, in which vast assets, even entire counties, became the booty of individual venturers and companies. This in turn led to huge waves of immigration into the U.S. from Europe, channeled by a locusts' swarm of agents and hucksters using all manner of unscrupulous advertising, scams, and frauds. These waves of immigration first landed in the eastern states of the Atlantic coast. However, as industry grew in these regions, agriculture was pushed to the west. The "center of the Corn Belt,"† which had been near Columbus, Ohio in 1850, continued to move in the next fifty years and shifted 99 miles to the north and some 680 miles to the west. In 1850, the Atlantic states supplied 51.4 percent of the entire wheat harvest, but this was reduced to 13.6 percent by 1880, when the northern central states supplied 71.7 percent and the western states 9.4 percent.

In 1825, Congress had decided under [President James] Monroe to transplant the American Indians living east of the Mississippi to the west. The American Indians put up desperate resistance, but the remaining survivors after the carnage of forty wars* waged on them were swept away like bothersome detritus, like herds of buffalo, and penned like wild game into "reservations." The American Indian had to make way for the farmer, but then it was the turn of the farmer to make way for capital, and he was himself driven west of the Mississippi.

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* That is, the American Civil War.

† A *Weizenzentrum*—a wheat or corn center, or the geographical center of the American granary.

Following the railway tracks, the American farmer moved west and northwest into the promised land, lured by the misleading claims of large-scale real estate speculators' agents. Yet the most fertile and most favorably situated lands were retained by corporations that ran large-scale, purely capitalist farming operations. After he had hauled himself off into the wilderness, the farmer saw a dangerous competitor and mortal enemy emerge alongside him in the form of the "bonanza farm," the large-scale capitalist farm, which was unknown to the Old World and the New alike. Here, surplus value production was undertaken applying all of the resources of modern science and technology.

In 1885, Paul Lafargue wrote the following account:

> As the foremost representative of financial agriculture we may consider Oliver Dalrymple, whose name is today known on both sides of the Atlantic. Since 1874 he has simultaneously managed a line of steamers on the Red River and six farms owned by a company of financiers

> and comprising some 75,000 acres. Each one is divided into departments of 2,000 acres, and every department is again subdivided into three sections of 667 acres that are run by foremen and gang-leaders. Barracks to shelter 50 people and stable as many horses and mules, are built on each section, and similarly kitchens, machine sheds, and workshops for blacksmiths and locksmiths. Each section is completely equipped with 20 pairs of horses, 8 double ploughs, 12 horse-drawn drill-ploughs, 12 steel-toothed harrows, 12 cutters and binders, 2 threshers, and 16 wagons. Everything is done to ensure that the machines and the working animals (humans, horses, and mules) are in good condition and able to do the greatest possible amount of work. There is a telephone line connecting all sections and the central management.
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> The six farms of 75,000 acres are cultivated by an army of 600 workers, organized on military lines. During the harvest, the management hires another 500 to 600 auxiliary workers, assigning them to the various sections. After the work is completed in the fall, the workers are dismissed with the exception of the foreman and 10 men per section. In some farms in Dakota and Minnesota, horses and mules do not spend the winter at the place of work. As soon as the stubble has been ploughed in, they are driven in teams of a hundred or two hundred pairs 900 miles to the South, to return only the following spring.
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> Mechanics on horseback follow the ploughing, sowing, and harvesting machines when they are at work. If anything goes wrong, they gallop to the machine in question, repair it, and get it moving again without delay. The harvested corn is carried to the threshing machines that work day and night without interruption. They are stoked with bundles of straw fed into the stokehold through pipes of sheet-iron. The corn is threshed, winnowed, weighed, and filled into sacks by machinery, then it is put into railway trucks that run alongside the farm, and goes to Duluth or Buffalo. Every year, Dalrymple increases his land under seed by 5,800 acres. In 1880 it amounted to 25,000 acres.[326]

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* During the administration of President James Monroe in 1824, plans were begun (by Secretary of War John Calhoan) to evict Native Americans living in the southern states to Arkansas and Indian Territory, west of the Mississippi. Congress passed the bill in early 1825, which led tens of thousands to be forcefully expelled from their traditional lands. The policy of eviction became even more egregious under President Andrew Jackson from 1829, leading to a campaign of ethnic cleansing known as "the trail of tears." The refusal of some indigenous groups, such as the Seminoles, to accept the forced removals led to numerous wars that continued through the 1860s.

By the late 1870s, there were already individual capitalists and corporations owning 14,000 to 18,000 hectares of wheat land. Since Lafargue wrote the above account, further enormous technical advances have been made in American large-scale capitalist farming, and the use of machinery has vastly increased.[327]

The American farmer could not compete with capitalist enterprises of this type. At the very time when the general transformations in relations in the U.S. in terms of finance, production, and the transport network compelled him to give up production for personal needs and to produce exclusively for the market, the prices for agricultural produce fell extraordinarily sharply owing to the colossal expansion in cultivation of the soil. Similarly, at the very time when the mass of farmers saw their fate bound up with the market, the U.S. agricultural market was suddenly transformed from a local one into a world market subject to wild gyrations as a result of the speculative activities of a small number of giant capitals.

In 1879, a year not without significance in the history of European and American agrarian relations alike, the mass export of wheat commenced from the U.S. to Europe.[328]

It was of course large capitals that monopolized the benefits accruing from this expansion of the market. On the one hand, the small farmer was crushed by the competition from the expansion in megafarms, and on the other he fell prey to speculators who bought up his grain to exert pressure on the world market. Defenseless in the face of the immense powers of capital, the farmer fell into debt—the typical form of the demise of the peasant economy. Farmers' indebtedness soon became a public emergency. In 1890, Secretary [Jeremiah McLain] Rusk of the U.S. Department of Agriculture wrote the following in a circular addressing the desperate situation of the farmers:

> The burden of mortgages upon farms, homes, and land, is unquestionably discouraging in the extreme, and while in some cases no doubt this load may have been too readily assumed, still in the majority of cases the mortgage has been the result of necessity … These mortgages … drawing high rates of interest … have today, in the face of continued depression of the prices of staple products, become very irksome, and in many cases threaten the farmer with loss of home and land. It is a question of grave difficulty to all those who seek to remedy the ills from which our farmers are suffering. At present prices the farmer finds that it takes more of his products to get a dollar wherewith to buy back the dollar that he borrowed than it did when he borrowed it. The interest accumulates, while the payment of the principal seems utterly hopeless, and the very depression that we are discussing makes the renewal of the mortgage most difficult.[329]

According to the census of May 29, 1891, 2.5 million farms had contracted mortgage debt, of which two-thirds were owner-operated by independent farmers; the mortgage debt of this latter group amounted to almost $2.2 billion.

Peffer draws the following conclusion:

> The situation is this: farmers are passing through the "valley and shadow of death"; farming as a business is profitless; values of farm products have fallen 50 percent since the great war, and farm values have depreciated 25 to 50 percent during the last ten years; farmers are overwhelmed with debts secured by mortgages on their homes, unable in many instances to pay even the interest as it falls due, and unable to renew the loans because securities are weakening by reason of the general depression; many farmers are losing their homes under this dreadful blight, and the

> mortgage mill still grinds. We are in the hands of a merciless power; the people's homes are at stake.[330]

In the attempt to rescue the situation, the indebted and ruined farmer had no other option but to supplement his income as a wage-laborer, or else to abandon his farm altogether and to shake from his boots the dust of the "promised land," the "cornfield paradise" that had become a hell for him—providing, of course, that his farm had not already fallen into the clutches of his creditors, as indeed happened in thousands of cases. Abandoned and decaying farms were to be found on a massive scale by the mid-1880s. In 1887, [Max] Sering wrote:

> If the farmer cannot pay his debts to date, the interest he has to pay is increased to 12, 15, or even 20 percent. He is pressed by the banker, the machine salesman, and the grocer who rob him of the fruits of his hard work … He can either remain on the farm as a tenant or move further west, to try his fortunes elsewhere. Nowhere in North America have I found so many indebted, disappointed, and depressed farmers as in the wheat regions of the North Western prairies. I have not spoken to a single farmer in Dakota who would not have been prepared to sell his farm.[331]

In 1889, the Commissioner of Agriculture in Vermont reported the widespread desertion of farms. He noted the following:

> There appears to be no doubt about there being in this state large tracts of tillable unoccupied lands, which can be bought at a price approximating the price of Western lands, situated near school and church, and not far from railroad facilities. The Commissioner has not visited all of the counties in the State where these lands are reported, but he has visited enough to satisfy him that, while much of the unoccupied and formerly cultivated land is now practically worthless for cultivation, yet very much of it can be made to yield a liberal reward to intelligent labor.[332]

In 1890, the Commissioner of the State of New Hampshire published a sixty-seven-page document detailing farms for sale at extremely low prices; among these were 1,442 farms with residential buildings that had only recently been abandoned. It was the same story elsewhere. Thousands upon thousands of acres of wheat and maize fields lay fallow and were turning into wasteland. In order to repopulate the deserted land, real estate speculators launched a sly advertising campaign and attracted new droves of immigrants to the country, new victims who would suffer the same fate as their predecessors, but in even more brief period of time.[333]

A private letter written at the time gives the following account:

> In the neighborhood of railroads and markets, there remains no common land. It is all in the hands of the speculators. A settler takes over vacant land and counts for a farmer; but the management of his farm hardly assures his livelihood, and he cannot possibly compete with the

> big farmer. He tills as much of his land as the law compels him to do, but to make a comfortable living, he must look for additional sources of income outside agriculture. In Oregon, for instance, I have met a settler who owned 160 acres for five years, but every summer, until the end of July, he worked twelve hours a day for a dollar a day at road-making. This man, of course, also counts as one of the five million farmers in the 1890 census. Again, in the County of Eldorado, I saw many farmers who cultivated their land only to feed their cattle and themselves. There would have been no profit in producing for the market, and their chief income derives from golddigging, the felling and selling of timber, etc. These people are prosperous, but it is not agriculture that makes them so. Two years ago, we worked in Long Cañon, Eldorado County, living in a cabin on an allotment. The owner of this allotment came home only once a year for a couple of days, and worked the rest of the time on the railway in Sacramento. Some years ago, a small part of the allotment was cultivated, to comply with the law, but now it is left completely untilled. A few acres are fenced off with wire, and there is a log cabin and a shed. But during the last years all this stands empty; a neighbor has the key and he made us free of the hut. In the course of our journey, we saw many deserted allotments, where attempts at farming had been made. Three years ago I was offered a farm with dwelling house for a hundred dollars, but in a short time the unoccupied house collapsed under the snow. In Oregon, we saw many derelict farms with small dwelling houses and vegetable gardens. One we visited was beautifully made: a sturdy blockhouse, fashioned by a master-builder, and some equipment; but the farmer had abandoned it all. You were welcome to take it all without charge.[334]

Where could the ruined American farmer turn? He set out with his walking staff to follow the shifting “center of the Corn Belt” and the railways. The “cornfield paradise” had partly moved northward to Canada, to the Saskatchewan and Mackenzie rivers, where wheat still thrives south of the 62nd parallel. Thus many of the farmers of the U.S. moved northward to Canada, only to suffer the same fate there in due course.[335] In recent years, Canada has joined the ranks of the wheat exporters on the world market, but its agriculture is even more dominated by large capitals than is that of the U.S.[336] In Canada, the distribution of public lands to private capitalist corporations occurred on an even more monstrous scale than in the U.S. The Charter of the Canadian Pacific Railway Company, with its grant of land, represents an unprecedented theft of public assets by private capital. Not only was the company guaranteed a twenty-year monopoly over railway construction; not only did the state grant a concession, free of charge, of around 713 miles of land on which the railway was to be built, with a value of approximately $35 million; and not only did the state guarantee 3 percent interest on the share capital of $100 million for ten years, and provide a cash loan of $27.5 million—on top of all this, the company was granted some 25 million acres of land of its own choice among some of the most fertile and most favorably situated lands, including those not immediately contiguous to the railway itself! All future settlers on this vast expanse of land were thus placed at the mercy of railway capital *ex ante*. In turn, the railway company immediately proceeded to sell off 5 million acres of this land, in order to convert it as soon as possible into cash, to the Canada North-West Land Company, a consortium of British capitalists led by the Duke of Manchester.[*] The second capitalist consortium to be generously endowed with public lands was the Hudson Bay Company, which received a title to no less than one-twentieth of all the lands bounded by Lake Winnipeg, the border with the U.S., the Rocky Mountains, and northern Saskatchewan, in return for renouncing its privileges in the northwest. These two capitalist consortia combined thus gained possession of five-ninths of the land that was fit for settlement. A significant proportion of the remaining lands were allocated to twenty-six capitalist "colonizing companies."[337] The farmer in Canada thus finds himself hemmed in on all sides by the web of capital and its speculation. Yet mass immigration to Canada continues, not only from Europe, but from the U.S. as well!

* That is, William Montagu, a conservative member of parliament at the time.

These are the movements induced by capitalist domination on the world stage: having been driven from the land in the U.K., the peasant was first pushed to the eastern United States, and then westward, where he was once again transformed into a petty commodity producer on the ruins of the American Indian economy. Suffering ruin yet again in the west, he was driven northward. Railways led the way, and ruin followed in their tracks—in this movement, capital was both engine driver and executioner bringing up the rear. There has been a return to the general trend of rising prices for agricultural produce after prices plummeted during the 1890s, but this benefits the American small-scale farmer as little as it does the European peasant.

Admittedly, the number of farms is constantly rising. It increased from 4.6 million to 5.7 million over the last decade of the nineteenth century, and has also continued to grow over the last decade. At the same time, the aggregate value of farms has also risen (from $750 million to $1.65 billion in the last ten years).[338] The general increase in prices of agricultural produce might have been expected to help the farmer out, but in fact the proportion of tenant farmers has risen more rapidly than the overall number of farmers. Of the total number of farmers in the U.S., the proportion of tenant farmers was 25.5 percent in 1880, 28.4 percent in 1890, 35.3 percent in 1900, and 37.2 percent in 1910. Despite rising prices for agricultural produce, the proportion of tenant farmers relative to independent farmers is constantly increasing. The former, who make up considerably more than a third of all farmers in the U.S., in reality constitute a stratum corresponding to European agricultural laborers: they are veritable wage-slaves to capital, a constantly fluctuating element driven to work extremely hard to create wealth for capital without being able to eke out anything but a miserable and insecure existence.

In a completely different historical context—in South Africa—the same process demonstrates even more clearly the "peaceful methods" used by capital in competition with the petty commodity producer.

In the Cape Colony and the Boer Republics, purely peasant relations prevailed until the 1860s. For a long time, the Boers had lived as nomadic pastoralists, having done their best to kill off or drive out the Khoikoi and other indigenous peoples in order to take the best pastures from them. In the eighteenth century, the Boers' cause had been furthered by the smallpox that was brought over by the ships of the East India Company; repeated epidemics wiped out entire tribes of Khoikoi, thus leaving the land free for the Dutch settlers. When the latter spread eastward, they clashed with the Bantu-speaking tribes and initiated the long era of terrible "Kaffir Wars."* The devout, God-fearing Dutch, who considered themselves to be a "chosen people" and prided themselves on their old-fashioned, puritan morals and on being well versed in the Old Testament, were not content with merely stealing the lands of the indigenous inhabitants: like parasites, they established their peasant economy on the backs of the Black Africans, forcing them to work as slaves for them, and systematically and deliberately corrupting and demoralizing them to that end. Liquor played such an essential role in this process that the prohibition on alcohol by the British government failed in the Cape Colony due to the resistance of the Puritans. In general, the Boer economy remained a predominantly patriarchal and natural one until the 1860s. The first railway was not built in South Africa until 1859. The patriarchal character of the Boers did not prevent them from displaying an extreme callousness and brutality, however. It is well known that [David] Livingstone complained much more about the Boers than about the Black Africans. The Boers considered the Black Africans to be an object whose natural and God-given purpose was to perform slave labor for them, and held that this was an indispensable foundation of their peasant economy. Consequently, when slavery was abolished in the British colony in 1836,[*] the Boers responded with the "Great Trek," despite the fact that the slave-owners had been compensated with £3 million. The Boers emigrated from the Cape Colony, crossing the Orange and the Vaal; in the process, they drove the Ndebele northwards across the Limpopo, setting the latter against the Makalaka. Just as the American farmer drove the American Indians westward under pressure from the capitalist economy, so the Boer drove Black Africans northward. The "Free Republics" between the Orange and the Limpopo thus emerged as a protest against the British bourgeoisie's infringement of the sacred right to slavery. The tiny peasant republics were involved in a constant guerrilla war with the Bantu-speaking Africans, and then a struggle lasting several decades was fought out between the Boers and the British government on the backs of the Africans. The Black African question—i.e. the question of the emancipation of Black Africans, for which the British bourgeoisie purported to strive—served as a pretext for the conflict. In reality, however, the peasant economy and the colonial policy of large-scale capital engaged each other in a competitive struggle over the Khoikoi and other indigenous peoples—i.e. over their land and their labor-power. The goal of both competitors was exactly the same: to crush, drive out, or exterminate Black Africans, to destroy their forms of social organization, to appropriate their land, and to compel them to work in conditions of exploitation. Only the methods employed were fundamentally different. The Boers represented the ancient form of slavery on a small scale as the foundation for a patriarchal peasant economy, whereas the British bourgeoisie represented modern, large-scale capitalist exploitation of the country and its indigenous inhabitants. The expression of bigotry in the constitution of the Transvaal Republic is terse: "The People shall not permit any equality of colored persons with white inhabitants, neither in the Church nor in the State."[339]

* These are also known as the Xhosa Wars or Cape Frontier Wars. There were nine such wars between 1779 and 1879.

* In 1833 the U.K. passed the Abolition of Slavery Act, which was intended to apply to all of its overseas possessions. It was not until 1835, however, that slaves began to be freed in the Cape Colony. In 1836, largely in response to the implementation of the Abolition of Slavery Act, thousands of Boers began the so-called "Great Trek" in search of new lands to occupy in which to retain their slaves.

In Orange and in Transvaal, no black person was allowed to own land or travel without papers, and there was a curfew for black people after sunset. [James] Bryce tells of a case in which a British farmer had flogged his "kaffir" to death. When the farmer, who had been put on trial, was acquitted, his neighbors feted him with music as they escorted him home. White people frequently attempted to deprive free indigenous workers of their wages by subjecting them to violence after they had finished their work and causing them to flee.

The British government pursued a strategy that was diametrically opposed. For a long time it played the role of protector of the indigenous people, and it especially wooed the local chieftains, propping up their authority, and attempting to impute the right of disposal over lands to them.* To the extent that it was successful, it thus employed tried and tested methods to transform the chieftains into owners of the tribal lands, even though this flew in the face of the traditions and actual social relations of Black Africans. The lands of all the tribes was in fact communal property, and even the most ruthless and despotic rulers, such as the "Matabele" chieftain Lobengula [Khumalo]† merely had the right as well as the duty to allocate to each family a plot of land, which would only remain in the possession of the family for as long as it was cultivated. The ultimate goal of British policy was clear: it was preparing, long in advance, for land theft on a grand scale, using the indigenous chieftains themselves as tools. At first, British policy was restricted to the "pacification" of the Black Africans through large-scale military action. Nine bloody "Kaffir Wars" were fought until 1879 in order to break the Black Africans' resistance.

It was not until two events that inaugurated a new era in the history of South Africa—the discovery of the Kimberley diamond fields between 1867 and 1870, and that of the gold mines in the Transvaal between 1882 and 1885—that British capital was prompted to give a forceful demonstration of its actual intentions. Soon the British South Africa Company—i.e. Cecil Rhodes—sprang into action. There was a rapid swing in British public opinion. Lust for South African treasures drove the British government to take forceful measures. No cost, no blood sacrifice was deemed too great by the British bourgeoisie in order to conquer the lands of South Africa.[‡] Suddenly there was a huge flow of immigrants pouring into the country. Immigration had been rather slow until this time, as emigration from Europe had been deflected from Africa to the U.S. After the discoveries of the diamond and gold fields, the numbers of white people in the South African colonies soared: between 1885 and 1895, 100,000 Britons emigrated to Witwatersrand alone. The modest peasant economy was now pushed into the background, with mining and mining capital now taking center stage.

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* The British employed this strategy as part of an effort to impose their control through "divide and rule" by getting local chieftains to ally with them against other indigenous groups—much along the lines of their strategy in taking over India.

† Lobengula was the last king of the Ndebele people—generally pronounced "Matabele" by the British.

‡ This sentence was left out of Schwarzschild's 1951 translation of *The Accumulation of Capital*.

The British government now performed a *volte-face* in its policy. In the 1850s, the British had recognized the Boer republics in the Sand River Convention[*] and the Bloemfontein Convention.[†] Now, however, they began the political encirclement of the tiny republics by occupying all surrounding areas, in order to prevent them from expanding; at the same time, the Black Africans, the longtime protégés and favorites of the British, were sacrificed. Blow by blow, British capital forged ahead. In 1868, the U.K. took control of Basutoland—naturally only after the indigenous people had "repeatedly implored them to do so."[340] In 1871, the Witwatersrand diamond fields were seized from the Orange Free State and turned into a Crown Colony under the name of West Griqualand. In 1879, Zululand was conquered and subsequently integrated into the colony of Natal. In 1885, Bechuanaland was annexed and then incorporated into the Cape Colony. In 1888, the British took control of the Ndebele lands and Mashonaland. In 1889, the British South Africa Company was given a charter for both of these areas—of course, this, too, was merely out of courtesy to the indigenous inhabitants and in response to their entreaties.[341] In 1884 and 1887, the U.K. annexed St Lucia Bay and the entire east coast as far as the lands that were in Portuguese possession. In 1894, the U.K. took possession of Tongaland. The Ndebele and Mashona rose up in one last desperate struggle, but the British South Africa Company, with Rhodes at its head, put down the insurrection first with great bloodshed,[‡] and then using the tried and tested means for the civilization and pacification of the indigenous inhabitants: two great railways were built in the area of the insurgency.

Suddenly finding themselves in a stranglehold, the situation was becoming ever more uncomfortable for the Boer republics. Internally, too, everything was going haywire. The huge torrent of immigration and the waves generated by the new, feverish capitalist economy soon threatened to breach the barriers of the small peasant states. There was indeed a glaring contradiction both in the fields and at the level of the state between the peasant economy and the exigencies and requirements of capital accumulation. The republics failed in every respect to come to terms with the new problems facing them. A series of factors combined to produce the sudden and devastating bankruptcy of the peasant republics: the ineptness and primitiveness of the administration; the constant peril posed by the Black Africans, no doubt favorably regarded by the British; the corruption that had infiltrated the *Volksraad* as large-scale capitalists used bribery in order to get their way; the lack of a police force to keep the unruly hordes of adventurers in order; the lack of water supplies and means of transport to provide for a colony that had suddenly sprung up with 100,000 immigrants; the lack of labor legislation regulating and securing the exploitation of Black Africans in the mines; the high protective tariffs, which made labor-power more expensive for capitalists; finally, the high freights for coal.

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* The Sand River Convention was an agreement of 1852 in which the U.K. recognized the Boer Transvaal Republic. In exchange, the Boers agreed to end slavery.

† The Bloemfontein Convention of 1854 formally established the Orange Free State of the Boers. In exchange for the Boers agreeing to end slavery, the British cancelled their prior agreements with a number of African chiefdoms in the area, which enabled the Boers to establish military domination over them.

‡ This is a reference to the Second Matabele War of 1896 to 1897, when the Ndebele (or Matabele, as called by the British) people rose up against the British South Africa Company. It was mainly fought in what is now Zimbabwe. The Mashona people joined the revolt in June 1896, only to

be defeated by the British following their suppression of the Ndebele. At the conclusion of the war the lands of the Matabele and Mashona became the British colony of Rhodesia.

Characterized by a coarse narrow-mindedness, the Boer republics defended themselves against the landslides and lava flow of capitalism that were engulfing them with the most primitive means imaginable—means that were only to be found in the armory of the obstinate and hidebound peasant: they denied all civic rights to the mass of *Uitlander*,* who far outnumbered them in number and who represented capital, power, and the tide of history over and against them! In these critical times, this was a mere farce. Economic mismanagement by the peasant republics had caused dividends to fall sharply, and investors lost patience. Mining capital was in open revolt. The British South Africa Company built railways, crushed the Black Africans, organized uprisings by the *Uitlander*, and ultimately provoked the Boer War.† The knell had sounded for the peasant economy. In the U.S., the war had been the starting point for the profound transformation, whereas in South Africa it was its conclusion. The result was the same in both cases: the victory of capital over the petty peasant economy, which itself had emerged on the ruins of the primitive, natural economic forms of organization of the indigenous inhabitants. The resistance of the Boer republics against the U.K. was as hopeless as that of the American farmer against the rule of capital in the U.S. In the new Union of South Africa, which has replaced the small peasant republics with a great modern state, thus realizing Cecil Rhodes's imperialist program, it is capital that has officially assumed command. The old opposition between the British and the Dutch has now been superseded by the new one between capital and labor: both nations have sealed their touching fraternal union in the new state with the civil and political disenfranchisement of the population of five million black workers by one million white exploiters. It was not only the Blacks of the Boer republics who emerged empty-handed from this process; those of the Cape Colony, whom the British government had previously granted equal rights, also found these partially withdrawn from them. This noble endeavor, which crowned the imperialist policy of the Conservatives with a brazen show of force, was accomplished by the Liberal Party to the frenzied applause of the "liberal cretins of Europe," who felt great pride in the moving gesture with which the U.K. granted the handful of whites in South Africa full self-government and freedom, hailing it as proof of the enduring creative power and greatness of liberalism in the U.K.

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* "Uitlander" is Afrikaans for "foreigner"; it was usually used to refer to British migrants to South Africa.

† The First Boer War, between the U.K. and the Boers, was from 1880–81; the Second Boer War was from 1899–1902.

The ruin of independent handicrafts through competition from capital constitutes a chapter in its own right—a less thunderous one, but no less harrowing. Capitalist domestic industry—the putting-out system—is the darkest episode in this chapter, but there is no need to go further into these phenomena here.

The general result of the struggle between capitalism and the simple commodity economy is the following: once it has replaced the natural economy with the simple commodity economy, capital itself supplants the latter. While it is true that capitalism lives from noncapitalist formations, it is more precise to say that it lives from their ruin; in other words, while this noncapitalist milieu is indispensable for capitalist accumulation, providing its fertile soil, accumulation in fact proceeds at the expense of this milieu, and is constantly devouring it. Historically speaking, the accumulation of capital is a process of metabolism occurring between capitalist and precapitalist modes of production. The accumulation of capital cannot proceed without these precapitalist modes of production, and yet accumulation consists in this regard precisely in the latter being gradually swallowed up and assimilated by capital. Accordingly, capital accumulation can no more exist without noncapitalist formations, than these are able to exist alongside it. It is only in the constant and progressive erosion of these noncapitalist formations that the very conditions of the existence of capital accumulation are given.

The assumptions made by Marx in his reproduction schema thus merely correspond to the objective historical tendency of the movement of accumulation and its theoretical end result. The accumulation process tends to replace the natural economy with the simple commodity economy, and to replace the latter with the capitalist economy everywhere—i.e. it tends to bring capitalist production to a position of absolute dominance as the single and exclusive mode of production in all countries and in all branches.

This is the beginning of a dead-end street, however. Once the end result is achieved—at least in terms of the theoretical construction, if not in practice—accumulation becomes an impossibility: the realization and capitalization of surplus value is transformed into an insoluble problem. At the very moment when Marx's schema of expanded reproduction corresponds to reality, it registers the endpoint, the historical confines of the movement of accumulation, and thus the end of capitalist production. In capitalist terms, the impossibility of accumulation implies the impossibility of the further development of the productive forces, and thus the objective historical necessity of capitalism's demise. Hence derives the contradictory movement of the last, imperialist phase of capital's historical trajectory.

The Marxian schema of expanded reproduction thus does not correspond to the conditions of accumulation, as long as this is able to proceed; it cannot be conjured up out of the fixed, reciprocal relationships and dependencies between the two great departments of social production (i.e. the department producing means of production, and the one producing means of consumption) as formulated by the schema. Accumulation is not merely an internal relation between the branches of the capitalist economy—it is above all a relation between capital and its noncapitalist milieu, in which each of the two great branches of production can partially go through the accumulation process under its own steam, independently of the other, although the movement of each intersects, and is intertwined, with the other at every turn. The complex relations that result from this process—the variations in pace and direction of the trajectories of accumulation of both departments, their interconnections with noncapitalist formations both materially and in terms of value—cannot be expressed in the form of a precise schema. The Marxian schema of accumulation is merely the theoretical expression for the moment at which the dominance of capital will have reached its outer confines, and as such it no less a scientific fiction than his schema of simple reproduction, which is the theoretical formulation of the starting point of capitalist production. These two fictions demarcate the space in which the precise theoretical understanding of the accumulation of capital and its laws is to be gained.

Chapter 30. International Credit

The imperialist phase of capital accumulation, or the phase of world competition between capitals, comprises the industrialization and capitalist emancipation of capital's former hinterlands—i.e., of the very hinterlands in which it realized its surplus value. The specific modes of operation in this phase are: international credit, the construction of railways, revolutions, and wars. The last decade, 1900–10, was especially characteristic for the imperialist movement of capital on the world scale, especially in Asia and the part of Asia bordering on Europe (Russia, Turkey, Persia, India, Japan, China), and in North Africa. Just as the expanding commodity economy supplants the natural economy, and expanding capitalist production replaces simple commodity production through wars, social crises, and the annihilation of entire social formations, so, too, the capitalist autonomization of the economic hinterlands and colonies is carried out amid revolutions and wars. In the process of the capitalist emancipation of the hinterlands, revolution is necessary in order to shatter the obsolete state-form inherited from the times of the natural economy and the simple commodity economy, and to create a modern state apparatus adapted to the purposes of capitalist production. The Russian, Turkish, and Chinese revolutions belong in this category.[*] The depth and immense drive of these revolutions—particularly the Russian and Chinese ones—derive from their revelatory character and from the fact that they embody the direct political demands of capitalist rule, at the same time as they also encompass all kinds of antiquated precapitalist claims, as well as newly emerging antagonisms toward capitalist domination. Yet these same factors simultaneously act to impede and delay the progress of these revolutions toward victory. War is usually the method by which a new capitalist state casts off the tutelage of an older one—it is a baptism of fire, a test of its independence as a capitalist state; this is the reason why military reform and, along with it, financial reform, always form the prelude to economic independence.

The development of the railway network more or less reflects the penetration of capital. In Europe, the railway network grew most rapidly in the 1840s, in the U.S. in the 1850s, in Asia in the 1860s, in Australia in the 1870s and 1880s, and in Africa in the 1890s.[342]

The sovereign debt associated with the construction of railways and the production of means of warfare is a feature of all stages of the accumulation of capital—i.e. the introduction of the commodity economy, the industrialization of countries, and the capitalist revolution in agriculture, as well as the emancipation of new capitalist states. Credit has various functions in the accumulation of capital: (a) the transformation into capital of the money of noncapitalist strata, the money held as commodity-equivalent (the savings of small-scale entrepreneurs), and the money that constitutes the consumption fund of the strata appended to the capitalist class; (b) the transformation of money capital into productive capital by means of state enterprise in railway construction and the production of means of warfare; (c) the transfer of accumulated capital from older capitalist countries to newly emerging ones. International credit transferred capital from the Italian city-states to England in the sixteenth and seventeenth centuries; from Holland to the U.K. in the eighteenth century; and from the U.K. to the American republics and Australia, and from France, Germany, and Belgium to Russia, in the nineteenth century. Today these transfers are occurring from Germany to Turkey, from the U.K., Germany, and France to China and, with Russia acting as an intermediary, to Persia.

* A reference to the Russian Revolution of 1905, the "Young Turk" Revolution of 1908, and the Chinese Revolution of 1911.

In the imperialist period, sovereign bond issues play a fundamental role as the means by which newly emerging capitalist states can become independent. The contradictions of the imperialist phase are tangibly manifested in those of the modern system of international credit. International credit is indispensable for the emancipation of the emerging capitalist states, yet at the same time it represents the surest means by which the older capitalist states can keep the emerging ones under their tutelage, retain control over the latter's finances, and exert pressure on their foreign policy and their policies on tariffs and trade. International credit is the means of choice for opening up new spheres of investment for the accumulated capital of the older countries, thus widening the scope for the accumulation of capital as a whole; yet the same process acts to restrict this scope by creating new competitors for the older countries.

These contradictions of the international credit system constitute a classic demonstration of the extent to which the conditions of realization and capitalization of surplus value diverge from one another in space and time. While the realization of surplus value merely requires the general prevalence of commodity production, its capitalization is predicated on the progressive displacement of simple commodity production by capitalist production, whereby both the realization and the capitalization of surplus value become confined between ever-narrower constraints. The use of international capital for the expansion of the global rail network reflects this discrepancy. From the 1830s to the 1860s, the construction of railways and the sovereign debts contracted for this purpose primarily served to drive out the natural economy and to facilitate the proliferation of the commodity economy. This is as true of the North American railways that were established with European capital, as it is of the Russian railway bonds issued in the 1860s. By contrast, the construction of railways in Asia and Africa in the last twenty years has almost exclusively served the purposes of imperialist policy, economic monopolization, and the political subjugation of the hinterlands. The same applies to construction of railways by Russia in East and Central Asia: as is common knowledge, Russia's decision to send troops to protect the Russian engineers working on the Manchurian railway was the prelude to Russian military occupation of Manchuria.[*] The railway concessions secured by Russia in Persia, the German railway ventures in Asia Minor and Mesopotamia, and those of the British and Germans in Africa all have this character.

In this connection it is necessary to address a misconception concerning capital investment in other countries and demand from these countries. By the beginning of the 1820s, British capital exports to the U.S. already played an enormous role and to a great extent caused the first genuine industrial and trade crisis in the U.K. in 1825. From 1824 on, the London Stock Exchange was flooded with South American securities. Between 1824 and 1825, the newly established states of South and Central America issued £20 million worth of sovereign bonds in London. Beyond this, a huge volume of South American industrial stocks and other similar securities were traded. For its part, the sudden boom following the opening up of South American markets resulted in a sharp rise in exports of British commodities to the South American and Central American states (British exports to Latin America increased from £2.9 million in 1821 to £6.4 million in 1825).

The most important of these exports was cotton textiles. Strong demand was the impetus for a rapid expansion of British cotton production, and many new factories were opened (raw cotton worth £129 million was processed in the U.K. in 1821, rising to £167 million in 1825).

As such, all the ingredients for a crisis were in place. In this context, Tugan-Baranovsky raises the question:

> But from where did the South American countries take the means to buy twice as many commodities in 1825 as in 1821? The British themselves supplied these means. The bonds issued on the London stock exchange served as payment for imported goods. Deceived by the demand they had themselves created, the British factory-owners were soon brought to realize by their own experience that their exaggerated hopes had been unfounded.[343]

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* Russia first occupied parts of Manchuria, in northern China, in 1900, during the period of the Boxer Rebellion. The movement of its troops was greatly facilitated by the recently completed Trans-Siberian Railroad.

Tugan-Baranovsky thus characterizes the fact that South American demand for British commodities had been stimulated by British capital as a "deception," an unhealthy, abnormal economic relation. Here he uncritically adopts the views of a theorist with whom he otherwise professes to have nothing in common. The conception that the British crisis of 1825 was to be attributed to the "peculiar" development of the relation between British capital and South American demand had actually emerged at the time of the crisis itself—it was none other than Sismondi who had already posed the same question as Tugan-Baranovsky and described the processes at work with great precision in the second edition of his *Nouveaux Principes*:

> The opening up of the immense market afforded by Spanish America to industrial producers seemed to offer a good opportunity to relieve British manufacture. The British government was of that opinion, and in the seven years following the crisis of 1818, displayed unheard-of activity to carry English commerce to penetrate the remotest districts of Mexico, Columbia, Brazil, Rio

> de la Plata, Chile, and Peru. Before the government decided to recognize these new states, it had to protect English commerce by frequent calls of battleships whose captains had a diplomatic rather than a military mission. In consequence, it had defied the clamors of the Holy Alliance and recognized the new republics at a moment when the whole of Europe, on the contrary, was plotting their ruin. But however big the demand afforded by free America, yet it would not have been enough to absorb all the goods England had produced over and above the needs of consumption, had not their means for buying English merchandise been suddenly increased beyond all bounds by the loans to the new republics. Every American state borrowed from England an amount sufficient to consolidate its government. Although they were capital loans, they were immediately spent in the course of the year like income, that is to say they were used up entirely to buy English goods on behalf of the treasury, or to pay for those that had been dispatched on private orders. At the same time, numerous companies with immense capitals were formed to exploit all the American mines, but all the money they spent found its way back to England, either to pay for the machinery that they immediately used, or else for the goods sent to the localities where they were to work. As long as this singular commerce lasted, in which the English only asked the Americans to be kind enough to buy English merchandise with English capital, and to consume them for their sake, the prosperity of English manufacture appeared dazzling. It was no more income but rather English capital that was used to push on consumption: the English themselves bought and paid for their own goods that they sent to America, and thereby merely forwent the pleasure of using these goods.[344]

From this, Sismondi draws his own particular conclusion that it is revenue alone—i.e. personal consumption—that forms the actual restriction upon the capitalist market, and he uses this example to issue yet another warning against accumulation.

In reality, the process leading up to the 1825 crisis has remained one that is characteristic of the boom periods of capitalist expansion to this day—in fact this "peculiar" relation forms one of the most important foundations of capital accumulation. Especially in the history of British capital, this relation recurs before every crisis, as Tugan-Baranovsky himself demonstrates with the following data. The immediate cause of the 1836 crisis was the flooding of U.S. markets with British commodities. In this case, too, these commodities were paid for with British money. In 1834, U.S. imports of commodities exceeded exports by $6 million, and yet bullion imports outstripped imports by nearly $16 million. In the year of the crisis itself, commodity imports exceeded exports by $52 million, and yet bullion imports surpassed exports by $9 million. This influx of both money and commodities came mainly from the U.K., where massive volumes of U.S. railway shares were traded. Between 1835 and 1836, sixty-one new banks were established in the U.S. with $52 million in capital—predominantly British capital. Thus the British financed their own exports once again. The same occurred in the unprecedented industrial boom in the northern United States at the end of the 1850s, which ultimately led to the American Civil War, that was financed by British capital. This capital created an expanded market for British industry in the U.S.

Nor was it only British capital—the rest of European capital also vied to participate in this "peculiar commerce"; according to [Albert] Schäffle, at least one billion guilders were invested in American securities in the various European bourses in the five years from 1849 to 1854. The simultaneous upturn in world industry that this stimulated culminated in the world crash of 1857. In the 1860s, British capital hastened to create the same relation with Asia as it had with the U.S. There were thus massive flows of British capital to Asia Minor and to East India, where it financed large-scale railway construction projects (the railway network in British India spanned 1,350 km in 1860, 7,683 km in 1870, 14,977 km in 1880, and 27,000 km in 1890), resulting in an immediate increase in demand for British commodities. At the same time, however, the American Civil War was hardly over before British capital poured back into the U.S. The enormous railway construction projects in the U.S. in the 1860s and 1870s (the railway network spanned 14,151 km in 1850, 49,292 km in 1860, 85,139 km in 1870, 150,717 km in 1880, and 268,409 km in 1890) were once again mainly financed by British capital. Yet the materials for the construction of these railways likewise came from the U.K., which was one of the principal causes of the sudden expansion of the British coal and iron industries and the sudden shocks to these branches as a result of the American crises of 1866, 1873, and 1884.* In this instance, that which Sismondi considered to be sheer lunacy was in fact literally true: the British built railways in the U.S. with their own iron and other materials, paid themselves with their own capital for so doing, and merely abstained from the pleasure of using them. Despite the recurring crises, however, European capital acquired such a taste for this lunacy that the London Stock Exchange was gripped by a veritable fever as investors scrambled to acquire foreign bonds. Between 1870 and 1875, foreign bonds to the value of £260 million were issued in London. The immediate consequence was a sharp rise in the export of British commodities to exotic lands; despite the intermittent bankruptcies suffered by these exotic states, capital flooded into them. By the end of the 1870s, Turkey, Egypt, Greece, Bolivia, Costa Rica, Ecuador, Honduras, Mexico, Paraguay, Peru, the Dominican Republic, Uruguay, and Venezuela had all defaulted on their debts. Nonetheless, at the end of the 1880s, there was a new epidemic of feverish acquisition of bonds issued by exotic sovereigns: South American states and South African colonies raised vast quantities of European capital. To cite an example: the Argentine Republic issued bonds to the value of £10 million in 1874, and £59.1 million in 1890.

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* The economic crisis of 1866 began in England, when Overend, Gurney & Co., a London wholesale bank founded in 1800, collapsed after speculating heavily in railroad stocks. Its losses were the equivalent of about $2 billion in current prices. More than 200 companies were forced out of business as a direct result of the failure of the bank, which quickly spread to the U.S. The Panic of 1873 started in Vienna and soon spread to the U.S., ushering in a period of prolonged recession. A major reason for the crash was the overaccumulation of capital in the railroad industry during and after the U.S. Civil War. The Panic of 1884 occurred when the U.S. Treasury halted investments due to a depletion of gold reserves. Over 10,000 small companies were forced out of business.

In this case too, the U.K. built railways with its own iron and coal, financed by its own capital. The Argentinian railway network covered 3,123 km in 1883, compared to 13,691 km in 1893. At the same time, British iron exports between 1886 and 1890 rose from £21.8 million to £31.6 million, exports of machinery from £10.1 million to £16.4 million, and coal exports from £9.8 million to £19 million. Total British exports to Argentina in particular increased from £4.7 million to £10.7 million four years later.

British capital was simultaneously flowing to Australia through sovereign debt issues. The bonds issued by the three colonies, Victoria, New South Wales, and Tasmania, amounted to £112 million at the end of the 1880s, of which some £81 million was invested in the construction of railways. In 1880, Australia's railways spanned 4,900 miles, rising to 15,600 miles in 1895.

Here, too, the U.K. supplied both the capital and the materials to build the railways, and as a result was sucked into the maelstrom of the crises of 1890 in Argentina, the Transvaal, Mexico, and Uruguay,* as well as the Australian crisis of 1893.†

Within this relation, the only difference to emerge over the last two decades is that German, French, and Belgian capital has been involved to a significant degree in foreign investment, and in particular in foreign bonds. British capital undertook the construction of railways in Asia Minor between the 1850s and the end of the 1880s. Since then, German capital has taken over and is carrying out the large-scale projects of constructing the Anatolian and Baghdad railways.‡

* The Panic of 1890 was a debt crisis that was precipitated by the near-collapse of Barings Bank in London over its excessively risky loans to Argentina. The economy of Argentina contracted by more than 10 percent in a single year as a result of the Panic. The crisis quickly spread to other countries in Latin America, especially Brazil and Uruguay.

† The 1893 crisis occurred when a bubble in property values burst, sending many banks in Australia into bankruptcy.

‡ The Anatolian Railway in modern-day Turkey, completed in 1890, was financed largely by German capital. It ran from Istanbul to northern Iraq. The Baghdad Railway, also financed by German capital, was built (with interruptions) from 1903 to 1940 in order to connect Berlin with the Persian Gulf.

The investment of German capital in Turkey has had the effect of increasing exports of German commodities to this country. German exports to Turkey amounted to 28 million marks in 1896, rising to 113 million marks in 1911; exports to Anatolia in particular increased from 12 million marks in 1901 to 37 million marks in 1911. Once again, the imported German commodities were to a significant extent paid for by German capital, with the Germans forgoing only the pleasure of their use, to use Sismondi's phrase.

It is worth examining the question more closely. The realized surplus value that cannot be capitalized in the U.K. or Germany and lies idle in these countries is invested in railway construction, water works, mining, etc., in Argentina, Australia, the Cape Colony, or Mesopotamia. Machinery, materials, and the like are procured from the country in which the capital originates, and are financed by the same capital. In fact, this is the same procedure as in the capitalist-producing country itself: capital must purchase its own elements of production from itself, incorporating itself in them, before it can activate itself. It is true that the products are then used within the capitalist-producing country itself, whereas in the former case, their use is conceded to those living in the country receiving the investment. However, the consumption of products is not the goal of capitalist production, but rather surplus value and accumulation. The idle capital has no opportunity to accumulate within the capitalist-producing country itself, because the additional product is surplus to requirements. Abroad, however, in countries where capitalist production has yet to be developed, new demand has emerged in noncapitalist strata, or else it has been generated by forcible means. It is precisely the fact that consumption of the products is transferred to *others* that is decisive for capital, since consumption by its own classes—i.e. by capitalists and workers—does not serve the purposes of accumulation. Of course, the consumption or use of the product must be realized—it must be paid for. This implies that the new consumers must have monetary means, and in part the simultaneously emerging commodity exchange provides them with these. A brisk trade in commodities immediately arises on the back of railway construction and mining (gold mines, etc.), and this gradually realizes the capital advanced for railway construction or mining, along with the surplus value. It makes no odds overall whether the capital flowing abroad in this manner seeks out a field of productive activity on its own account as share capital, or is invested in industry or commerce through the mediation of bonds issued by foreign states; likewise, the fact that investors sometimes lose part of their capital—in the former case, the company might collapse, having been established through fraudulent share issues; in the latter case, the debtor state might eventually default on its bonds—alters nothing in terms of the overall question. Indeed, individual capitals are often similarly wiped out by crises in the original capitalist producing country. The important point here is that the accumulated capital of the old country finds new opportunities for the generation and realization of surplus value in the new country—i.e. new opportunities for accumulation. The new countries comprise huge regions characterized by natural economic relations, which are transformed into relations based on the commodity economy, or by relations based on the commodity economy, which are displaced by capital. The typical forms in which the capital of older capitalist countries is invested in new ones—railway construction and mining (especially gold mines)—characteristically elicit a sudden, brisk trade in commodities in areas where previously natural economic relations prevailed. These two forms of investment constitute milestones in economic history marking the rapid dissolution of old economic formations, social crises, and the emergence of modern relations—i.e. the emergence above all of the commodity economy and, subsequently, capitalist production.

The role of international credit and the investment of capital in foreign railway and mining shares thus provides the best critical illustration of the

Marxian schema of accumulation. In these cases, the expanded reproduction of capital is simultaneously the capitalization of the previously realized surplus value (insofar as the foreign bonds or shares are not financed out of petty-bourgeois or semi-proletarian savings). The precise moment in time that the capital of the old countries now flowing into the new countries was realized has no bearing on the present field of accumulation, and nor do the circumstances and the form within which this realization occurred. The British capital that flowed into Argentina to finance railway construction might very well have previously been Indian opium that was realized in China. Moreover, the British capital constructing railways in Argentina is not only of British provenance in its pure value-form but also in its material form as iron, coal, machinery, etc.—i.e. the use-form of the surplus value also comes into existence from the outset in a form suited to the purposes of accumulation. On the other hand, labor-power, the actual use-form of variable capital, is on the whole foreign, consisting of the indigenous workforce of the new countries that is forced into submission by the capital of the old countries as the new object of its exploitation. However, in order to simplify the investigation, it can be assumed that labor-power comes from the same source as capital. In actual fact, newly discovered gold mines, for example, draw massive waves of immigration from the old capitalist countries—especially in the early stages—and are operated to a great extent by workers from these countries. The case can thus be posited where the money capital, means of production, and labor-power in a new country all come from a single older capitalist country, for instance the U.K. In this case, then, all the material prerequisites for accumulation turn out to have been available in the U.K.—i.e. realized surplus value as money capital, the surplus product in a productive form, and finally reserves of labor-power. Yet accumulation could not proceed in the U.K., for this country and its existing consumers had no need of more railways or any expansion of industry. It was only the emergence of a new region with large stretches of noncapitalist civilization that expanded the sphere of consumption for capital and facilitated its expanded reproduction—i.e. its accumulation.

Yet who actually are these new consumers? Who, in the final analysis, actually pays for the foreign debt and realizes the surplus value of the capitalist enterprises that are founded on this basis? The classical answer to this question is provided by the history of international borrowing in Egypt.

The internal history of Egypt in the second half of the nineteenth century is characterized by three interlocking phenomena: modern large-scale capitalist enterprise, a snowballing public debt, and the collapse of the peasant economy. Egypt was marked until recently by the persistence of *corvée* labor and the most cavalier policy of violence under the *Wali* and later the *Khedive*[*] vis-à-vis relations of land ownership. Yet precisely these primitive relations offered an incomparably fertile soil for the operation of European capital. In economic terms, it was at first merely a question of creating the conditions for a monetary economy, and these were produced by means of direct violence by the state. To this end, Muhammad Ali, the founder of modern Egypt, employed a method of patriarchal simplicity until the 1830s: each year he instructed the state treasury to "buy up" the entire harvest of the fellaheen,[†] only to resell to them the minimum that they needed for their subsistence and for the next year's crop. He determined that cotton from East India, cane sugar from America, indigo, and pepper should be grown, and issued state edicts prescribing to the fellaheen how much of each crop were to be sown; he also declared a state monopoly on cotton and indigo, ordaining that these were to be bought and resold by the state alone. It was through such methods that the trade in commodities was introduced into Egypt. At the same time, it is true that Muhammad Ali implemented a significant number of projects whose effect was to increase the productivity of labor: he had old canals dredged, wells sunk, and above all he initiated the construction of the magnificent Qalyub Dam on the Nile,[‡] which inaugurated a series of large-scale capitalist projects in Egypt. These ranged over four broad areas: (1) irrigation systems, the most significant of which was the Qalyub Dam, which was built from 1845 to 1853, swallowing up 50 million marks on top of unpaid *corvée* labor (only to prove inoperative at first); (2) transportation infrastructure—here the most important project, and one that was to prove fatal for Egypt's destiny, was the Suez Canal; (3) cotton plantations; (4) sugar cane plantations. With the construction of the Suez Canal,[*] Egypt had placed its head in the noose of European capital, and it would no longer be able to remove it. French capital made the first move, with British capital hard on its heels. Over the next two decades, the internal disturbances in Egypt were marked by the competitive struggle between these two capitals. The operations of French capital, which included carrying out the construction of the great, although inoperative, dam on the Nile and the Suez Canal, constitute perhaps the most idiosyncratic instance of European capital accumulation at the expense of primitive relations. Egypt was to repay the favor of having its territory pierced by the canal—a development that would alter the trade routes between Europe and Asia so that they passed in front of its nose, thus dealing a blow to its own share in this trade—by committing itself to providing the unpaid labor of 20,000 serfs for a period of years, and taking out shares in the Suez Canal Company worth 70 million marks, or 40 percent of the total capital. These 70 million marks laid the basis for Egypt's enormous state debt, which would lead to the British military occupation of Egypt twenty years later. As for the irrigation systems, a sudden transformation was initiated, whereby the ancient *sakias*—i.e. ox-driven water wheels, 50,000 of which were in use for seven months of the year in the Delta alone—were partially replaced by huge steam pumps. Modern steamers now plied on the Nile, providing transport between Cairo and Aswan. However, the largest transformation in Egypt's economic relations was brought about by the introduction of cotton. Egypt had also been gripped by cotton cultivation fever as a consequence of the American Civil War and the British cotton famine, which had driven cotton prices up from between 0.6 and 0.8 marks per kilo to between 4 and 5 marks per kilo. Cotton was being planted everywhere, and foremost of all by the Viceroy and his family. The Viceroy's estates underwent a sudden and massive expansion through large-scale land grabs, confiscations, compulsory "purchases," and outright theft. Countless villages were suddenly transformed into property of the Crown without any legal justification. This vast domain was to be turned into cotton plantations in the shortest time possible. This meant that all the techniques of traditional Egyptian agriculture were turned on their head, however. Enormous demands were placed on Egyptian labor-power by the construction of embankments to protect the cotton fields from the seasonal flooding of the Nile and the installation of powerful artificial regulated irrigation systems, by the continuous deep ploughing that was completely unfamiliar to the fellaheen, who had until then merely scratched their soil with a plough dating from the times of the Pharaohs, and finally by the intensive labor of harvesting the cotton. However, this labor-power was provided throughout by the same fellaheen serfs over whom the state arrogated to itself an unrestricted right of disposal. The fellaheen had already been driven by the thousand to perform *corvée* labor on the Qalyub Dam and on the Suez Canal, and now they were requisitioned for the construction of dams and canals and to work on plantations on the Viceroy's estates. In other words, the *Khedive* now needed the 20,000 slaves that he had placed at the disposal of the Suez Canal Company for himself; this provoked the first conflict with French capital. Acting as an arbitrator, Napoleon III awarded 67 million marks in compensation to the Suez Canal Company,[*] a decision that the *Khedive* could accept all the more readily, since this sum could be beaten out the very fellaheen whose labor was the focus of the dispute. The next task was irrigation works. For this purpose, large numbers of steam and traction engines and centrifugal pumps were procured from the U.K. and France. Many hundreds of these machines were brought over from the U.K. to Alexandria, and then carried onboard steamers and other vessels on the Nile, and transported on the back of camels to all points of the country. Steam ploughs were needed to cultivate the soil, especially since the rinderpest of 1864 had wiped out all the oxen.[†] These machines also came mostly from the U.K. Production of [John] Fowler's stream driven ploughs suddenly underwent an enormous expansion to meet the Viceroy's requirements, with Egypt footing the bill.[345]

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* A *Wali* is a governor; a *Khedive* is a viceroy. It was formally adopted as an official office in the Ottoman Empire in the 1860s.

† The peasants.

‡ The Qalyub Dam was located just north of Cairo.

* The Suez Canal was opened in 1869.

Cotton gins and packing presses constituted a third type of machine suddenly needed by Egypt in great numbers. These gins were set up in the towns of the delta by the dozen. Soon Zagazig, Tanta, Samanoud, and other towns began to emit palls of smoke like any industrial city, while great fortunes passed through the banks of Alexandria and Cairo.

By the following year, the speculation in cotton had collapsed, as the price of cotton fell from 27d. per pound to 15d., 12d., and finally 6d. within a few days following the cessation of hostilities in the U.S. The following year, Isma′il Pasha threw himself into a new speculative venture: the production of cane sugar. The *corvée* labor of the Egyptian *fellah* was to provide the basis on which to compete with the southern states of the U.S., which had lost their slaves. Egypt's agriculture was turned upside down once more. French and British capitalists discovered a new field for rapid accumulation. Eighteen new factories were commissioned between 1868 and 1869 to process a daily output of 200 tons of sugar—i.e. an output four times higher than existing facilities. Six of these orders were originally placed in the U.K., and twelve in France, but most of the latter were transferred to the U.K. as a result of the Franco-Prussian War [of 1870]. These factories were to be built at intervals of 10 km along the Nile, each one processing sugar cane from the surrounding plantations over an area of 10 km. Each factory required a daily supply of 2,000 tons of sugar cane in order to work to full capacity. Even as 100 old steam ploughs lay scattered around, left to fall into disrepair, 100 new ones were ordered to plant sugar cane.[*] Fellaheen were driven to the plantations in their thousands, while thousands more were forced to build the Ibrahimyah Canal.[†] The swish of the cane and the *kurbash*[‡] was unrelenting. Soon the question of transport arose: in order to get the sugar cane to the factories, a network of narrow and standard gauge railways, steel cable pulley systems, and locomotives had to be built around each factory as quickly as possible. These enormous orders were also assigned to British capital. The first giant factory was opened in 1872, with 4,000 camels providing provisional transport. However, it proved simply impossible to deliver the quantities of sugar cane required by the factories. The workforce was completely inadequate, since the fellaheen serfs could not suddenly be transformed into modern industrial workers by the whip of the *kurbash*. The venture collapsed, many of the ordered machines remaining unassembled. The speculative venture into sugar production, which was over by 1873, concluded the period of large-scale capitalist enterprise in Egypt.

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[*] The Suez Canal Company, founded and led by Ferdinand de Lesseps and largely funded by French capital, was the corporation that built the Canal and operated it until it was nationalized by the Nasser regime in 1956.

[†] Rinderpest, also known as Cattle Plague, is caused by a virus that probably originated in India. Some identify it as one of the ten plagues of Egypt mentioned in the Jewish Bible. Very few cattle tended to survive when struck with the disease. The last diagnosed case occurred in 2001.

Who had provided the capital for these ventures? Foreign bondholders. The year before his death in 1863, Muhammad Sa′id Pasha contracted debt nominally worth 66 million marks, which came to 50 million marks in cash after deductions for commissions, discounts, etc. He bequeathed this debt to Isma′il Pasha along with the contract with the Suez Canal Company that had burdened Egypt with a debt of 340 million marks. In 1864, Isma'il contracted his first debt with a bond issue nominally worth 114 million marks at a coupon rate of 7 percent, with a cash value of 97 million marks at a rate of 8.25 percent. This money was spent within the year, with 67 million marks going to the Suez Canal Company in compensation, and most of the remainder probably being swallowed up by the cotton episode. This was followed in 1865 by the first so-called Daira bonds[§] issued by the Anglo-Egyptian Bank against the *Khedive*'s landed estates as collateral; these were nominally worth 68 million marks at a coupon rate of 9 percent, but had a real value of 50 million marks at 12 percent. In 1866, a new bond was issued by Frühling & Göschen with a nominal value of 60 million marks and a cash value of 52 million marks; in 1867, yet another bond was issued by the Ottoman Bank nominally worth 40 million marks, with a real value of 34 million marks. At this time the floating debt amounted to 600 million marks. In order to consolidate a part of this debt, a large-scale bond issue was arranged through the Oppenheim & Neffen banking house with a nominal value of 238 million marks at a coupon rate of 7 percent, leaving Isma'il with only 142 million marks at 13.5 percent. However, this money enabled him to pay for the lavishly extravagant and pompous celebrations of the opening of the Suez Canal before the assembled European luminaries from the chancelleries, the financial world and the demimonde, and to press a new *baksheesh* of 20 million marks into the hands of the Turkish suzerain, the Sultan. In 1870, the costs of the sugar episode were covered by a new bond issue underwritten by the firm of Bischoffsheim & Goldschmidt,[*] with a nominal value of 142 million marks at a coupon rate of 7 percent, and a real value of 100 million marks at 13 percent. Two further bond issues via Oppenheim & Neffen ensued: a modest one of 80 million marks at 14 percent; and a large one with a nominal value of 640 million marks at a coupon rate of 8 percent; the latter amounted to only 220 million cash and a 50 percent reduction of the floating debt, since payments were made using discounted bills of exchange with which the European banking houses had bought up the bond issue.

[*] This sentence was omitted in Schwarzschild's translation of *The Accumulation of Capital*.

[†] The Ibrahimyah Canal is on the Nile River, between Cairo and Al Qababt. It was built to siphon water from the Nile to the surrounding area. It is one of the largest artificial canals in the world.

[‡] The *kurbash* is a whip about three feet long made from Hippopotamus hide that was widely used as an instrument of abuse and torture in the Ottoman Empire.

[§] These were valuable assets of the Egyptian *Khedive* and/or his family members.

In 1874, there was a further attempted sovereign bond issue of 1,000 million marks at a coupon rate of 9 percent, which only raised 68 million marks. Egyptian securities had fallen to 54 percent of their face value. In the thirteen years since Muhammad Sa′id Pasha's death, Egypt's total sovereign debt had risen from £3.29 million to £94.1 million (nearly 2 billion marks).[346] Collapse was imminent.

On the face of it, these capitalist ventures seem the height of madness. One bond issue followed hard on the other—each new round of borrowing being required merely to pay the interest on previous ones. Huge orders placed with British and French industrial capital were financed by British and French loaned capital.

In actual fact, while the whole of Europe scratched its head and bemoaned Isma'il's economic madness, European capital was doing fabulous business on an unprecedented scale in Egypt—the kind of business that capital would only be able to do once in its world-historical trajectory, a fantastic modern version of the Old Testament fable of the fat Egyptian cattle.[†] Each bout of lending represented above all an operation in usury, with a fifth to upwards of a third of the sum ostensibly lent sticking to the fingers of the European bankers. Ultimately, the usurious interest had to be paid one way or another. Where were the means for these payments to come from? They had to be found within Egypt itself, and their source was the Egyptian fellah and the peasant economy. In the final analysis, it was the latter that provided all of the most important elements for large-scale capitalist enterprise. It provided the land, the so-called private estates of the *Khedive*, which had grown to immense proportions over a very short period of time through the theft and extortion of the land of countless villages; these newly combined estates formed the basis of the irrigation projects and the speculative ventures in cotton and sugar production. The peasant economy also provided the labor-power, and in fact it did so without remuneration, as the subsistence of these workers during their exploitation was their own affair. The *corvée* labor of the fellaheen was the foundation of the technical miracles conjured by European engineers and machinery in irrigation systems, transport, agriculture, and industry. Vast cohorts of serfs labored on the Qalyab Dam on the Nile and the Suez Canal, constructed railways and embankments, and worked on the cotton plantations and in the sugar factories; they were thrown from one project to the next as the need arose and were ruthlessly exploited. Even if the applicability of serf labor-power for modern capitalist purposes proved technically restricted at every turn, this was generously compensated from capital's point of view by its unconstrained command over living and working conditions and the intensity and duration of exploitation of the labor-power it had acquired without expense.

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* This was a Belgian bank founded in 1827 by Jonathan Raphaël Bischoffsheim and his wife Henriette Goldschmidt.

† In Genesis, Joseph interprets a dream of the Egyptian Pharaoh, who had dreamt that seven fat cattle were eaten by seven lean ones; he tells him that this signified that seven lean years are bound to follow seven prosperous ones.

The peasant economy did not merely provide land and labor-power, but also money. This purpose was served by the taxation system, which put the screws on the *fellah* under the impact of the capitalist economy. The land tax on peasant holdings was continuously raised, and by the end of the 1860s it amounted to 55 marks per hectare, compared to 18 marks per hectare for large estates, while no taxes were levied on the vast private estates of the royal family. On top of this, new, special taxes were established: for instance, 2.5 marks per hectare were charged for the maintenance of irrigation systems, which almost exclusively benefited the property of the Viceroy. The *fellah* had to pay 1.35 marks for each date palm on his land, and 0.75 marks for each mud hut inhabited by him. In addition, there was the head tax of 6.5 marks, for which each male over ten years of age was liable. In total, the fellaheen paid 50 million marks under Muhammad Ali, 100 million marks under Muhammad Sa′id Pasha, and 163 million under Isma′il Pasha.

Egypt's increasing indebtedness to European capital entailed ever more extortion from the peasant economy.[347] In 1869, all taxes were raised by 10 percent and the taxes for the following year collected in advance. In 1870, the land tax was raised by 8 marks per hectare. The inhabitants of Upper Egypt began to desert the villages, having demolished their huts and leaving their land untilled in order to avoid paying taxes. In 1876, the tax on date palms was increased by 0.5 marks. Entire villages set out to fell their date palms, and were only prevented from doing so by volleys of rifle fire. In 1879, 10,000 fellaheen were reported to have died of starvation upstream of Siut, because they could no longer afford the taxes for the irrigation of their fields and had slaughtered their cattle in order to avoid the tax on livestock.[348]

By now, the *fellah* had been drained of his last drop of blood. The Egyptian state had fulfilled its function as a blood suction pump on behalf of European capital, and was now redundant. *Khedive* Isma'il was relieved of his duties. Capital could now begin proceedings for liquidation.

In 1875, the U.K. had purchased 172,000 shares in the Suez Canal Company for 80 million marks, for which Egypt still owes it Egyptian £394,000 in interest payments. British commissions to "regulate" Egypt's finances now sprang into action. Curiously enough, European capital was by no means deterred by the desperate state of the insolvent country, and repeatedly sought to lend enormous sums of money for its "salvation." [Stephen] Cave and [John] Stokes[*] proposed the refinancing of all Egypt's debts with a new bond issue of 1.52 billion marks at a coupon rate of 7 percent, whereas [Charles] Rivers Wilson estimated that 2.06 billion marks would be required.[†] Crédit Foncier[‡] bought up floating rate bills of exchange by the million and attempted to consolidate the overall debt with a bond issue of 1.82 billion marks, which proved a failure. Yet the more desperate and hopeless Egypt's financial situation became, the more it moved inexorably toward the moment when the entire country, along with all its productive forces, would fall into the clutches of European capital. In October 1878, the representatives of the European creditors landed in Alexandria. British and French capital established dual control of Egyptian finances, and under their dictate, new taxes were devised and the peasants were beaten and squeezed, so that in 1877, Egypt could resume the interest payments that it had temporarily suspended the previous year.[349] From now on, the claims of European capital became the focal point of Egyptian economic life and the sole consideration of its financial system. In 1878, a new commission and a semi-European ministry were formed. In 1879, Egyptian finances were placed under the permanent control of European capital in the guise of the *Commission de la Dette Publique Egyptienne*[§] in Cairo. The previous year, the *Chifliks*, the estates of the viceregal family, which comprised some 431,000 acres, were transformed into the dominion of the state and pledged to the European capitalists as security against the sovereign debt along with the Daira lands (the *Khedive's* private estates, comprising 485,131 acres, mostly located in Upper Egypt); the latter were subsequently sold to a consortium. A large proportion of the remaining land holdings came into the hands of capitalist companies, especially the Suez Canal Company. The U.K. confiscated the lands held by the mosques and *madrasas*[*] to pay for the costs of its military occupation. The desired pretext for a decisive strike by the British was provided by a military revolt by the Egyptian army, which had been starved under European financial control while European officials drew handsome salaries, together with a British-engineered uprising by the masses in Alexandria. In 1882, the British Army entered Egypt; military occupation by the British, which is still ongoing to this day, was thus the final outcome of twenty years of magnificent capitalist ventures in Egypt, and the concluding operation in the liquidation of the Egyptian peasant economy by European capital.[350] This action demonstrated that, from the standpoint of capital accumulation, there was a perfectly rational and "healthy" relation underlying the ostensibly absurd transaction between European financial capital and European industrial capital, in which the former provided the finance for the Egyptian orders placed with the latter, with the interest payments on one round of borrowing being serviced by the next. Stripped of all obscuring mediations, the underlying relation consists in the simple fact that the Egyptian peasant economy was consumed by European capital on a huge scale: enormous stretches of land, vast amounts of labor-power and masses of the products of labor, which accrued to the state in the form of taxes, were ultimately transformed into European capital and accumulated. It is clear that this transaction, which compressed the historical development that would normally take centuries into two or three decades, was only made possible by the *kurbash*, and that it was precisely the primitive character of Egyptian social relations that had laid incomparable operational foundations for the accumulation of capital. The economic results of this process were on the one side a fantastic surge by capital, and on the other, the emergence of commodity exchange in tandem with the ruin of the peasant economy, and the creation of the conditions for such a surge in the intense pressure exerted on the country's productive forces. Under Isma′il's rule, Egypt's arable land protected from flooding by embankments grew from 2 to 2.7 million hectares, the canal network increased from 73,000 to 87,000 km, and the railway network from 410 to 2020 km. Docks were built in Suez and Alexandria, a magnificent port facility was constructed in Alexandria, and a steamer service was introduced on the Red Sea and along the coast of Syria and Asia Minor for pilgrims to Mecca. Egyptian exports sprang from 89 million marks in 1861 to 288 million marks in 1864, while imports rose from 24 million marks under Muhammad Sa′id Pasha to 100 to 110 million marks under Isma′il. After the opening of the Suez Canal, Egypt's external trade did not recover until the 1880s; subsequently, imports increased from 163 million marks in 1890 to 288 million marks in 1900 and 557 million marks in 1911, while exports rose from 249 million marks in 1890 to 355 million marks in 1900 and 593 million marks in 1911. In the process of this mercurial development of the commodity economy, which was facilitated by European capital, Egypt itself became the property of the latter. What this revealed, just as in China, and, most recently, again in Morocco, is that militarism lurks behind international credit, railway construction, irrigation systems, and similar civilizing projects as the executor of the accumulation of capital. Even though the states of the Middle and Far East hasten feverishly along their development from the natural economy to the commodity economy, and then on to the capitalist economy, they are still devoured by international capital, because they cannot accomplish this radical transformation without placing themselves in the hands of the latter.

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* Stokes, a military official, and Cave, a Member of Parliament, were sent to Egypt in 1875 to report on Egypt's financial situation to the British government. Their report argued that Egypt's bankruptcy was inevitable, which was used by the U.K. to extract important concessions from the Egyptians.

† Rivers Wilson was appointed director of the Suez Canal in 1876 and shortly afterward issued a report on the state of Egypt's finances. He was later made the Finance Minister of Egypt.

‡ This was a national mortgage bank founded in France in the 1850s.

[§] The “Public Debt Commission of Egypt” was an international commission established in 1876 to supervise the servicing and repayment of Egypt’s sovereign debt on behalf of European creditors.

[*] Schools of religious instruction.

Recent German business ventures in Anatolia constitute another good example of this process. From an early stage, European capital, and especially British capital, had attempted to gain control over this region that lies on the ancient international trade routes between Europe and Asia.[351]

In the 1850s and 1860s, British capital carried out the projects to build the Smyrna–Aydin–Diner and Smyrna–Kasaba–Alaşehir railway lines, obtained the concession to extend the line to Afyonkarahisar, and also the lease for the first stretch of the Anatolian Railway from Haydarpaşa–Izmit. French capital was also able to take over part of the railway construction projects in the country. In 1888 German capital appeared on the scene; its negotiations with the French capitalist consortium represented by the Banque Ottomane[*] in particular resulted in an international merger, whereby the German financial group would participate in the large-scale projects to construct the Anatolian and Baghdad railways with a 60 percent share, with a 40 percent share going to international capital.[352] The Anatolian Railway Company, a Turkish company, was founded on the 14th *Redsheb* of the year 1306 (March 4, 1889) with the Deutsche Bank as its principal backer, to take over the railway line between Haydarpaşa–Izmit, in operation since the beginning of the 1870s, and also the concession to build the Izmit–Eskişehir–Ankara[†] line of the railway (845 km). The company also acquired the rights to build the Haydarpaşa–Üsküdar[‡] line and the branch line to Bursa, and was granted the concession to construct both the Eskişehir–Konya supplementary network (approximately 445 km) and the Ankara–Kayseri line (425 km). The Turkish government guaranteed the company annual gross earnings of 10,300 francs per km on the Haydarpaşa–Izmit line, and 15,000 francs on the Izmit-Ankara line. For this purpose, it signed over the revenue from tithes in the *sandshaks* of Izmit, Ertuğrul, Kütahya, and Ankara to the *Administration de la Dette Publique Ottomane*,[§] which was to pay the railway company the amount necessary to fulfill the government’s earnings guarantee. The government guaranteed annual gross earnings of 775 Turkish pounds (17,880 francs) per km in gold for the Ankara–Kayseri line, and 604 Turkish pounds (13,741 francs) for the Eskişehir–Konya network, although in the latter case a maximum annual supplement of 219 Turkish pounds (4,995 francs) per km was stipulated. Were gross earnings to exceed the guaranteed amount, the Turkish government was to receive a 25 percent share of the surplus. The tithes of the Trabzon[*] and Gümüşhane *sandshaks*[†] were to be paid directly to the *Administration de la Dette Publique Ottomane*, which was to transfer to the railway company the subsidies required to fulfill the government's earnings guarantee. All the tithes set aside for this purpose went into a common fund. In 1898, the guarantee for the Eskişehir–Konya network was raised from 219 to 296 Turkish pounds.

* The Imperial Ottoman Bank, founded in 1856.

† In Luxemburg's time, the city was known as Angora.

‡ In Luxemburg's time, Üsküdar was known as Scutari.

§ The "Administration of Ottoman Public Debt" was established by seven European powers in 1881 after the Ottoman government suspended debt payments to them. The interest rates charged on the debt by the European powers only further deepened the Ottoman Empire's economic dependency.

* Formerly known as Trebizond.

† The name for a district in the Ottoman Empire.

In 1899, the company won concessions to build and operate a port and other facilities in Haydarpaşa, and to construct corn elevators and warehouses for commodities of every description; it was also granted the right to employ its own staff for loading and unloading, and to establish a kind of free port (i.e., one where customs duties would not apply).

In 1901, the company was granted a concession to build the Konya–Baghdad–Basra–Persian Gulf railway (2,400 km), connecting with the Konya–Ereğli–Bulgurlu line on the Anatolian railway. A new limited company was established out of the old one to take up this concession, and it has contracted a construction company based in Frankfurt to carry out the construction work initially as far as Bulgurlu.

Between 1893 and 1910, the Turkish government has paid the following subsidies: 48.7 million francs for the Haydarpaşa–Ankara railway, and 1.8 million Turkish pounds for the Eskişehir–Konya network, totaling 90.8 million francs.[353] In 1907, the company was granted an additional concession to drain Lake Karaviran and irrigate the Konya plain; these projects were to be funded by the government and carried out within six years. In this instance, the company was to advance the government the necessary capital up to 19.5 million francs at 5 percent interest, repayable within thirty-six years. In return, the Turkish government pledged the following securities: (1) an annual sum of 25,000 Turkish pounds, payable from the surplus in the fund holding the tithes signed over to service the government railway guarantees and government debt, which was administered by the *Administration de la Dette Publique Ottomane*; (2) the revenue from tithes in the irrigated areas in excess of the mean revenue over the five years prior the granting of the concession; (3) the net revenue resulting from the operation of the irrigation facilities; (4) any revenue resulting from the sale of reclaimed or irrigated land. The company established a subsidiary in Frankfurt with a capital of 135 million francs in order to carry out the civil engineering projects.

In 1908, the company was granted a concession for the extension of the Konya railway as far as Baghdad and the Persian Gulf, again with government guarantees. In order to service these guarantees, there was a series of three Baghdad railway bond issues (worth 54, 108, and 119 million francs respectively at a 4 percent coupon rate), with the tithes from the *vilayets* of Aydın, Baghdad, Mosul, Diyarbakır, Urfa, and Aleppo, etc., as collateral.[354]

Here, the foundation of accumulation emerges in all its clarity. German capital builds railways, ports, and irrigation systems in Anatolia. In all these ventures it squeezes new surplus value out of the Asians whose labor-power it employs. This surplus value, however, must be realized along with the means of production used in production and that originate from Germany (railway materials, machinery, etc.). How is this achieved? This occurs in part through the commodity exchange that is stimulated by the railways, port facilities, etc., and that is nurtured amid the natural economic relations of Asia Minor. Yet, to the extent that commodity exchange does not grow fast enough to meet capital's realization requirements, it is also accomplished in part through the violent transformation by the machinery of the state of the natural revenue of the population into commodities, into money, which is then used to realize capital together with surplus value. This is the significance both of the state guarantees in relation to the net earnings from independent enterprise by foreign capital, and of the security collateral demanded against borrowing by the state. In both cases the so-called tithes (*aşar vergisi*)[*] that were hypothecated in endless variations are the tributes paid in kind by Turkish peasants, and these were gradually increased to approximately 12 or 12.5 percent. The peasant in the Anatolian *vilayets* has to pay "tithes," or else they are simply taken from him by force by the police and the central and local authorities. The "tithes," themselves a phenomenon of ancient Asiatic despotism based on the natural economy, are not collected directly by the Turkish government, but by tax farmers comparable to the tax collectors of the ancien régime; these tax farmers acquire the right to collect these tributes in state auctions held separately in each *vilayet* (province). The right to collect tithes in a given province is thus acquired by an individual speculator or a consortium; the latter then sell on the rights to the tithes in each *sandshak* (district) to further speculators; and these in turn cede their shares to a whole chain of smaller agents. Since each of these intermediaries aims to cover his expenses and rake in as much profit as possible, the tithe becomes ever more exorbitant the closer it comes to actually being collected from the peasant. If the tax farmer makes a mistake in his calculations, he will seek to recompense himself at the expense of the peasant. The latter, almost permanently indebted, waits impatiently for the time when he can sell his harvest; after cutting his corn, however, he often has to wait for weeks before he can begin threshing, until the tax farmer deigns to collect his due. When the whole harvest is about to rot in the fields, the tax farmer, who is usually a grain merchant himself, takes advantage of the peasant's predicament to force him to sell the harvest at the lowest possible price; should there be any complaints from aggrieved peasants, the tax farmer has the means to enlist the support of the officials and the *mukhtars* (local elected chiefs).[355]

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* In the Ottoman Empire this was a tax on agricultural produce.

These tithes are hypothecated under the terms of the railway guarantees or as collateral against state borrowing to the *Conseil d'Administration de la Dette Publique Ottomane* (which also directly administers the taxes on salt, tobacco, spirits, the excise on silk, the fishing dues, etc.). In each case, there is a clause stipulating that the tax farmers' contracts will be subject to scrutiny by the *Conseil* in respect of these tithes, and that the revenue from them is to be paid by the tax farmers directly into the coffers of its offices in each *vilayet*. If no tax farmer can be found to collect the tithes, they are stored in kind by the Turkish government in depots, whose keys are then handed over to the *Conseil*, so that the latter can proceed with the sale of the tithes on its own account.

Thus the economic metabolism between, on the one hand, the peasantry of Asia Minor, Syria, and Mesopotamia, and, on the other, German capital, proceeds in the following way: corn comes into being in the fields of the *vilayets* of Konya, Baghdad, Basra, etc., as a simple use-product of the primitive peasant economy, and it is handed over as such to the tax farmer as a state tribute. It is only in the hands of the latter that the corn becomes a commodity, and as such, money, which is then transferred into the coffers of the state. This money, which is merely the converted form of the peasant corn, which was not even produced as a commodity, now serves as a state guarantee to pay in part for the construction and operation of railways—i.e. to realize the value of the means of production used up in them, as well as the surplus value extracted from the Asian peasants and proletarians in the construction and operation of the railways. Furthermore, since means of production that have been made in Germany are used in the construction of these railways, the Asian peasant corn that has been transformed into money serves at the same time to do the same for the surplus value that has been extracted from German workers in the production of those means of production. Through these functions, money flows from the coffers of the Turkish state to those of Deutsche Bank, so that it can be accumulated as capitalist surplus value in the form of the profits of limited companies, royalties, dividends, and interest in the accounts of Mssrs. [Arthur] Gwinner, [Georg] Siemens, and their fellow directors, of the shareholders and clients of Deutsche Bank* and the whole intertwining system of its subsidiaries. If, as is provided for in the terms of the concessions, the tax farmer drops out of the equation, the convoluted series of metamorphoses is reduced to its simplest and clearest form: the peasants' corn is transferred directly to the *Administration de la Dette Publique Ottomane*, i.e. to the representatives of European capital, where it becomes the revenue of German and other foreign capital even while it is still in its natural form; it thus accomplishes the accumulation of European capital even before it has shed its Asiatic peasant use-form, and realizes capitalist surplus value before it has even become a commodity and realized its own value. The metabolism proceeds here in its brutal and unembellished form, occurring directly between European capital and the Asiatic peasant economy, while the Turkish state is reduced to its actual role as the political apparatus for the exploitation of the peasant economy for the purposes of capital—this is the actual function of all Oriental states in the period of capitalist imperialism. The transaction that appears outwardly as an absurd tautology—German commodities are financed by German capital in Asia, with the honest Germans merely forgoing the benefit of using these great works of civilization, which they concede to the sly Turks instead—is basically an exchange between German capital and the Asiatic peasant economy, one that is imposed with the coercive powers of the state. The results of the transaction are, on the one hand, the continuing accumulation of capital and a growing "sphere of interest" as the pretext for the further political and economic expansion of German capital in Turkey, and, on the other, the introduction of railways and commodity exchange on the basis of the rapid disintegration, ruin, and sucking dry of the Asiatic peasant economy by the state, and the increasing financial and political dependence of the Turkish state on European capital.[356]

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* This was founded in Germany in 1870. By the twentieth century it had become the largest private bank in the world.

Chapter 31. Protective Tariffs and Accumulation

Imperialism is the political expression of the process of the accumulation of capital in its competitive struggle over the unspoiled remainder of the non-capitalist world environment. Geographically, this environment still comprises huge areas of the earth's surface. However, this remaining field for the expansion of capital appears as an ever-diminishing residue taking into account both the enormous mass of already accumulated capital in the old capitalist countries, which is vying for markets for its surplus product as well as for opportunities to capitalize its surplus value, and the rate at which areas of precapitalist civilization are transformed into capitalist ones—in other words, given the high level of development of the productive forces of capital that has already been achieved. The international behavior of capital on the world stage is shaped accordingly. Imperialism's force and the violence exerted by it—both in its aggressive action toward the noncapitalist world and in the sharpening antagonisms between the competing capitalist countries—are heightened in tandem with the development of the capitalist countries and the increasingly fierce competition between them to acquire noncapitalist areas. Yet the more violently, forcefully, and thoroughly imperialism brings about the decline of noncapitalist civilizations, the more rapidly it removes the very basis for the accumulation of capital. As much as imperialism is a historical method to prolong the existence of capital, objectively it is at the same time the surest way to bring this existence to the swiftest conclusion. This does not mean that this endpoint has literally to be reached. The tendency toward this terminal point of capitalist development manifests itself in forms that configure the final phase of capitalism as a period of catastrophes.

Hopes for a peaceful development of capital accumulation, for "trade and industry, which can only flourish in peace," and the whole semi-official Manchester ideology of a harmony of interests between the trading nations of the world—the other side of the harmony of interests between capital and labor—derive from the *Sturm und Drang* period of classical economics; such hopes seemed to be validated in practice during the brief era of free trade in Europe in the 1860s and 1870s. The foundation on which these hopes are based is the false doctrine of the British free trade school that commodity exchange is the only presupposition of, and condition for, the accumulation of capital, and that the latter is identical with the commodity economy. As has been shown, the whole Ricardian school identified the accumulation of capital and the conditions for its reproduction with simple commodity production and the conditions for simple circulation. This was subsequently to become even more evident in the practice of the free trader *vulgaris*. The whole argument of the Cobden League* was tailored to the particular interests of the exporting cotton-manufacturers of Lancashire. Their main focus was to gain access to new markets, and their article of faith can be stated as follows: "we must purchase from abroad, so that we can find buyers to whom we can sell our industrial products—i.e. our cotton textiles." The consumer in whose name [Richard] Cobden and [John] Bright made demands for free trade, and above all for cheaper food, was not the worker (a consumer of bread), but the capitalist (a consumer of labor-power).

This gospel never constituted the true expression of the interests of capital accumulation as a whole. In the U.K. itself, it had already been given the lie in the 1840s, when the harmony of interests of trading nations was proclaimed to the thunder of cannons in the Opium Wars in the Far East; with the annexation of Hong Kong, this doctrine turned into its opposite, that of the system of "spheres of interest."[357] On the European continent, the free trade of the 1860s did not represent the interests of industrial capital, because the leading free trade nations there were still at that time predominantly agrarian countries, in which the development of large-scale industry was still relatively feeble. The free trade system was instead implemented as a measure to facilitate the political constitution of the central European states. Under the policy of [Otto Teodor von] Manteuffel and [Otto von] Bismarck in Germany, it represented a specifically Prussian means in order to force Austria out of the German Confederation and the Customs Union, and to constitute the new German Empire under Prussian leadership.† From an economic point of view, free trade here was only in the interests of commercial capital, especially that of the Hanseatic cities, oriented as they were toward international trade, and in those of agrarian consumers; as far as German states' own industry was concerned, the iron industry was only won over with great difficulty to the idea of conceding the abolition of the Rhine tolls for the sake of free trade, whereas the southern German cotton industry remained resolutely opposed, and demanded the retention of protective tariffs. In France, the most favored nation treaties, which laid the foundations for the free trade system in the whole of Europe, were concluded by Napoleon III without the consent, and even against the will, of the firm majority in parliament, which was composed of industrialists and landowners, and was in favor of retaining protective tariffs. The government of the [French] Second Empire only resorted to the free trade treaties themselves as an expedient, with the acquiescence of the U.K., in order to circumvent the opposition of the French parliament and to impose free trade behind the back of the legislature via the international route. The first constitutive treaty between France and the U.K. was simply presented to French public opinion as a fait accompli.[358] Between 1853 and 1862, the previous system of protective tariffs was dismantled by 32 separate imperial decrees, which were then rubber-stamped en masse by the legislature in 1863, with scant regard for the formal process. In Italy, the dependence of [Camilio Benso] Cavour's policy[*] on French backing dictated the adoption of a free trade agenda. In 1870, an inquiry opened under the pressure of public opinion revealed the lack of support for the free trade policy among interested groups. Finally, in Russia, the trend toward free trade in the 1860s was initially a mere preliminary to the creation of a broad foundation for the commodity economy and for large-scale industry; it was only during this period that serfdom was abolished and a railway network established.[359]

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[*] The Anti–Corn Law league, founded in 1838 by Richard Cobden and John Bright for the purpose of ending tariffs on imported wheat; the campaign was aimed to undermine the power of the British landowning aristocracy. The Corn Laws were abolished in 1846.

[†] Prussia forced Austria out of the German Confederation in the Seven Weeks War of 1866. This proved instrumental in the formation of the German Empire in 1870.

It was clear from the very outset, then, that the international system of free trade would constitute no more than a fleeting episode in the history of capital accumulation. For this reason alone, it is perverse to attempt to explain the general reversion to protective tariffs since the end of the 1870s as merely a defensive reaction to British free trade.[360]

Several facts speak against such an explanation: in Germany, as well as in France and Italy, the leading role in the reversion to protective tariffs was played by agrarian interests, which were in competition not with the U.K., but with the U.S.; furthermore, it was not so much against the U.K. that the emerging homegrown industry in Russia and Italy needed to be protected, for example, but rather against Germany and France, respectively. Nor was the protracted general depression on the world market since the crisis of the 1870s, which engendered a readiness to embrace protective tariffs, bound up with the U.K.'s monopoly to any great extent. The general cause of the *volte-face* on the question of protective tariffs thus lay deeper than this. The pure standpoint of commodity exchange, which was the origin of the illusions of a harmony of interests on the world market harbored by the adherents of the free trade doctrine, was abandoned as soon as large-scale industrial capital had gained enough of a foothold in the most important countries in continental Europe to gain an awareness of the conditions of its accumulation. That which now came to the foreground was the antagonistic character of these conditions, and the competitive struggle over the noncapitalist milieu, both of which ran counter to the reciprocity of interests of the capitalist states.

At the very inception of the free trade era, the Far East was opened up by the Opium Wars in China, and European capital began to gain ground in Egypt. Throughout the 1880s, in parallel with the return to protective tariffs, the policy of expansion was pursued with increasing force in an uninterrupted sequence of events: the British occupation of Egypt [in 1882], the German colonial conquests in Africa,[*] the French occupation of Tunisia [in 1881] and expedition to Tonkin [from 1883 to 1885], Italy's advances into Assab and Massawa, the Abyssinian War and the formation of Eritrea,[†] and the British conquests in South Africa.[‡] The conflict between Italy and France over the sphere of interest in Tunisia[§] represented the characteristic prelude to the Franco–Italian customs war seven years later [in 1888 to 1889], which formed a dramatic epilogue to the end of the free trade harmony of interests on the European continent. For capital, the solution was now to monopolize noncapitalist areas for its expansion, both within the old capitalist states as well as overseas, while free trade (the "open door" policy) became a specific form of the defenselessness of noncapitalist countries in the face of international capital and its competitive equilibrium, and constituted a preliminary stage of their partial or total occupation as colonies or as spheres of interest. If the U.K. alone has remained true to free trade, this is first and foremost bound up with its status as the oldest colonial empire and its possession of vast noncapitalist areas; these provided it from the outset with an operational basis offering the prospect of virtually unconfined capital accumulation, and in practice placed it beyond competition from other countries, at least until very recently. This is the reason for the universal drive toward protective tariffs, as capitalist countries seek to close themselves off from each other, even as international trade between them is constantly increasing and they are becoming ever more dependent upon each other for the material conditions of reproduction, and even though protective tariffs have now become utterly redundant from the standpoint of the technical development of the productive forces, even leading in many instances to the artificial preservation of antiquated forms of production. The internal contradiction within the international policy of protective tariffs, like the contradictory character of the international credit system, is a mere reflection of the historical contradiction that has arisen between the interests of accumulation—i.e. those of the realization and capitalization of surplus value, of expansion—and the pure standpoint of commodity exchange.

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* Cavour allied himself with France for the purpose of facilitating the unification of Italy in the 1860s. He actually promoted free trade policies prior to his alliance with Napoleon III, when he served as prime minister to Piedmont-Sardinia in the early 1850s. He later expanded these to the whole of Italy when he became Italy's first prime minister.

A palpable expression of this is the fact that the modern system of high protective tariffs was essentially introduced as the basis on which capitalist states could strengthen their military capabilities in line with colonial expansion and the intensifying antagonisms within the capitalist milieu. In Germany, as in France, Italy, and Russia, the reversion to protective tariffs went hand-in-hand with the expansion of the armed forces, and was implemented for this purpose, constituting the basis for the European system of competitive armament that started at that time, as states increased the military capabilities first of their armies, and then of their navies. The continental military system, whose main focus was the army, corresponded to the European system of free trade; this has now given way to the protective tariff as the basis for, and supplement to, the imperialist military system, which increasingly revolves around naval power.

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* Germany occupied what is now Tanzania, Namibia, and Togo, beginning in the mid-1880s.

† Italy invaded Massawa, a city in Eritrea, in 1885. It annexed it in 1888, and shortly thereafter made Eritrea an Italian colony. In 1895 it attempted to conquer Ethiopia (Abyssinia), without success.

‡ The U.K. began its conquest of South Africa in 1806, when it took control of Cape Town, and it brought the entire country under its rule by the end of the Second Boer War in 1902.

§ France took control of Tunisia in 1881, after rebuffing the efforts of Italy to secure it as its colony.

As a concrete, historical process, capitalist accumulation as a whole thus has two different facets. The first of these consists in the process that occurs at the point of production of surplus value—in the factories, the mines, the farms—and on the commodity market. Viewed from this aspect alone, accumulation is an economic process whose most important phase is played out between the capitalist and the wage laborer, but it is one that moves exclusively within the confines of commodity exchange—the exchange of equivalents—in *both* phases (i.e. both within the sphere of production and that of circulation). Here, on the level of form, it is peace, property, and equality that prevail, and it required the acute dialectic of a scientific analysis to expose the way in which, during the process of accumulation, the right of property turns into the appropriation of alien property, commodity exchange turns into exploitation, and equality turns into class domination.

The other dimension of capital accumulation consists in a process that takes place between capital and noncapitalist forms of production. Its setting is the world stage. In this case, the dominant methods are those of colonial policy, the system of international credit, the policy of spheres of interest, and war. Here violence, fraud, oppression, and plunder are displayed quite openly, without any attempt to disguise them, and it requires a lot of effort to uncover the strict laws governing the economic process beneath this turmoil of political violence and trials of strength.

Bourgeois liberal theory only takes one side of this process into consideration, namely the sphere of "peaceful competition," the marvels of technology, and pure commodity exchange; it thus separates off the other dimension of capitalist accumulation, the realm of capital's thunderous shows of force, which it holds to be more or less contingent expressions of "foreign policy," from the economic domain of capital.

In reality, political violence is nothing but a vehicle for the economic process; both sides of capital accumulation are organically bound up with each other through the very conditions of the reproduction of capital, and it is only together that they result in the historical trajectory of capital. Capital does not merely come into the world "dripping from head to toe, from every pore, with blood and dirt,"* it also imposes itself on the world step by step in the same way, thus preparing its own demise amid ever more violent convulsions.

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* Marx, *Capital*, Vol. 1, p. 926.

Chapter 32. Militarism in the Sphere of Capital Accumulation

Militarism carries out a very determinate function in the history of capital. It accompanies the progress of accumulation in each of its historical phases. In the period of so-called “original accumulation,” i.e. at the origins of European capital, militarism plays the decisive role in the conquest of the New World and the Asian spice-producing countries; later, it plays the same role in the subjugation of the modern colonies, the destruction of the social forms of organization of primitive societies, and the appropriation of their means of production, the imposition of commodity exchange in countries whose social structures constitute an obstacle to the commodity economy, the forcible proletarianization of the indigenous inhabitants, and the imposition of wage labor in the colonies. Similarly, it plays the decisive role in the formation and extension of the spheres of interest of European capital in non-European regions, in the extraction of concessions for the construction of railways in backward countries, and in enforcing the claims of European capital as an international creditor. Finally, militarism plays the decisive role as a means of competitive struggle between capitalist countries over areas of noncapitalist civilization.

These are supplemented by another important function of militarism. From a purely economic standpoint, militarism constitutes a preeminent means for the realization of surplus value—i.e. as a sphere of accumulation. In examining the question as to the identity of the potential purchasers of the mass of products containing capitalized surplus value, any suggestion that the state and its organs might provide consumers in this capacity has been consistently rejected in this study. As the representatives of derivative sources of revenue, state officials were ranged under the same category as the beneficiaries of surplus value (or to a lesser degree, they were included under the category of recipients of the wage), alongside the representatives of the liberal professions, and sundry hangers-on of contemporary society (“king, priest, professor, prostitute, mercenary, etc.”).[361] However, to dismiss this solution in this way is only valid under two presuppositions:

first, it must be assumed, in accordance with Marx's schema of reproduction, that the state disposes of no other sources of taxation than capitalist surplus value and capitalist wages;[362] second, the state and its organs must be considered only as consumers. If, following this second assumption, the personal consumption of state officials (and thus of the "soldier") is taken into account, this is counted as a partial transfer of consumption from the working class (insofar as this consumption derives from taxes paid by workers).

It can be temporarily assumed that the whole amount of indirect taxes squeezed out of workers, which represents a deduction from their consumption, is used to pay the salaries of state officials and to provision the regular army. In this case, there will be no change as far as the reproduction of total social capital is concerned. Both the department producing means of consumption and, consequently, the department producing means of production remain unaltered, since the total requirements of society have not undergone any qualitative or quantitative change. The only shift that has occurred is merely that the relation in value-terms between variable capital (which represents the commodity of labor-power) and the products of Department II, i.e. means of consumption. The same variable capital—the same monetary expression of labor-power—is now exchanged against a lesser quantity of means of consumption. What happens to the resulting remainder of products from Department II? It is transferred to state officials and to the armed forces. The decrease in workers' consumption is compensated by new consumption by the organs of the capitalist state. Thus, if all the conditions of reproduction remain unaltered, a change in the distribution of the total social product has occurred: of the products of Department II previously allocated to the consumption of the working class (equivalent in value-terms to the variable capital), a portion is now allotted to the consumption of the strata appended to the capitalist class. From the standpoint of social reproduction, this displacement effectively gives the same result as if the relative surplus value generated had been increased by the same quantum of value, with this increase being allocated to the part of surplus value earmarked for the consumption of the capitalist class and its appended strata.

As such, the squeezing of the working class through the mechanism of indirect taxation in order to maintain the structures of the capitalist state apparatus amounts to a mere increase in surplus value, and, more precisely, an increase in the part of surplus value that is *consumed*; the only difference is that this is a further division between surplus value and variable capital *post festum*—i.e., one that occurs *after* the exchange between capital and labor-power has taken place. This consumption by the organs of the capitalist state has no bearing on the realization of *capitalized* surplus value, because the increase in surplus value consumed occurs *ex post*, even if it happens at the expense of the working class. To put it the other way round: if the working class did not bear the bulk of the costs of maintaining the state officials and members of the armed forces, they would have to be met in full by the capitalists themselves. The latter would have to allocate a corresponding portion of surplus value directly to the maintenance of these organs of their class rule, either by forgoing an equivalent portion of their own consumption, or—the more likely scenario—by deducting it from the portion of surplus value earmarked for capitalization. In the latter case, they would only be able to capitalize a smaller amount of surplus value, because they would have to use a part of it for the direct maintenance of their own class. The displacement of the bulk of the costs of maintaining the strata appended to the capitalist class onto the working class (and onto those engaged in simple commodity production: peasants, artisans, etc.) allows the capitalists to set free a larger portion of surplus value for capitalization. This does not as yet generate the *possibility* of this *capitalization*—i.e., this does not as yet generate any new markets in which to realize the new commodities that would now actually be produced with the surplus value that has been set free. It is a different matter if the revenue from taxation is used by the state for the production of means of warfare.

Through indirect taxation and high protective tariffs, the costs of militarism are mainly paid for by the working class and the peasantry. These two forms of taxation are to be considered separately. As far as the working class is concerned, the transaction comes down to the following in economic terms: presupposing that wages do not rise in line with rising food prices, which is currently the case for vast masses of the working class, and also largely corresponds to the situation of the unionized minority as a result of the pressure applied by cartels and employers' organizations,[363] indirect taxation implies the transfer of a part of the purchasing power of the working class to the state. As a determinate quantity of money capital, variable capital serves in all cases to set the corresponding amount of living labor in motion, so that the corresponding constant capital is used for the purposes of production and a corresponding quantity of surplus value is produced. After this circulation of capital has been completed, a distribution between the working class and the state occurs: a part of the quantity of money received by the working class as wages in exchange for its labor-power is handed over to the state. Whereas the former variable capital is entirely appropriated by capital in its material form as labor-power, only a portion of the money-form of variable capital is retained by the working class, with the remaining portion being transferred to the state. This transaction occurs—behind the back of capital, so to speak—each time after the circulation of capital between capital and labor has been completed; it has no immediate bearing on this fundamental dimension of the circulation of capital and the production of surplus value, nor does it concern it in the first instance. Yet it certainly affects the conditions of the reproduction of total social capital. The transfer of a part of the purchasing power of the working class to the state signifies that the share of the working class in the consumption of means of subsistence has decreased by the same amount. For the total social capital, this implies that, for the same quantity of variable capital (as money-capital and as labor-power) and the same amount of surplus value appropriated, it must now produce a decreased quantity of means of subsistence for the maintenance of the working class; in actual fact it now assigns a decreased share of the total social product to the working class. It follows that, in relation to the value-magnitude of variable capital, a reduced quantity of means of subsistence will now be produced in the reproduction of the total social capital, since the ratio in value terms between variable capital and the quantity of means of subsistence in which it is realized has itself been altered: the amount of indirect taxation manifests itself in price increases for means of subsistence, whereas, under the assumption made here, the monetary expression of labor-power remains constant, or at least does not rise in line with price increases for means of subsistence.

What kind of displacement will occur in the material relations of reproduction as a result? Through the relative reduction in the quantity of means of subsistence required for the reproduction of labor-power, a corresponding amount of constant capital and living labor is set free. This constant capital and this living labor can be used for other kinds of production insofar as new requirements backed by the ability to pay are generated in society, or new effective demand. This new demand is now generated by the state with the portion of the purchasing power it has appropriated from the working class by means of tax legislation. In this case, however, the state does not generate demand for means of subsistence (disregarded here are the means of subsistence that are required for the maintenance of state officials and paid for out of tax revenues, for the reasons alluded to previously in the consideration of "third parties"), but rather for a specific type of product: the means of waging war on land and sea required by militarism.

In order to examine more closely the resulting adjustments in social reproduction, the example of the second Marxian schema of reproduction will be recalled:

I. $5{,}000c + 1{,}000v + 1{,}000s = 7{,}000$ means of production
II. $1{,}430c + 285v + 285s = 2{,}000$ means of consumption

Let it be assumed that real wages—i.e. the consumption of the working class—are in total reduced in value terms by 100 through indirect taxation and the resulting price rises in means of subsistence. The workers still receive $1{,}000v + 285v = 1{,}285v$ in money, but in reality they only obtain means of subsistence to the value of 1,185. The sum of money of 100 corresponding to price rises in the means of subsistence is transferred to the state in the form of taxes. Let it be assumed that the state also receives tax revenues of 150 from peasants, etc., making a total of 250 to spend on means of warfare. This amount of 250 constitutes new demand, in this case for means of warfare. For the time being it is only the sum of 100 deriving from wages that concerns the analysis here. In order to satisfy this demand for means of warfare to the value of 100, a corresponding branch of production emerges, requiring a constant capital of 71.5 and a variable capital of 14.25 (assuming an equal—i.e. average—organic composition):

$71.5c + 14.25v + 14.25s = 100$ (means of warfare)

This branch of production further requires the production of means of production to the value of 71.5 and means of consumption to the value of approximately 13 (corresponding to the reduction in real wages of approximately $\frac{1}{13}$, that now also applies to these workers).

Here the objection might immediately be raised that it merely appears superficially that a profit arises for capital from this new market expansion, since the reduction in actual consumption by the working class will inevitably result in a corresponding reduction in the production of means of consumption. This reduction will be expressed in the following proportion:

$$71.5c + 14.25v + 14.25s = 100$$

Furthermore, the department producing means of production will also have to contract accordingly, such that the value-product of the two departments will now be as follows as a result of the reduction in working class consumption:

I. 4,949c + 989.75v + 989.75s = 6,928.5
II. 1,358.5c + 270.75v + 270.75s = 1,900

If, through the mediation of the state, the same value of 100 now elicits production of means of warfare to the same value, and provides a corresponding further stimulus to the production of means of production, this appears at first sight to be a merely superficial adjustment in the material form of social production: a given quantity of means of warfare is now produced instead of a given quantity of means of consumption. On this argument, capital has gained with one hand what it has lost with the other. The point could be made as follows: for the contraction in the market affecting the large number of capitalists producing means of subsistence for workers, there has been a corresponding expansion in the market for means of warfare to the benefit of the small group of large-scale industrialists in this branch of production.

However, the matter only presents itself in this way from the standpoint of individual capitals. From this standpoint, it certainly makes no odds whether production turns to one sphere or another. As far as the individual capital is concerned, there are no departments of total social production such as those distinguished by the schema: there are merely commodities and purchasers, and in itself it is a matter of complete indifference to it whether it produces means of subsistence or means of destruction, canned meat or armored plating.

This point of view is often adduced by the opponents of militarism to argue that, on an economic level, capital invested in means of warfare only benefits one set of capitalists at the expense of another.[364] On the other hand, capital and its apologists seek to impose this point of view on the working class by giving them the line that indirect taxation and demand generated by the state constitute a mere adjustment in the material form of reproduction; instead of other commodities, cruisers and guns are produced, but such production equally provides employment and a livelihood for workers, and might even improve the situation in this regard—so the argument runs.

A cursory look at the schema shows how much truth there is in this argument as far as the workers are concerned. Assuming, for the sake of comparison, that as many workers are employed in the production of means of warfare as were formerly employed in the production of means of consumption for wage-laborers, they will now receive means of subsistence to the value of 1,185 in performing labor corresponding to wages to the value of 1,285*v*.

Things are different from the standpoint of total social capital. For the latter, the state revenue of 100, which represents a demand for means of warfare, presents itself as a new market sphere. This sum of money was previously variable capital. It has fulfilled its function as such, having exchanged itself against living labor, which in turn has produced surplus value. It now interrupts, and separates itself off from, the circulation of variable capital, in order to present itself as new purchasing power in the form of state revenue. It has been created out of nothing, as it were, and functions exactly like a sphere of the market that has been newly opened up. It is true in the first instance that capital will find that the market for workers' means of subsistence has contracted by a value of 100. For the individual capitalist, it makes no odds whether the consumer and the purchaser of commodities is the worker, the state, the peasant, or "another country," etc. It should not be forgotten, however, that the sustenance of the working class is merely a necessary evil for total social capital, a mere deviation on the path toward the actual goal of production: the generation and realization of surplus value. If it can find a way to extract the same quantity of surplus value while providing labor-power with a reduced amount of means of subsistence, so much the better for the bottom line. In the first instance, it is essentially as if capital had managed to reduce wages (without any price rises in means of subsistence) by a corresponding amount without decreasing the labor performed by the workers. However, a continual reduction in wages would ultimately entail a contraction in the production of means of subsistence. Capital is untroubled by the fact that it will have to produce fewer means of subsistence for workers when it carries out daylight robbery on their wages, and in fact it pursues any opportunity to do so with heart and soul; capital as a whole is equally sanguine about the fact that there will be a reduction in working class demand for means of consumption as a result of indirect taxation that is not compensated by wage increases. Indeed, when there are direct reductions in the wage, the capitalists pocket the difference in variable capital; such wage reductions increase relative surplus value, assuming commodity prices remain constant, whereas with indirect taxation, the deduction from the wage is transferred to the state treasury. On the other hand, it is a fact that generalized and continuous wage reductions are seldom feasible in any period, let alone if trade union organization is highly developed. Here, the pious wish of capital comes up against rigid constraints of a social and political nature. By contrast, reductions in real wages through indirect taxation are imposed promptly, smoothly, and universally, and resistance to them is usually expressed only after a certain interval, and is restricted to the political arena, without achieving any immediate economic results. If there is a subsequent contraction in the production of means of subsistence, this transaction does not present itself as a loss in markets from the standpoint of capital, but rather as a saving in outlays for the production of surplus value. The production of means of subsistence for workers is a condition *sine qua non* of the production of surplus value, namely the reproduction of living labor-power; however, it is never a means for the realization of surplus value.

Returning to the example given previously:

I. 5,000c + 1,000v + 1,000s = 7,000 means of production
II. 1,430c + 285v + 285s = 2,000 means of consumption

At first glance, it appears in this case, too, that Department II generates and realizes surplus value in the production of means of subsistence for workers, and likewise Department I in the production of means of production that are required for production in Department II. However, this semblance is dispelled if the total social product is considered. The latter is expressed as follows:

6,430c + 1,285v + 1,285s = 9,000

Now, if consumption by workers is reduced by a value of 100, the adjustment in reproduction as a consequence of the contraction in both departments will be expressed as follows:

I. $4{,}949c + 989.75v + 989.75s = 6{,}928.5$
II. $1{,}358.5c + 270.75v + 270.75s = 1{,}900$

This now gives the following expression for the total social product:

$$6{,}307.5c + 1{,}260.5v + 1{,}260.5s = 8{,}828.5$$

The first thing that is noticed is a general decline in the scale of production and also in the surplus value produced. This is only true insofar as the abstract quantities of value in the composition of the total social product are taken into consideration, rather than its material composition. On closer examination, it emerges that the entire deficit only affects the costs of maintaining labor-power, and nothing else. A reduced quantity of means of subsistence and means of production are now produced, but this served exclusively to maintain workers. The capital employed has now decreased, as has the resulting product. Yet the aim of capitalist production is not simply to employ as large a capital as possible, but to obtain as much surplus value as possible. The deficit in capital has only arisen in this case, however, because the maintenance of workers requires a reduced capital. Whereas previously a sum of 1,285 was the value-expression of the total maintenance costs for all workers in employment in society, the deficit that has arisen in the total social product, 9,000 = 8,825.5 = 171.5, must be deducted in full from these maintenance costs, in which case the altered composition of the total social product is given as follows:

$$6{,}430c + 1{,}113.5v + 1{,}285s = 8{,}828.5$$

Constant capital and surplus value remain unchanged, and only the total variable capital—i.e. paid labor—has decreased. Alternatively, since an unchanged magnitude of constant capital might seem unrealistic, a reduction in constant capital can be assumed corresponding to the reduction in workers' means of subsistence, which is exactly what would actually occur. This would give the following composition of the total social product:

$$6{,}307.5c + 1{,}236v + 1{,}285s = 8{,}828.5$$

Surplus value remains unchanged in both cases, despite the decrease in the total social product, since the maintenance costs of the workers, and these alone, have been reduced.

The question can also be presented in the following way: the total social product can be divided up in terms of value into three proportional parts, exclusively representing the total constant capital, the total variable capital, and the total surplus value in society respectively. More precisely, such a division implies that not a single atom of additional labor enters into the first portion of products, while the second and third do not contain a single atom of means of production. Since this mass of products is, as such (i.e. in terms of its material form), exclusively the result of the given period of production, the total number of workers employed can also be divided into three categories (even though as a magnitude of value, constant capital is the result of previous periods of production, and its value is transferred to new products). These three categories are: (1) workers exclusively producing the total constant capital of society; (2) workers exclusively producing means of subsistence for all workers; (3) workers exclusively creating the entire surplus value of the capitalist class.

If there is a reduction in workers' consumption, a corresponding number of workers will be dismissed from the second category alone. Yet a priori these workers do not create any surplus value for capital, and their dismissal is thus, from the standpoint of capital, no loss—indeed it represents a gain, because it reduces the costs of surplus value production.

On the other side beckons the simultaneously arising market that is generated by the state with all the allure of a new sphere for the realization of surplus value. A portion of the sum of money that is locked into the circulation of variable capital escapes this trajectory to represent new demand on the part of the state. The fact that, *in terms of the technicalities of the system of taxation*, the process is different—indirect taxes are advanced to the state by capital, with the capitalists only being reimbursed subsequently by consumers purchasing commodities whose price includes a component corresponding to the value of these taxes—has no bearing on the *economic* dimension of the process. What is decisive in economic terms is that the sum of money functioning as variable capital first mediates the exchange between capital and labor-power, and is subsequently transferred in part by the worker to the state as taxes during the exchange between the worker as consumer and the capitalist as seller of commodities. The sum of money thrown into circulation by the capitalist thus first fulfills its function in the exchange with labor-power, only then to embark upon a new trajectory as the fiscal means of the state, i.e., as a purchasing power that is extrinsic to both capital and workers, and that is oriented toward new products, toward a particular branch serving to maintain neither the capitalist class nor the working class. As such, this new branch of production presents capital with a new opportunity for both the generation and realization of surplus value. Previously, in considering the use of the indirect taxes squeezed out of workers to pay the salaries of state officials and to provision the armed forces, it emerged that, in economic terms, the "saving" in working class consumption in effect means that capitalists are able to defer the costs of the personal consumption of the strata appended to the capitalist class and those of the instruments of its class rule onto workers—i.e. these costs are transferred from surplus value to variable capital, thus setting the corresponding quantity of surplus value free for the purposes of capitalization. It can now be appreciated how the use of the taxes extracted from workers for the production of means of warfare offers capital a new opportunity for accumulation.

In practice, militarism works in both directions on the basis of indirect taxation by securing the maintenance of the standing army—the organ of the rule of capital—and by establishing an unparalleled sphere of accumulation; it fulfills both of these functions at the expense of the regular living conditions of the working class.[365]

The analysis can now turn to the second source of the state's purchasing power, which in the above example corresponds to the sum of 150 from the total sum of 250 invested in means of warfare. This sum of 150 is essentially different to the sum of 100 considered thus far. It does not derive from workers, but from the petty-bourgeoisie—i.e. from artisans and peasants; disregarded here is the relatively small proportion of taxation deriving from the capitalist class itself.

The sum of money paid to the state in the form of taxes by the peasant masses, who may serve here as representatives of the mass of non-proletarian consumers, is not originally advanced by capital, nor does it separate itself off from the circulation of capital. In the hands of the peasant masses, this sum of money is the equivalent of realized commodities, it is a precipitation of value from simple commodity production. Here, a part of the purchasing power of noncapitalist consumers is transferred to the state; from the outset, this purchasing power serves capital by realizing surplus value for the purposes of accumulation. The question is now whether this transfer of the purchasing power of these strata to the state for militaristic purposes results in economic changes for capital, and if so, which kind. At first glance, this also entails alterations in the material form of reproduction. Instead of producing a given quantity of means of production and consumption for peasant consumers, capital now produces means of warfare to the same value for the state. In fact, the changes run deeper. Most importantly, when the purchasing power of noncapitalist consumers is rendered liquid by the state through the mechanism of taxation, it becomes much greater in quantitative terms than if it is actually used for the purposes of these consumers' own consumption.

To a large extent, it is in fact the modern system of taxation itself that first imposes the commodity economy on the peasants. The burden of taxation compels peasants to continually transform a progressively greater portion of their product into commodities, at the same time as it increasingly converts them into buyers; it pushes the product of the peasant economy into circulation and forces the peasants to become purchasers of the products of capital for the first time. In addition, the system of taxation elicits a greater purchasing power from the peasant economy than the latter would otherwise exert.

The means that would otherwise constitute peasants' savings stored up in savings banks and other financial institutions, thus increasing the capital that is seeking investment, now becomes the opposite as the fiscal means of the state—it now represents demand and an investment opportunity for capital. Furthermore, the large number of minor and fragmented instances in the peasant economy where there is a demand for commodities—instances that do not coincide temporally, and in which demand could just as easily be satisfied by simple commodity production, in which case it would play no part in the accumulation of capital—are now replaced by demand on the part of the state, i.e. by demand that is integrated into a homogeneous, compact, and powerful force. The satisfaction of this kind of demand presupposes large-scale industry of the highest order, i.e., favorable conditions for the production of surplus value and for accumulation.

The purchasing power of the mass of consumers is thus concentrated to an enormous degree and takes the form of orders for military hardware placed by the state. Freed from the vicissitudes and subjective fluctuations of personal consumption, it attains an almost automatic regularity and a capacity for rhythmic growth. The levers regulating this automatic and rhythmic movement of militaristic capitalist production are ultimately in the hands of capital itself through the executive and legislative apparatus of the state, and through the press, whose function is the production of so-called public opinion. This specific sphere of capital accumulation initially seems capable of indefinite expansion. Whereas the expansion of markets into other spheres as a basis on which capital can operate depends to a large extent on historical, social, and political factors beyond the control of capital, militaristic production constitutes a sphere whose regular surges of expansion appear to be determined in the first instance by the volition of capital itself.

The historical exigencies of capital's intensified competition on a world scale for the conditions of its accumulation are thus transformed into a sphere of accumulation of the highest order for capital itself. The more forcefully capital uses militarism in order to assimilate the means of production and labor-power of noncapitalist countries and societies through foreign and colonial policy, the more powerfully the same militarism works progressively to wrest purchasing power at home, in the capitalist countries themselves, from the noncapitalist strata—i.e. from those engaged in simple commodity production, and from the working class. It does this by robbing the former of their forces of production on an increasing scale, and by reducing the standard of living of the latter, in order to increase the rate of the accumulation of capital enormously at the expense of both. From both sides, however, once a certain level has been reached, the conditions for the accumulation of capital turn into conditions for its demise.

The more violently capital uses militarism to exterminate noncapitalist strata both at home and abroad, and to worsen living standards for all strata of workers, the more the day-to-day history of capital accumulation on the world stage is transformed into a continuous series of political and social catastrophes and convulsions, which, together with the periodic economic cataclysms in the form of crises, will make it impossible for accumulation to continue, and will turn the rebellion of the international working class against the rule of capital into a necessity, even before the latter has come up against its natural, self-created economic constraints.

Capitalism is the first form of economy with propagandistic power; it is a form that tends to extend itself over the globe and to eradicate all other forms of economy—it tolerates no other alongside itself. However, it is also the first that is unable to exist alone, without other forms of economy as its milieu and its medium. Thus, as the same time as it tends to become the universal form, it is smashed to smithereens by its intrinsic inability to be a universal form of production. In itself, it is a living, historical contradiction; the movement of its accumulation is the expression, the continual solution, and simultaneously the exacerbation of this contradiction. At a certain level of its development, this contradiction cannot be solved by any means other than the application of the fundaments of socialism—i.e. of the very form of economy that is inherently a universal one and simultaneously a harmonious system in itself, since it is oriented not to accumulation, but to the satisfaction of the vital needs of laboring humanity itself through the development of all of the world's productive powers.

The Accumulation of Capital, Or, What the Epigones* Have Made Out of Marx's Theory—An Anti-Critique

* The term "epigones" comes from the Greek word *Epigonoi*, meaning "the Afterborn," an epithet from Greek mythology for the sons of the chiefs who fought the war of the Seven against Thebes. In imitation of their fathers, the sons also attacked Thebes. As a generalized term, "epigone" now means any follower who comes along later and is merely imitative, lacking the creative gift of the original leader.

Translator’s Note on Terminology

In the German text, the word *Schema* is frequently used to refer to Marx’s construction of rather abstract equations or mathematical models to illustrate his conception of how economic reproduction and accumulation take place under capitalism. These are often referred to in English as Marx’s “schemas” or “reproduction schemas” or “accumulation schemas.” (In German, the plural of *Schema* is *Schemata*, both the singular and plural forms coming, of course, from ancient Greek, in which *skhema* meant “form,” “figure,” “plan,” or the like; derived from a Greek verb meaning “to hold”; thus in a sense, a *skhema* was something that “held” a certain shape.)

However, in addition to “schema” a longer phrase may also be used, such as “schematic presentation” or “schematic model.” For example, in the translation of Volume 2 of *Capital* by David Fernbach (New York: Penguin, 1978), the following heading appears on page 581: “Schematic Presentation of Accumulation.” Marx used the German words *Schematische Darstellung der Akkumulation*. That is the heading for Section 3 under “Chapter 21: Accumulation and Reproduction on an Expanded Scale.” And that is the fourth chapter under Part Three of Volume 2. Part Three bears the heading: “The Reproduction and Circulation of the Total Social Capital,” and it is Part Three of Volume 2 that Luxemburg focuses on primarily in her books *The Accumulation of Capital* and *Anti-Critique*.

In translating this material, one difficulty is that in ordinary English the word “schema” is not very commonly used; the more common English word “scheme” has strong connotations of something unsavory, such as a “conniving schemer” might cook up, although there is also a neutral connotation, as in the phrase “the grand scheme of things.” Fernbach is right to use “schema” in his translation of Volume 2 of Marx’s *Capital* (rather than, for example, “diagram,” as used by Agnes Schwarzschild in her 1951 translation of the *Accumulation of Capital*). On the other hand, the Tarbuck edition of *Anti-Critique* uses the term “model” for the German word *Schema*. Therefore I have sometimes used the phrase “schematic model” for the German *Schema*, or I have used the English word “model,” and sometimes followed it by [or “schema”].

George Shriver

Part I

What My Book Was About[*]

Habent sua fata libelli—books have destinies of their own. When I was writing my *Accumulation* I was disheartened from time to time by a particular thought: all supporters of Marx's doctrine who take an interest in theory would make the pronouncement that the points I was trying so exhaustively to demonstrate and substantiate were actually self-evident already. Nobody would voice a different opinion: my solution of the problem would be the only one possible or conceivable.

Things turned out quite differently: a whole series of critics in the Social Democratic press declared that my book was totally misguided in its very conception and that such a problem calling for a solution did not exist at all. I had become the pitiful victim of a pure misunderstanding.[†]

There were events connected with the publication of my book that must be called rather unusual. The "review" of *Accumulation* [by Gustav Eckstein], which appeared in *Vorwärts* on February 16, 1913,[‡] was striking in tone and content even to the less involved reader; and this was all the more astonishing because the criticized book is purely theoretical and strictly objective, nor was it aimed against any living Marxist. But that was not good enough.

Against those who had published a favorable review of my book a highhanded official campaign was initiated, and the central newspaper[*] pursued this campaign with particularly notable warmth.[†]

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[*] First published in 1921 by Frankes Verlag in Leipzig, the German original of the *Anti-Critique* was divided into two untitled parts, with the second part divided into five untitled subsections. The earlier English edition, translated by Rudolf Wichman and Kenneth J. Tarbuck (*The Accumulation of Capital—An Anti-Critique* [New York and London: Monthly Review Press, 1972]) divided the work into six sections, with the titles chosen by the editor. We have retained the two-part division of the German original while introducing several subsections to Part I, for which we have also supplied titles.

[†] For the critics of Luxemburg's *Accumlation of Capital*, see Anonymous, "Die Akkumulation des Kapitals" (The Accumulation of Capital), in *Dresdner Volkszeitung* (Dresden People's Paper), Nos. 16 and 17, January 21 and 22, 1913; Anton Pannekoek, "Rosa Luxemburg, *Die Akkumulation des Kapitals: Ein Beitrag zur ökonomischen Erklärung des Imperialismus*" (The Accumulation of Capital: A Contribution to the Economic Theory of Imperialism), in *Bremer Bürger-Zeitung* (Bremen Citizens' Paper), January 29 and 30, 1913; Anonymous, "Die Akkumulation des Kapitals" (The Accumulation of Capital), in *Frankfurter Volksstimme* (People's Voice of Frankfurt), February 1,

1913; Gustav Eckstein, "Rosa Luxemburg, *Die Akkumulation des Kapitals: Ein Beitrag zur ökonomischen Erklärung des Imperialismus*" (The Accumulation of Capital: A Contribution to the Economic Theory of Imperialism), in *Vorwärts*, No. 40, February 16, 1913; Otto Bauer, "Die Akkumulation des Kapitals," in *Die Neue Zeit*, Year 31, 1912–13, Vol. 1, pp. 831–8, 862–74; Max Schippel, "Das Grundgeheimnis des Imperialismus" (The Underlying Secret of Imperialism), in *Sozialistische Monatshefte* (Socialist Monthly Notebooks), Year 17, 1913, No. 1, pp. 147–52.

‡ For an English translation, see Gustav Eckstein, "*The Accumulation of Capital*: A Critique," in *Discovering Imperialism: Social Democracy to World War* I, translated, edited, and introduced by Richard B. Day and Daniel Gaido (Leiden, NL: Brill, 2011), pp. 695–712.

There was an unparalleled, and in its way rather comical, sequel: With regard to my purely theoretical work about a complicated issue involving abstract scientific analysis, the entire Editorial Board of a political daily paper came forward—although two members, at the most, might have read the book—and as an official body handed down a collective judgment against it. In the process they denied that men like Franz Mehring and S. Karski [Julian Marchlewski] possessed any expertise on questions of political economy. Only those who had torn my book apart were to be designated as "experts."‡

Such a fate has befallen no other party publication as far as I know, and over the decades Social Democratic publishers have certainly not produced all gold and pearls. All these events clearly indicate that, in one way or another, there have been passions at work other than those of "pure science." The fact is that in order to judge this series of events correctly, one must first become acquainted with the subject, at least in its main outlines.

This book, which has been fought against so fiercely—what is it actually about? To the reading public some external accessories like frequently used mathematical formulas seem to be a great deterrent. In the criticism of my book these formulas are especially the focus. Some of the esteemed critics have undertaken to teach me a lesson by constructing new and even more complicated formulas. The mere sight of them brings quiet horror to the ordinary mortal. We shall see that my critics' preference for these formulas is not a matter of chance, but is linked very closely to their points of view on the subject. Yet the problem of accumulation is itself purely economic and social; it does not have anything to do with mathematical formulas, and one can demonstrate and comprehend the problem without them. If Marx, in [the last] part of Volume 2 of *Capital* about the reproduction of total social capital, constructed some mathematical schemas,§ as had been done a hundred years before him by

[François] Quesnay, leading figure among the Physiocrats and founder of economics as an exact science, this served, for both of them, merely as a way of facilitating understanding and clarifying their presentations.¶ These schemas also assisted Marx, as they had Quesnay, in highlighting the fact that economic processes in capitalist society follow law-governed regularities more or less like the physical processes in nature, despite the chaotic turmoil on the surface and the apparently dominant role of individual caprice.

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* Luxemburg is referring to *Vorwärts*, the main publication of the German Social-Democratic Party (SPD).

† Franz Mehring submitted a positive review of Luxemburg's *Accumulation* to the Press Bureau of the SPD, and the review was reprinted by twenty-five Social Democratic newspapers. Thereupon, the SPD Executive (*Vorstand*) and the Editorial Board of the party's main newspaper *Vorwärts* censured Mehring for supposedly "taking improper advantage" of the Press Bureau. See *Vorwärts*, No. 36, February 12, 1913, No. 38, February 14, 1913, and No. 40, February 16, 1913.

‡ See Gustav Eckstein, "Überflüssige Aufregung" (Unnecessary Disturbance and Upset), in *Vorwärts*, No. 46, February 23, 1913.

§ This is often referred to as Marx's "reproduction schemas."

¶ See *Capital*, Vol. 2 (New York: Penguin Books, 1978), translated by David Fernbach, Part III, "The Reproduction and Circulation of Total Social Capital," pp. 427–600. See especially Chapter 21, Section 3, "Schematic Presentation of Accumulation," pp. 581–97.

Well now, my explanations and commentaries about accumulation are partly based on Marx's presentation but at the same time disagree with, and are critical of, that presentation—especially because he did not go any further into the question of accumulation than to devise a few schemas and suggest an analysis. This is where my critique begins, and so I must naturally refer to schemas. I could not arbitrarily skip over them, especially when I wanted to show what was inadequate in his line of argument.

Let us now try to grasp the problem in its simplest form:

The capitalist mode of production is governed by the profit motive. Production only makes sense to the capitalist if it fills his pockets with "net revenue," i.e., with profit that remains after all his investments. But the basic law of capitalist production is not only profit in the sense of shiny pieces of gold, but constantly growing profit. This is where it differs from any other economic system based on exploitation. For this purpose the capitalist—again in contrast to other types of exploiters in history—uses the fruits of exploitation not exclusively, and not even primarily, for personal luxury, but more and more to increase exploitation itself. The largest part of the profit gained is put back into capital and used to expand production. The capital thus mounts up, or to use Marx's term, "accumulates." As the precondition, as well as the consequence, of accumulation, capitalist production expands more and more, widens progressively.

For this to take place, the will of the [individual] capitalists, however well-meaning, is not enough. The process is tied to objective social conditions, which can be summed up as follows.

First of all, to make exploitation possible, labor-power must be present and available in sufficient quantity. Capital sees to it that this is the case—after the capitalist mode of production has come into existence historically and has been more or less consolidated—and it does this through its own mechanism of production. It does this (1) by making possible the fact that employed workers, with the wages they receive, can maintain themselves in some fashion (whether poorly or well), so that they will be available for future exploitation, and will increase their number through natural propagation—but making possible only this much; and (2) by creating a permanently available reserve army of the industrial working class through the continual proletarianization of the middle strata, and by confronting workers with the competition of machinery in large-scale industry.

After these conditions are fulfilled, i.e. the proletariat is securely available for exploitation and the mechanisms for exploitation are governed by the wage system, a new basic condition of capital accumulation emerges—the necessity of selling the commodities produced by the workers in order to recover, in money form, the capitalist's original outlays as well as the surplus value extracted from the labor force. "The first condition of accumulation is that the capitalist must have contrived to sell his commodities, and to reconvert into capital the greater part of the money received from their sale."*

Steadily increasing possibilities for selling the commodities [produced under capitalism] are indispensable in order to maintain accumulation as a continuous process. Capital itself (as we have seen) creates the basic condition for exploitation. Volume 1 of Marx's *Capital* analyzed and described this process in detail. But what about the possibilities for realizing the fruits of this exploitation? What about markets? What do they depend on? Can capital itself, or its production mechanisms, expand markets according to need, in the same way that capital adjusts the number of workers according to its own requirements? Not at all. Here capital depends on social conditions. Capitalist production has this in common with all other historical forms of production, in spite of fundamental differences between them. Objectively it has to meet the material needs of society, although subjectively only the profit motive matters. The subjective goal [of profit-making] can only be attained as long as capital fulfills its objective task. The goods can be sold and the incoming profit turned into money only if those goods satisfy the requirements of society. So the continuous expansion of capitalist production, i.e. the continuous accumulation of capital, is linked to the equally continuous growth of social needs.

But what is social need? Can it be defined in some more exact fashion? Is it measurable in any way? Or must we make do here solely with this vague concept?

If one views the situation as it presents itself at first sight on the surface of economic life in everyday practice—that is, from the standpoint of the individual capitalist—it is in fact incomprehensible. A capitalist produces and sells machines. His customers are other capitalists, who buy his machines from him in order to, once again, use them to produce other commodities on a capitalist basis. The more the latter expand their production, the more the former can find a sales outlet for his commodities. Thus he can accumulate all the more quickly, the more successful the others are at accumulating in their branches of production. Here the "social need" to which our capitalist is tied would be the [market] demand from other capitalists, and the precondition for his own expansion of production would be the expansion of theirs.

Another capitalist produces and sell means of subsistence for the workers. The greater the number of workers who are employed by other capitalists (and by himself as well), in other words, the more the other capitalists produce and accumulate, the more the first capitalist can sell and the more he can therefore accumulate. But for "the others" to expand their businesses—what does that depend on? Apparently it depends, once again, on whether one group of capitalists, for example, the producers of machines or of means of subsistence, can sell their commodities at an increasing rate* to still others. Thus on closer inspection, the "social need" on which capital accumulation depends seems to be capital accumulation itself. The more capital accumulates, the more it accumulates. Closer observation seems to lead to this hollow and inane tautology, or rather, to this dizzying vicious cycle. Here it is impossible to make out where the beginning is supposed to be, the impulse that initiates the whole process. Evidently we are going around in circles and the problem is slipping through our fingers. And in fact that is what is happening, but only as long as we try to investigate the matter from the superficial standpoint of the market, i.e. from the point of view of the individual capitalist, the platform that the vulgar economists love to stand on.[1]

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* Karl Marx, *Capital*, Vol. 1, translated by Ben Fowkes (New York: Penguin, 1976), p. 709.

But the matter immediately takes on form and distinct outline if we look at capitalist production as a whole, from the standpoint of total social capital, that is, from the standpoint that is ultimately the decisive and correct one. This is precisely the standpoint that Marx developed systematically, and for the first time, in Volume 2 of *Capital*. This approach, however, lay at the basis of his entire theory. The autonomous and "private" existence of individual capital is in fact merely the outer form, the surface of economic life, which the vulgar economists regard as the essence of things and the only true source of knowledge. Beneath this surface, and through all the contradictions of competition, the fact remains that on a society-wide level all the individual amounts of capital constitute a whole; their existence and form of motion are governed by social laws that operate in common, and only because of the unplanned, anarchic nature of the present system, [these laws operate] "behind the backs" of the individual capitalists, counter to their consciousness, and assert themselves in a roundabout way, after the fact, and purely through a series of deviations.

If we view capitalist production as a whole, then "social need" quickly becomes a tangible quantity as well, one that can be analyzed concretely.[†]

Let us imagine that all the commodities produced in capitalist society each year were stacked together in a huge pile at one location, as a quantity held in common, so that a use could be found for each of them. We would then find, right away, that this mishmash of commodities could be logically broken down, or subdivided, into several large categories of different kinds and designations. In every society, and at all times, in one way or another [the given system of] production has had to perform two functions.

* *In steigendem Masse*—that is, in growing quantities.
† That is, subdivided into its specific component parts.

First—in some fashion, whether well or poorly—it has to feed society, clothe it, and otherwise provide the material objects to meet its cultural needs; in other words, to sum it all up, it has to produce the *means of subsistence*, in the broadest sense of the term, for all the different strata [*Schichten*] and age groups of the population.

Second, every mode of production, in order to make possible the continued existence of society, and with it the continuation of social labor, has always had to provide replacement of used-up *means of production*: for example, raw materials, tools, buildings where work is done, etc.

Unless both of these needs were met,* the most elementary needs of any human society, no cultural development or progress would have been possible. The capitalist mode of production must also take these elementary requirements fully into account, despite all its anarchic functioning and regardless of any profit motive.

Accordingly, in the capitalist stockpile that we are imagining, we will above all find the large portion of commodities that represent replacement of the means of production used up in the previous production cycle. These consist of new raw materials, machines, buildings or structures where work is done, etc., (what Marx referred to as “constant capital”), that the various capitalists produce in their respective lines of business and that they must all exchange with one another so that production in all sectors can be continued or resumed on the previous scale. Since these are all capitalist businesses (according to the assumption we have made so far), they themselves provide all the needed means of production for the labor process of society. Thus the corresponding exchange of commodities on the market is nothing but an in-house, “domestic affair,” so to speak, of the capitalists in relation to one another. The money that is required for the all-around mediation of these commodity exchanges comes of course from the pockets of the capitalist class itself—since each entrepreneur certainly must have at his disposal in advance the money capital necessary for his business—and likewise as a matter of course the money returns, after all the market exchanges are completed, to the pockets of the capitalist class.

Here we are considering only the renewal of means of production on the same scale as previously, and therefore year in and year out the same amount of money is sufficient for the periodic mediation and all-sided provision of means of production to all the capitalists, and thus it returns over and over again to their pockets for a brief rest.

The second large portion of the mass of capitalist commodities, as in every society, goes to current consumption, to providing means of subsistence for the population. But what are the components of the population in capitalist society? And how does each obtain its means of subsistence? Two basic forms characterize the capitalist mode of production. First, universal commodity exchange—and in this case that means that no one in the population gets even a tiny portion of the means of subsistence without the means of purchase, that is, money. Second, the capitalist wage system, i.e. a relationship in which the great mass of working people must make an exchange with the capitalists, trading their labor-power for the means of purchasing commodities [mainly needed for subsistence], and in this relationship the possessing class, in turn, obtains means of subsistence for itself only by exploiting the relationship. Thus the capitalist mode of production gives rise, out of itself, to two large classes of the population—capitalists and workers—who find themselves in radically opposed conditions with regard to how they are provided with the means of subsistence.

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* That is, *means of subsistence* and renewed *means of production*.

Although the fate of the workers is in itself a matter of indifference to the individual capitalist, they must at least be fed, so that their labor-power is usable for capitalist purposes, and so that they remain available for further exploitation. Out of the total quantity of commodities produced by the workers, they are yearly granted a portion of the means of subsistence by the capitalist class precisely to the extent that they are employable in production. For the purchase of these commodities the workers get wages, in money form, from the employers. Thus the working class receives yearly, by way of an exchange, in return for its labor-power, a certain sum of money from the capitalist class, and it in turn exchanges that money for a portion of the means of subsistence out of the society's total mass of commodities, which is the property of the capitalists; this portion being allotted to the working class in accordance with the general cultural level and the state of the class struggle. The money that mediates this second large-scale exchange within society again comes out of the pockets of the capitalist class. Each capitalist must advance such money, what Marx referred to as "variable capital," to keep his business going. This is the capital in money form that is necessary for the purchase of labor-power. But this money returns, down to the last penny, into the pockets of the capitalists as a class after the all-around purchase of means of subsistence, and every worker must make such purchases to maintain himself and his family. It is, after all, the capitalist entrepreneurs who sell the means of subsistence as commodities to the workers.

Now let us turn to the question of the consumption process of the capitalist class itself. The means of subsistence of the capitalist class already belong to it [as a part of the total social mass of commodities preceding any exchange]. This is because, under capitalist relations, *all* commodities in general—with the sole exception of one commodity, labor-power—come into the world as the property of capital. Of course those means of subsistence that are of "better quality"—since they, too, are commodities—also come into the world as the property of varied and diverse private capitalists. Thus here, too, there must take place an all-sided process of exchange from hand to hand before the capitalist class as a whole can enjoy the means of consumption that actually belong to it already—just as in the case of the constant capital. This general social exchange must be mediated by money, and the required amount of money must at all events be provided for this operation and must be placed in circulation by the capitalists themselves. Once again, as with the renewal of means of production, we are talking about an "in-house, domestic affair" within and among the employers as a class. And again, after the exchanges are completed, the total sum of money returns over and over again to where it came from, the pockets of the class of capitalists as a whole.

Each year the necessary portion of the means of subsistence, including the necessary luxury items for the capitalists, must be produced—and this is seen to by the *same mechanism of capitalist exploitation* that governs and regulates the wage relationship in general. If the workers were to produce only as many means of subsistence as were required for their own maintenance, then their employment would be meaningless from the point of view of capital. It begins to make sense only if the workers go beyond providing for their own subsistence, which corresponds to their wages, and provide also for the maintenance of their employers—that is, when they produce what Marx called surplus value for the capitalists. And this surplus value must, among other things, serve to assure for the capitalist class, as with every exploiting class in earlier periods of history, the necessary means of maintaining their existence and their enjoyment of luxuries. For the capitalists there remains only the special difficulty, or special effort, of going through the process of the all-sided mutual exchange of the relevant commodities and making ready the monetary means that has heretofore been necessary to continue the difficult, thorny, and deprivation-filled existence of the capitalist class, as well as providing for its continued natural propagation.

With that, the two large portions in our collective social stockpile of commodities would be accounted for: the renewed means of production for continuing the labor process of society and the means of subsistence for maintaining the population, i.e., the working class on the one hand and the capitalist class on the other.

It should be noted well: people could easily get the impression that what we have sketched out so far is pure fantasy. Where is a capitalist to be found nowadays who is concerned in general about what and how much is needed to replace the used-up total social capital or about providing means of subsistence for the working class and the capitalist class as a whole? After all, each businessman produces blindly with the hope of beating his competitors, and each one sees only what's right in front of his nose. In all the confusion of competition and the anarchy of capitalist production, ultimately there are certain invisible rules at work that assert themselves continually. Otherwise capitalist society would have long since fallen to pieces. And the whole point of economics as a science, and in particular the purpose of Marx's teachings on economics, is to reveal these hidden laws, which bring order and consistency to society as a whole amid the hurly-burly [*Wirrwarr*] of private business operations.

These objective, unseen rules governing capitalist accumulation, the piling up of capital through the constant expansion of production—are what we must now investigate. The laws that we are considering here are not of great weight to the individual capitalist operating a business in the standard way. The fact is that no overall, general organ or public body of society exists that consciously promulgates these rules and sets them into operation. But from these facts it merely follows that modern production, like a sleepwalker, simply carries out its actions [unconsciously], now doing too much, now doing too little, resulting in extremes of overproduction or underproduction, going through price fluctuations, and suffering economic crises every ten years. But it is precisely these price fluctuations and crises that ultimately have meaning for the society as a whole, in that they repeatedly, hourly, over and over again, yank private production back onto the track of overall, large-scale connectedness and coherence, without which things would necessarily, and very quickly, come unglued. Thus, if we seek here, together with Marx, to make a sketch in broad outline of the basic relations between the total production of capitalism, on the one hand, and the needs of society on the other, we will perceive behind the specific *methods* of capitalism—price fluctuations and economic crises—the means by which it sets these basic relations in motion, and in this way we get to the bottom of the problem.

We have dealt thoroughly with the above two large portions of society's mass stockpile of commodities, but now the fact is that we cannot just leave it at that. If the exploitation of working people served only to permit a luxurious life for the exploiters, then we would have a kind of modernized version of slave society or a kind of new reign of medieval feudalism, but not the domination of capital as it exists in the modern era. The life purpose and calling of capital is this: profit in money form, and the piling up of money capital. Thus [this form of] production begins to make real sense historically only when exploitation goes beyond this restriction [*Schranke*].

There must be sufficient surplus value not only to allow the existence of the capitalist class in a style "befitting to its rank" but also, beyond that, to allow the capitalists to reserve a certain part of surplus value for accumulation. In fact, this actually overriding purpose carries so much weight that the workers find employment—and are thereby placed in a position to procure means of subsistence for themselves—to the extent that they generate a definite amount of profit and only when there is the prospect that the accumulation of this profit in money form can really happen.

In our imagined stockpile of all of society's goods we must accordingly identify a third portion that is designated neither for the renewal of used-up means of production nor for the maintenance of workers and capitalists, since we have already accounted for all that.* This portion of the [stockpile of] commodities will be the one that embodies that priceless part of the surplus value that has been extorted from the workers and that represents the actual life purpose of capital, the part of profit that is designated for "capitalization," that is, for accumulation.

What kind of commodities are these, and who in society has a need for them? That is, who will buy them from the capitalists and thus help the latter finally turn this most important part of surplus value into shiny pieces of gold?

Here we have arrived at the heart of the accumulation problem, and we must test out all attempts at a possible solution.

Could it perhaps be the workers who purchase this last portion of the commodities in society's large stockpile? But the workers definitely do not possess any means of purchase other than the wages handed over to them by the employers, and in proportion to their wages they can take only that part that has been specifically allocated for them out of the total social product. Beyond that they cannot pay a single penny as customers for capitalist commodities, no matter how many more unsatisfied needs of life they might have. The aims and interests of the capitalist class also tend in this direction—that the portion of the total social product consumed by the workers and the means of purchase for that purpose should be as limited as possible rather than as generous as possible. This is because from the standpoint of the capitalists as a class in its entirety—and it is very important to keep this standpoint firmly in mind, as opposed to the confused imaginings of the individual capitalist—the workers are not buyers of their commodities, not "regular customers" like other people, but only labor-power, the maintenance of which is merely a sad necessity, and must be provided for our of their own product; accordingly, this share of the social product is reduced at any given time to the lowest socially acceptable amount.

Could the capitalists themselves be the customers for that last portion of society's mass stockpile of commodities by expanding the scale of their own private consumption? Perhaps this might be possible, although even without this the luxury of the ruling class is amply provided for, with allowance made for every kind of foolishness. But if the capitalists took the total amount of surplus value squeezed out of the workers, and squandered it completely on themselves, there would be nothing left over for accumulation. We would then have something totally fantastic from the capitalist point of view—a reversion to a modern form of slave economy or feudalism.

Now the exact opposite of that is quite conceivable, and on occasion has been diligently put into practice. We were able to witness capitalist accumulation combined with such forms of exploitation as slavery and serfdom up until the 1860s, in the United States, and we still see it in Romania and various overseas colonies. But the opposite case—to have the modern form of exploitation, that is, the "free" wage labor relationship, subordinated to outdated ways of squandering surplus value, as in ancient or feudal society, accompanied by the neglect of accumulation, a mortal sin against the Holy Spirit of capital—that would be simply unthinkable. Here again, it should be noted that the distinction between the standpoint of total social capital and that of the individual entrepreneur makes itself strikingly evident.

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* This is the basis of Luxemburg's argument that as against Marx's division of the social product into *two* departments (Department I, means of production, and Department II, means of consumption) a *third* department—means of circulation—is central to any understanding of the *actual* process of capitalist accumulation.

For the latter [i.e. for the individual capitalist] luxury consumption by the "great lords" seems, for example, to be a much-desired expansion of the market and thus a first-rate opportunity for accumulation. But for all the capitalists, taken together as a class, the squandering of the total surplus value on luxury items would be sheer madness, and economic suicide, because its exact meaning would be to annihilate accumulation at its very roots.

Who then can be the customer, the consumer, for society's commodity production, given that these commodities must be sold in order to make accumulation possible? This much is clear: it can be neither the workers nor the capitalists by themselves alone.

But are there not all sorts of other strata in society, such as government officials, military personnel, clergy, academics, and artists, who cannot be numbered among either the workers or the employers? Don't all these categories of the population have consumer needs that must be met? And couldn't they step in and serve as the much sought-after buyers of the excess commodities? Once again: from the standpoint of the individual capitalist, this could certainly be so! But it is not so if we view matters from the standpoint of all the employers as a class, if we look at total social capital.

In capitalist society all the above-mentioned social strata and professions, economically speaking, consist merely of hangers-on of the capitalist class. If we ask where they get the means for making purchases, it turns out that these means are obtained partly out of the pockets of the capitalist class and partly (by way of the indirect tax system) out of the workers' wages. These strata cannot therefore be counted economically, from the standpoint of total social capital, as a separate group of consumers, since they have no independent source of purchasing power but function as parasites on the two major classes, capitalists and workers. In matters of consumption they have already been counted with those other [major groups].

Thus, for the time being, we see no customers and no possibility of delivering the last portion of commodities to those whose purchasing power is supposed to finally bring about the accumulation of capital.

In the end, the way out of the difficulty is quite simple. Perhaps we have been behaving like the rider who keeps looking around in perplexity for the nag he's already sitting on.

Perhaps the capitalists themselves can function mutually, among themselves, as the purchasers of the remaining goods—not in order to "waste them in riotous living" [*verprassen*] but to use them precisely for the expansion of production, for accumulation? For what is accumulation other than the expansion of capitalist production? In order to be suitable for this purpose, it is necessary only that these commodities consist, not of luxury items for the private consumption of the capitalists, but of all types of means of production (new constant capital) and of means of subsistence for new workers.

All right then. But this solution only postpones the difficulty from this moment to the next. Because after we make the assumption that accumulation is under way and that [therefore] the expanded production next year will bring onto the market an even larger quantity of commodities than this year, the question again arises: Where will we then find customers for this mass of commodities that has grown much larger? In the following year the capitalists would again exchange this larger mass of commodities among themselves, and the results would all be applied to expand production yet again—and so on, year after year.

If someone were to answer along those lines, we would end up with a carousel circling around by itself in empty space. In that case it would not be capitalist accumulation, i.e., the piling up of money capital, but the opposite: the production of commodities for the sake of commodity production.* From the standpoint of the capitalists that would make no sense whatsoever. If the capitalists as a class are always the only buyers of this total social stockpile, or mass of commodities—aside from the part that they must from time to time hand over to the working class, the portion necessary for its subsistence, to keep it alive—if they are forever buying their own commodities from each other with their own money, in order thus to "turn into gold" the surplus value contained in those commodities, it would be impossible on the whole for accumulation to take place for the capitalists as a class.

If accumulation is to take place, customers of a completely different kind must be found to purchase that portion of the stockpile of commodities in which the profit designated for accumulation is embodied. They must be customers who derive their means of purchase from their own independent sources. [They cannot] obtain them from the pockets of the capitalists, as the workers do, along with the collaborators of capital: government bodies, the military, religious officialdom, the liberal professions, etc. There must be customers of a kind who acquire their means of purchase on the basis of commodity exchange, and thus on the basis of commodity production that takes place outside of and apart from capitalist production. And so there must be producers whose means of production cannot be regarded as capital and who do not themselves belong to the two categories—capitalists and wageworkers—but who nevertheless have a need, in one way or another, for capitalist commodities.

* Compare this to Marx's comment in *Capital*, Vol. 1, p. 742: "Accumulation for the sake of accumulation, production for the sake of production: this was the formula in which classical economists expressed the historical mission of the bourgeoisie in the period of its domination."

But where are such customers to be found? Other than [the workers and] the capitalists with their baggage train of parasites, there are no other classes in present-day society!

Here we have come to the knotty core of the problem. In Volume 2 of *Capital* as well as in Volume 1, Marx assumes as the premise for his investigation that capitalist production is the sole and exclusive form of production.

In Volume 1 he says the following:

> Here we take no account of the export trade, by means of which a nation can change articles of luxury either into means of production or means of subsistence, and vice versa. In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world of trade as one nation, and assume that capitalist production is established everywhere and has taken possession of every branch of industry.*

And in Volume 2: "Outside of this class [the capitalists—*R. L.*], on the basis of our assumption—that of the universal and exclusive domination of capitalist production—there is no other class at all except the working class."† Obviously, under the terms of these preconditions, there exist in society only the capitalists with their hangers-on and the wage-earning proletarians; other social strata, other commodity producers and consumers, are not to be found. However, in that case, capitalist accumulation, as I have tried to show in my exposition, is confronted by that same insoluble problem that we have finally arrived at.

One may twist and turn as much as one likes, but as long as we stick with this assumption, that there are no strata in society other than capitalists and wageworkers, it is impossible for the capitalist class as a whole to rid itself of its excess commodities in order to convert surplus value into money and thus be able to accumulate capital.

But Marx's assumption is only a theoretical premise whose purpose is to facilitate and simplify the inquiry. In reality, as everyone knows, and as Marx himself occasionally points out with strong emphasis in *Capital*, capitalist production is by no means the one and only, exclusively dominant form of production.

In reality there are, in all capitalist countries, including those with the most highly developed large-scale industry, numerous additional economic activities by handicraftsmen and peasants engaged in simple commodity production. ‡ In reality there also exist, along with the older capitalist countries, other countries, including in Europe itself, where handicraft and peasant production are strongly predominant to this very day, as in Russia, the Balkans, Scandinavia, and Spain. And finally, alongside capitalist Europe and North America, there are huge continents in which capitalist production has put down roots only at a few scattered points, while elsewhere the populations of those continents exhibit all possible forms of economic activity from the primitive communal form to feudalism, handicraft production, and peasant [subsistence] economy. All these forms of society and production do not and have not simply existed side-by-side in peaceful, physical proximity with capitalism, but rather there developed, from the very beginning of the capitalist era, an active metabolic interchange of materials [*Stoffwechsel*] of its own special kind between them and European capitalism.

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* *Capital*, Vol. 2, p. 727, footnote 2.

† Ibid., p. 422.

‡ Marx's term "simple commodity production" refers to production on a relatively small scale and at a level in commerce and agriculture that is much simpler than that of the mass production characteristic of highly mechanized modern industry.

Capitalist production, as genuine mass production, is dependent on buyers from peasant and handicraft spheres of production in the old countries as well as on consumers from all other countries, and at the same time, in technical terms, it absolutely cannot get along without the products of those other countries and social strata (no matter whether the products be means of subsistence or means of production). Thus, from the very beginning, an exchange relationship necessarily had to develop between capitalist production and its noncapitalist milieu, and in this relationship capital found it possible to realize its own surplus value in shiny pieces of gold for the purpose of further capitalization as well as to provide itself with all sorts of commodities necessary for the expansion of its own production, and in addition, to obtain ever-new recruits to the proletarianized workforce.

This, however, is only the bare economic content of the relationship. Its concrete configuration, the specific form it took in reality, constitutes the historical process of capitalism's development on the world arena in all its multicolored variety and turbulence.

Because, from the start, the process of exchange between capitalism and its noncapitalist surroundings ran up against the difficulties of the natural economy, the fixed and fast-frozen social relations and resticted needs of patriarchal peasant economy and simple handicraft production. Here capital resorts to "heroic measures," wielding the axe of political force and violence. In Europe itself capitalism's first grand gesture is the revolutionary overthrow of feudalism's natural economy. In lands across the seas its first action is the subjugation and ruination of the traditional communal system, the world-historical act marking capitalism's birth, and that has been an accompanying feature of the accumulation of capital ever since. By bringing ruin to the primitive subsistence economy and peasant-patriarchal relations in those other lands, European capitalism opens the door for commodity exchange and commodity production, transforms the local inhabitants into customers for capitalist goods, and at the same time powerfully accelerates its own rate of accumulation by the direct and massive plundering of the natural treasures and stored-up riches of the subjugated populations. Since the beginning of the nineteenth century, going hand in hand with the methods described above, there has occurred the export of accumulated capital from Europe to noncapitalist lands in other parts of the world. And there European capital finds, on a new field, on the fragmented ruins of the indigenous forms of production, a new circle of customers for its commodities and, along with that, more extensive possibilities for accumulation.

Thus capitalism expands more and more, thanks to its exchange operations with noncapitalist countries and social strata, and in the process it accumulates at their expense. However, at the same time, step by step, it strips them bare and subjects them to oppression, so as to ultimately replace them with itself. But the more capitalist countries there are that take part in this chase after other regions as sources of accumulation, the fewer remaining noncapitalist regions there are, the fewer areas still open to the worldwide expansion of capital, and thus the more embittered becomes the competitive battle between different groups of capital for these regions as sources of accumulation, and thus the battle campaigns or other expeditions on the world arena become more and more transformed into a chain of economic and political catastrophes: worldwide economic crises, wars, and revolutions.

Through this process, however, capitalism paves the way for its own downfall in a twofold manner. On the one hand, through its expansion at the expense of all noncapitalist forms of production it continues its heedless drive toward that moment when all of humanity will in fact consist solely of capitalists and wage-workers, and therefore any further expansion, and with it accumulation, will no longer be possible. At the same time, it sharpens class contradictions to the same extent that this historical trend asserts itself, and it intensifies international economic and political anarchy so severely that long before the final consequence of economic development is reached—that is, the absolute, unqualified domination of capitalist production throughout the world—it is bound to cause the rebellion of the international proletariat against the continued existence of capitalism.

This, stated as briefly as possible, is the problem and its solution, as I see it. At first glance it may seem to be purely theoretical hairsplitting. Yet the practical significance of the problem is obvious. And this is connected with the foremost issue in public life today—imperialism. The typical external features of the imperialist era are these: the competitive battle of the capitalist states for colonies and spheres of influence, the strife over investment opportunities for European capital, the international loan system, militarism, high protective tariffs, and the dominant role of banking capital and industrial cartels in world politics. These phenomena are universally familiar and well known nowadays. Their linkage with the most recent phase of capitalist development, and their significance for the accumulation of capital, have been laid bare so openly today that they are clearly acknowledged and recognized both by supporters of imperialism and by its opponents. However, Social Democracy cannot be satisfied merely with this empirical knowledge. It must also make a thorough and accurate investigation into the economic laws underlying imperialism, to expose the real roots of this extensive and highly variegated complex of phenomena. Because the fact is that, as always in such cases, only an exact theoretical understanding of the problem at its roots can also lend to our practical work in the fight against imperialism the necessary sureness and clarity of purpose, and the striking power that is indispensable for proletarian politics.

Before the appearance of Marx's *Capital* the realities of exploitation, surplus labor, and profit were well known. But the exact theory of surplus value and its formation, the law of wages and of the industrial reserve army as Marx constructed it on the foundation of his law of value, for the first time gave an ironclad theoretical basis for the practical work of the class struggle, on which the German workers' movement developed, and in its footsteps the international workers' movement, up until the World War.

The fact that theory by itself doesn't do the trick, that people can occasionally combine the best theory with the shabbiest, most worthless practice—that is flagrantly demonstrated by the present-day collapse of German Social Democracy. But this collapse came about not as a result of, but in spite of, Marx's theoretical discoveries, and the collapse can be overcome only when the practice of the workers' movement is brought into harmony with his theory. And as [this is true] on the whole and in general, so, too, in every important partial area of the class struggle we can establish a completely firm grounding for our position only on the basis of Marxian theory, from the many unretrieved treasures in Marx's fundamental works.

There can be no doubt that the explanation of the economic root of imperialism must especially be derived from and brought into harmony with [a correct understanding of] the laws of capital accumulation, for imperialism on the whole and according to universal empirical observation is nothing other than a specific method of accumulation. But how is this possible as long as people hold firmly to an uncritical view of Marx's assumption in Volume 2 of *Capital*, an assumption tailored exclusively to a society in which capitalist production is the only form of production and in which the population consists solely of capitalists and wageworkers?

However one might try to define in greater detail what the innermost economic driving forces of imperialism are, this much at least is clear, and is universally recognized: The essence of imperialism consists precisely in the expansion of capital from the old capitalist countries into new regions and the competitive economic and political struggle among those for these new areas. But in volumes 1 and 2 of *Capital*, Marx makes the assumption, as we have seen, that the whole world is already "one capitalist nation" and that all other forms of economy and society have already disappeared. How can one now investigate the phenomena of imperialism in such a society, where no room at all is available for it?

This is where, in my opinion, criticism had to begin. The theoretical assumption of a society consisting solely of capitalists and workers was fully justified in and of itself for specific purposes of inquiry—as in Volume 1 of *Capital*, for the analysis of individual capitalist operations. But this assumption seemed inappropriate and disruptive to me when the subject under discussion was the accumulation of total social capital. Since this would presumably portray the actual historical process of capitalist development,* it would be impossible, as I saw it, for anyone to comprehend the process if we were to abstract from all the particular conditions of that historical reality. From the first day and right up to the present, capital accumulation as a historical process has operated in the midst of a milieu of various precapitalist formations, in constant political conflict with them but also in unceasing economic interaction with them. How then can one correctly conceive of this process and its inner laws of motion by using a bloodless theoretical fiction that declares this entire milieu, and the conflicts and interactions with it, to be nonexistent?

Precisely here, it seemed to me necessary, entirely in the spirit of Marx's theory, to give up from now on the premise adopted in Volume 1 of *Capital*, which had performed excellent service in that context. Instead we should place the investigation of accumulation as a total process upon the concrete foundation of the metabolic interaction [*Stoffwechsel*] between capital and its historical environment. If one does this, then the explanation of the process [of accumulation] presents itself, in my opinion, immediately and effortlessly on the basis of Marx's fundamental teachings and in full harmony with the other parts of his main economic writings.

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* Luxemburg's statement that Marx's discussion of the total social capital in Volume 2 delineates the "actual" process of accumulation has often been criticized on the grounds that Volume 2 operates on a higher level of abstraction than she appreciated. Marx writes in Volume 2 of *Capital* (p. 109), "In order to grasp these forms in their pure state, we must first of all abstract from all aspects that have nothing to do with the change and constitution of the forms as such." See especially Riccardo Bellofiore, "Rosa Luxemburg on Capitalist Dynamics, Distribution, and Effective Demand Crises," in *Rosa Luxemburg and the Critique of Political Economy* (London and New York: Routledge, 2009), p. 3: "She believed that the inquiry about total capital must be immediately developed at a concrete level of investigation. In contrast, Marx believed that inquiries into both

individual and total capital have to be developed, starting from these determinations common to capital as such."

Marx himself only posed the question of the accumulation of total social capital, but didn't provide the answer. It is true that, to begin with, he referred to a purely capitalist society as a premise adopted provisionally for the purposes of his analysis, but not only did he not carry the analysis based on this premise through to completion; he also had to break off precisely at the point where this fundamental problem came to a head. He presented some mathematical schemas* as a contribution toward illustrating his conception, but had barely begun to clarify their meaning in terms of the possibility of their practical social application and of their being tested from this standpoint when the pen fell from his hand;† The was forced to stop writing because of illness, and then death.‡ The solution of this problem, as with many others, was obviously left for his disciples to work on, and my *Accumulation* was intended as a step in this direction.

One might have regarded the solution I submitted as correct or wrong, criticized it, challenged it, added to it, or pointed to a different solution. None of this happened. There ensued something entirely unexpected: The "experts" declared that there was no problem at all that required a solution! Marx's presentations in Volume 2 of *Capital* were [alleged to be] an exhaustive and creative explanation of accumulation, and the schemas in that volume had supposedly demonstrated clearly and concisely that capital could keep growing magnificently, and its production could keep expanding even if no other form of production existed in the world. It [capital itself] was the market for its own goods, and only my total inability to grasp the ABC of Marx's "reproduction schemas" could lead me to imagine that there was a problem here!

WHAT THE CRITICS SAID§

One may reflect on the following:

It is certainly true that controversies in the field of political economy have continued for more than a hundred years, about the problem of accumulation, and the possibility of realizing surplus value. In the 1820s [there were] Sismondi's disagreements with Say, Ricardo, and McCulloch. In the 1850s, [there were] disputes between Rodbertus and von Kirchmann; and in the 1880s and 1890s, between the Russian Marxists and the Populists

(Narodniks). These economic questions were "ventilated" over and over again by the most prominent theoreticians of political economy in France, England, Germany, and Russia, and to be sure, this happened both before and after the appearance of Marx's *Capital*. The problem would not leave the researchers in peace in any country where an active intellectual life pulsated in the field of political economy under the prodding of sharp social criticism.

It is certainly true that Volume 2 of *Capital* is by no means the fully fleshed-out work that Volume 1 is, but only a skeleton, a loose assemblage of more or less finished fragments and rough drafts such as a researcher would note down for his own self-clarification. However, Marx's elaboration and completion of these drafts was impeded and interrupted over and over again by illness.[*] In particular, the question of the accumulation of total social capital, which we are dealing with here, came off worst in the last chapter of Marx's unfinished manuscript:[†] It comprises only a scant 35 pages in a 450-page volume, and breaks off in mid-sentence.

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[*] That is, the so-called reproduction schemas.

[†] The concluding portion of Part III of Volume 2 of *Capital* was one of the last parts of *Capital* drafted by Marx, between 1878 and 1881. Frederick Engels noted in his Preface to Volume 2, "…but the third part, on the reproduction and circulation of [total] social capital, seemed to him [to Marx] strongly in need of further revision …[One manuscript] was to be jettisoned, and the whole [third] part completely revised so as to correspond to the author's expanded horizon" (p. 86). However, much of the conceptual basis of Marx's theory of expanded reproduction was developed much earlier, in the 1861–63 manuscript of Volume 1 of *Capital*. Part of this manuscript was published after Marx's death as a separate work, *Theories of Surplus Value*, though it was originally envisioned by Marx to be Volume 4 of *Capital*. See especially *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32 (New York: International Publishers, 1989), pp. 103–24.

[‡] The notion that Marx's last years were characterized by a "slow death" due to illness was widely accepted at the time, thanks in part to Franz Mehring's biography of Marx, in which this was explicitly stated. However, the discovery and publication over the past several decades of Marx's manuscripts on non-Western societies, world history, natural science, and mathematics composed between 1878 and 1882 have cast doubt on the claim that he was incapable of sustained theoretical work at the end of his life. See especially Raya Dunayevskaya, *Rosa Luxemburg, Women's Liberation, and Marx's Philosophy of Revolution* (Champaign-Urbana, IL: University of Illinois Press, 1991), pp. 176–8.

[§] This subhead is supplied by the editors of this volume and was not present in the original German edition.

It is certainly true that to Marx himself it seemed, according to Engels, that this last part of Volume 2 was "urgently in need of revision," and also according to Engels, it remained "only a provisional treatment of the subject."‡ And then [one may consider] how repeatedly, during the course of his analysis, Marx pondered over the problem of the realization of surplus value, kept bringing up doubts in newer and newer forms, and thereby bore witness himself to the difficulty of the problem.

It is certainly true that crying contradictions are evident between the assumptions made in the brief fragments at the end of Volume 2, where Marx deals with accumulation, and the presentations of the question in Volume 3, where he describes "The Movement of Capital Taken as a Whole," and there are also blatant contradictions with several important laws in Volume 1, which I pointed out in detail in my book [*The Accumulation of Capital*].§

It is certainly true that capitalist production, ever since its appearance on the historical stage, has displayed an impetuous drive toward noncapitalist regions, a drive that runs like a red thread through its entire development, becoming more and more significant during the last quarter of a century in the phase of imperialism until it has become the definitive and dominant factor in social life.

* Much of Volume 2 of *Capital* was actually drafted *prior* to the publication of Volume 1 in 1867—long before the late Marx was considered to have been plagued by persistent illness.

† The last chapter of Marx's manuscript for Volume 2 of *Capital* was Manuscript VIII.

‡ See Engels's "Preface" to Volume 2 of *Capital*, p. 86: "The third part, on the reproduction and circulation of the social capital, seemed to him strongly in need of revision … This [third part] was to be jettisoned, and the whole part completely revised so as to correspond to the author's expanded horizon. This is how Manuscript VIII came into being."

§ See pp. 115–16 in this volume.

It is certainly true, as everyone knows, that there has never existed, nor does there exist today, a country where capitalist production is present exclusively, where there are nothing but capitalists and wageworkers. A society tailored to the assumptions made in Volume 2 of *Capital* does not exist anywhere in the real world.

And in spite of all this, the "experts" of official Marxism declare: there is no accumulation problem; everything has already been solved definitively by Marx! The peculiar assumption about accumulation in Volume 2 did not disturb them; they didn't even notice there was anything special or unusual about it at all! And now, having been made aware of this circumstance, they immediately find this peculiarity entirely in order. They cling stubbornly to this view, and lash out furiously at the person who insists on seeing a problem, whereas official Marxism for [two] decades has experienced nothing but self-satisfaction!

This is such a blatant case of "epigonitis" that it can only be compared with an anecdotal event from the realms of pettifogging academics: the well-known story of the so-called "Blattversetzung" (misplacement of a page) in Kant's *Prolegomena to Any Future Metaphysics*.

For a century, the philosophical world argued passionately about the various problems of Kantian theory, and about the *Prolegomena* in particular; the meaning of Kant's theory gave rise to whole schools that fought bitterly among themselves.* But then Professor [Hans] Vaihinger cleared up one of the most obscure of these problems in the simplest possible way—by pointing out that a part of paragraph four of the *Prolegomena*, which is in fact completely unrelated to the rest of the chapter, belonged in paragraph two: it had just been detached by a printing error in the original edition and been put in the wrong place. And anyone who now gives the text a simple and straightforward reading can immediately see this.† But this cannot be seen by the cliquish academics who for a century had been constructing profound theories based on a printing error. And there actually was one pedantic academic, a professor in Bonn, who demonstrated in four indignant articles in the *Philosophische Monatshefte* that the "alleged Blattversetzung" did not exist, that it was precisely this printing error that expressed the sole correct and unadulterated Kant, and that whoever dared to locate a printing error there had not understood the smallest grain of Kant's philosophy.*

* Kant's *Prologomena* was published in 1783, two years after the publication of the first edition of his *Critique of Pure Reason*. Kant intended it to serve as a summary and introduction to the *Critique*, which had received very little attention upon its publication. However, since it employed a number of analytical arguments not found in the *Critique of Pure Reason* itself, it gave rise to arguments over whether or not it represents a distinct work in its own right that should not be read simply as a précis of the first *Critique*.

† See Hans Vaihinger, "Eine Blattversetzung in Kants *Prolegomena*," in *Philosophische Monatshefte* (Monthly Notebooks on Philosophy), (Leipzig: 1879), pp. 321–32, and also 1883, pp. 401–16.

In the same manner the "experts" now cling to the premises of Volume 2 of Marx's *Capital* and the mathematical schemas constructed in it. The main question raised in my criticism has been directed toward the fact that, on the matter of accumulation, mathematical schemas can prove absolutely nothing, especially when the assumption they are based on is untenable. The reply is: but the schemas work out exactly, *so* the problem of accumulation is solved—it simply doesn't exist.

Here is an example of the orthodox cult of formulas.

In *Neue Zeit*, Otto Bauer embarks on an investigation of the question I posed—How is surplus value realized?—in the following fashion.[†] He constructs four large "Tables," with figures in which Roman letters alone, such as Marx used for the abbreviated annotation of variable and constant capital and surplus value, are not enough. Bauer adds a few Greek letters.[‡] This makes his "Tables" look even more intimidating than all the schemas in Marx's *Capital*. Having constructed this odd contraption, Bauer tries to show the method by which the capitalists, after replacing used-up means of production, dispose of the remaining excess commodities, the ones containing the surplus value that needs to be converted into money capital for their further use:

> Beyond that, however, (after replacing the old means of production—*R. L.*), the capitalists want to use the surplus value accumulated in the first year to enlarge existing operations or establish new ones. If in the next year they want to use the capital that has grown by 12,500, they must build new workshops, buy new machines, and increase their supply of raw materials, etc., etc., this year.[§]

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* See J. H. Witte, "Die angebliche Blattversetzung in Kants *Prolegomena*" (The Alleged Misplacement of a Page in Kant's *Prolegomena*), in *Philosophische Monatshefte*, 1883, pp. 145–74 and 597–614.

† See Otto Bauer's review, "Die Akkumulation des Kapitals," in *Die Neue Zeit*, Year 31, 1912–13, Vol. 1, pp. 831–8, 862–74. For an English translation, by J. E. King, see *History of Political Economy*, Vol. 18, No. 1 (Spring 1986), pp. 87–110. This has been reprinted in *Discovering Imperialism*, pp. 713–44. All subsequent citations to the English translation are to the version in *Discovering Imperialism*.

‡ Bauer's article actually contains ten tables, two of which contain Greek letters.

§ Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 863; cf. *Discovering Imperialism*, pp. 729–30.

Thus the problem is said to be solved. If "the capitalists want" [i.e. have the will] to expand production, then of course they need more means of production than before and so act mutually as each other's consumers. At the same time, they need more workers and more provisions for these workers, which they make themselves anyway. This takes care of the entire surplus of means of production and means of subsistence, and thus accumulation can begin. As one can see, everything depends on whether the capitalists "want" to undertake an expansion of production. And why not? Well, of course, they "want to." "Consequently, the entire productive value of both departments [the one producing consumer goods and the other producer goods] is realized, and thus the entire surplus value is as well," Bauer explains triumphantly, and from this he concludes:

> Similarly, Table VII* clearly shows that the total productive value of both departments is disposed of without any trouble and the total surplus value is realized, not only in the first year, but in *each subsequent year*. Comrade Luxemburg is thus incorrect in her assumption that the accumulated part of surplus value cannot be realized.† [Emphasis added—*R. L.*]

Bauer has simply not noticed that he did not need nearly such long and detailed calculations with four "Tables," with wide, lengthy, oval-bracketed, and four-storeyed formulas, to reach this brilliant conclusion. The conclusion Bauer has reached does not even follow from his "Tables"; it is merely taken as a given. Bauer simply assumes what was to be proven—that is the entire content of his "proof."

If the capitalists "want to" expand production by as much as they possess in surplus capital, all they have to do is invest this surplus capital in their own production (providing, of course, that they produce absolutely all the necessary means of production and of subsistence themselves!)—then they are left with no unsalable commodity surplus. Can anything be more simple, and are any nonsensical formulas with Roman and Greek letters needed actually to "prove" something so obvious?

But then the question arose whether the capitalists, who of course always "want" to accumulate, *can* also do so. That is, can they find a continually expanding market for expanded production, and where is such a market to be found? And the answer to that cannot come from any arithmetical operation with fictitious numbers on paper, but only from an analysis of the economic and social context and interconnections of the given form of production.

If one were to say to the "experts": Yes, that is all well and good. The capitalists "have the will" to expand production. But who are they going to sell their increased amount of commodities to? They would answer: "The capitalists will always consume this increasing amount of commodities themselves, because they always 'have the will' to expand production."

* The German original (as well as the translation in Tarbuck's earlier edition) give this as "Table IV," but Luxemburg is clearly referring to Table VII.

† Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 866; cf. *Discovering Imperialism*, p. 733.

"And the schemas show precisely who buys the products," the *Vorwärts* reviewer, G. Eckstein,* explains.[2]

Short and sweet. Each year the capitalists expand by exactly as much as they have "saved up" in surplus value; they are their own customers and thus the market is of no concern to them. This *assumption* is the starting point of the whole "proof." But a mathematical formulation is both unnecessary for this assumption and completely incapable of proving it. The naive idea that mathematical formulas could prove the main assertion here—the economic *possibility* of such accumulation—that is the amusing misconception of the "expert" custodians of Marxism. It is enough to make Marx roll over in his grave.

Marx himself never dreamed of presenting his own mathematical schemas as any sort of *proof* that accumulation was in fact possible in a society consisting solely of capitalists and workers. Marx investigated the internal mechanism of capitalist accumulation and established certain economic laws on which the process is based. He started roughly like this: If accumulation is to take place for the total social capital, that is, for the class of capitalists as a whole, then certain quite exact quantitative relations must exist between the two large departments of social production: the production of means of production and the production of means of consumption. Progressive expansion of production, and at the same time, progressive accumulation of capital—which is the purpose of it all—can only proceed unhindered if such relations are maintained, so that the one large department of production continuously works hand in hand with the other.

Marx sketched a mathematical example, a schema with imaginary numbers, to illustrate his thought clearly and exactly, and he used it to show that if accumulation is to proceed, then the individual terms in the schema (constant capital, variable capital, surplus value) must function in such and such a way in relation to one another.

Clearly, for Marx, mathematical schemas are examples, *illustrations* of his economic thought, just as Quesnay's *Tableau économique* was an illustration of his theory, or as the maps from various ages are illustrations of what were then dominant astronomical and geographical concepts. Whether the laws of accumulation that Marx constructed—or more exactly, that he indicated sketchily—are correct or not can obviously be proved only by economic analysis, comparison with other laws set up by Marx, consideration of various consequences to which they lead, examination of the premises from which they proceed, and so on. But what is one to think of "Marxists" who reject any such criticism as lunacy, since the correctness of the laws is *proven by the mathematical schemas*!?

I happen to doubt whether accumulation could proceed in a society composed solely of capitalists and workers, such as the one on which Marx's schemas are based, and I believe that the development of capitalist production cannot in general be fitted into a schematic relation between pure capitalist concerns at all. The answer of the "experts" is: But it's certainly possible! That is demonstrated brilliantly "by Table VII,"* "and the schemas show [that this is so]"—i.e., it is a fact that a row of numbers on a piece of paper thought up for the purpose of illustration can be added and subtracted at will!

* Eckstein, *Vorwärts*, No. 40 (1913); cf. *Discovering Imperialism*, p. 704.

In olden times people believed in the existence of all kinds of fabulous creatures: dwarfs, people with one eye, with one arm and leg, and so on. Does anybody believe that such creatures really existed? But we see them drawn precisely on the old maps. Is that not *proof* that those conceptions of the ancients corresponded exactly with reality?

But let us take another example in a drier vein.

An estimate of costs is drawn up for the planned construction of a railway from town X to town Y; precise calculations are made as to how large the annual passenger and freight traffic has to be so that, apart from depreciation, ongoing operational costs, and the normal maintenance of "reserve funds," a "reasonable" dividend can be distributed—first 5 percent, let's say, and then 8 percent. Naturally, the central question for the founders of the railway company is whether they can actually expect the passenger and freight traffic on the proposed stretch to be sufficient to ensure the profitability calculated in the estimate of costs. Clearly, the answer to this can only come from precise and basic facts about the previous traffic on this length of railroad, its importance for commerce and industry, the population growth of the adjacent towns and villages, and other facts concerning economic and social relations. Now, what would one say to a man who exclaimed: You ask, where will the profit of the line come from? I beg your pardon, but that is down in black and white in the cost estimate. You can read there that it comes from the passenger and freight traffic, and that the earnings from this will provide first for a 5 percent, then for an 8 percent dividend. If you can't see *that*, gentlemen, then you have simply misunderstood completely the "nature, aim, and significance" of the cost estimate.[3]

In sober circles one would probably indicate, with a shrug of the shoulders, that this know-it-all belongs either in a lunatic asylum or a children's nursery. But among the official custodians of Marxism such know-it-alls constitute the Areopagus of "experts," who pass judgment on whether other people have understood or misunderstood the "nature, aim, and significance" of Marx's reproduction schemas!

What, then, is the essence of the argument that the schemas allegedly "prove"? My objection was that, for accumulation to take place, it must be possible to sell commodities in increasing quantity in order to convert the profit contained in them into money. Only then is it possible to continue expanding production, therefore to continue accumulation. Where do the capitalists as an entire class find this market? My critics answer that they constitute their own market. As they continually expand their own operations (or start new ones), they themselves need more and more means of production for their factories and provisions for their workers. Capitalist production is its own market, and thus the latter grows automatically with the growth of production. But from the standpoint of capital the main question is: Can capitalist *profit* be obtained or accumulated in this way? For only then could there be any talk of capital accumulation.

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[*] The German original gives this as "Table IV."

Let us take another simple example: capitalist *A* produces coal, capitalist *B* manufactures machines, capitalist *C* makes food. Let us imagine that these three capitalists form the entirety of capitalist employers. If *B* makes more and more machines, *A* can sell him more and more coal and thus can buy more and more machines from him, which he uses for mining. Both need more and more workers, and these need more and more provisions, so *C*, too, finds an ever-greater market and thus he in turn becomes an ever larger consumer of both coal and machines. The whole thing is going in circles and rising higher and higher—and the "expert" is circling around with it in the thin air [of abstraction], his staff [*Stange*] firmly in hand.[*]

But let us examine the subject more concretely.

To accumulate capital does not mean to produce higher and higher mountains of commodities, but to convert more and more commodities into money capital. Between the accumulation of surplus value there always lies a decisive leap, the *salto mortale*[†] of commodity production, as Marx calls it: selling for money. Is this perhaps only valid for the individual capitalist, but not for the entire class, for society as a whole? Definitely not. For in the social observation of phenomena, "it is necessary," says Marx,

> to avoid falling into the habits of bourgeois economics, as imitated by Proudhon, i.e. to avoid looking at things as if a society based on the capitalist mode of production would lose its specific historical and economic character when considered en bloc, as a totality. This is not the case at all. What we have to deal with is the aggregate capitalist. The total capital appears as the share capital of all individual capitalists together.[‡]

Now, the accumulation of profit as money profit is just such a specific and quite essential characteristic of capitalist production, and is as valid for the total class as it is for the individual employer. Marx himself also emphasizes, precisely when examining the question of the accumulation of total social capital, "the formation of new money capital … accompanies actual accumulation and *is a necessary condition* for it [i.e., for accumulation] in the case of capitalist production."* And in the process of his investigation Marx returns again and again to the question: How is it possible for the class of capitalists to accumulate *money capital*?†

* Luxemburg apparently invented this conceit about a *Stange* to ridicule her "expert" opponents of the epigone school, portraying the "expert" as carrying a "staff" or "stick" (*Stange*)—perhaps like the wizards of fairy tale and fable—and waving his staff around in the fog-filled air of abstract theory.

† That is, the fatal leap.

‡ Marx, *Capital*, Vol. 2, p. 509.

Let us now examine the ingenious conception of the "experts" from this point of view. Capitalist *A* sells his commodities to *B*, and so receives surplus value in money from *B*. The latter sells his commodities to *A* and receives the money back from *A*, who converts his surplus value into money. Both sell their commodities to *C* and so also receive a sum of money for their surplus value from the same *C*. But where does the latter get his money from? From *A* and *B*. According to the given premise, there are no other sources for the realization of surplus value, i.e. no other commodity consumers. But can new money capital be formed in this way to enrich *A, B*, and *C*? Let us for a moment assume that with all three the quantity of commodities for exchange grows, production expands uninterruptedly, and therefore, the amounts of surplus value expressed in commodities can grow. Exploitation is complete, the possibility of enrichment, of accumulation, has arrived. But exchange, the realization of the increased surplus value in increased new money capital, has to take place in order for possibility to become reality. Notice that we do not ask here, as Marx often does in Volume 2 of *Capital*: Where does the money for the circulation of surplus value come from? And he answers finally: from the producer of gold. We ask rather: How does new money capital come into the pockets of the capitalists, since (apart from the workers) they are the only ones who can consume each other's commodities? After all, the money capital here [as described by the "experts"] is continuously wandering from one person's pocket into another's.

But wait, let's look again: Perhaps such questions are putting us on the wrong track altogether. Perhaps profit accumulation does take place in this ceaseless wandering from one capitalist's pocket into another's, in the successive realization of private profits, where the aggregate amount of money capital does not even have to grow, because such a thing as the "aggregate profit" of all capitalists does not exist outside of the grayness of abstract theory?

But—oh dear—such an assumption would simply lead us to throw Volume 3 of Marx's *Capital* into the fire. For the doctrine of *average profit*, one of the most important discoveries of Marx's economic theory, is central to the whole discussion in Volume 3. And this alone gives concrete meaning to the theory of value in Volume 1—on which both the theory of surplus value and all of Volume 2 are based, so these would also have to find their way into the fire. Marx's economic theory stands or falls with the concept of total social capital as a real and actual quantity, which finds its tangible expression in aggregate capitalist profit and its distribution, and whose invisible movement initiates all visible movements of individual sums of capital. Gross capitalist profit is, in fact, a much more tangible economic amount than, for instance, the total sum of paid wages at any given time. For the latter appears as a statistical figure only after wages are added up retrospectively over a period of time, whereas aggregate profit, on the other hand, expresses itself in the economic mechanism as a whole, since competition and price fluctuation are always distributing it among individual sums of capital as average profit or as "excess profit."

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* Luxemburg cites page 485 in the edition she was using. See *Capital*, Vol. 2, p. 583.

† For example, in *Capital*, Vol. 2, p. 583, Marx asks: "Where then … is the source of money for this?"

So the problem is still with us: the total social capital continually realizes an aggregate profit in money form, which must continually grow in order for aggregate accumulation to take place. Now, how can the amount grow if its component parts are always circulating from one pocket to another?

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

On the basis of this, one can appreciate the profundity of my "expert" critics when they exclaim:

> Comrade Luxemburg complains: "We are clearly going round in circles. From the point of view of the capitalists it is absurd to produce more means of consumption just to maintain more workers, and to produce more means of production just to give this increased labor force something to do!" It is difficult to fathom the relevance of those words to Marx's reproduction schemas. The object of capitalist production is profit: this comes to the capitalists from the process described, and is therefore not the least bit absurd from the capitalist point of view; on the contrary, from that point of view it is the very embodiment of reason, i.e. of the striving after profit.*

In point of fact, it is "difficult to fathom" which is greater here, the naively admitted complete incapability of going deeply into the basic Marxist theory of total social capital as opposed to individual capital, or the complete lack of comprehension of the question I posed. I say: production to an ever-greater extent for production's sake is, from the capitalist point of view, absurd, *because* in this way—according to the premise that the "experts" themselves cling to—it is impossible for the entire class of capitalists to realize *profit*, and therefore to accumulate. The answer is: But that is by no means absurd, because that *is* the way profit is accumulated! And how do you know that, oh experts? Well, it is shown—in the mathematical schemas *that* profit is in fact accumulated. In those schemas, into which we have arbitrarily written rows and rows of numbers, in which the mathematical operations work out faultlessly, and in which money capital is entirely neglected.

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* Eckstein, *Vorwärts*, No. 40 (1913); cf. *Discovering Imperialism*, pp. 705–6.

Clearly, all criticism must hopelessly shatter itself against these sturdy "experts," because they are looking only from the point of view of the individual capitalist, which is to some degree sufficient for the analysis of exploitation, i.e. of the process of production, and thus for understanding Volume 1 of *Capital*, but is totally insufficient where the circulation and reproduction of total capital are concerned. Volumes 1 and 3 of Marx's *Capital*, which are illuminated by the basic concept of total social capital, are for them nothing but dead capital. They have learned their letters, formulas, and "schemas" from it, but have missed the essence. Marx himself certainly did not set himself up as an "expert." For he was dissatisfied with the arithmetical "results" of his reproduction schemas. Again and again he asked: How is it possible for general accumulation to take place, for new money capital to be formed, for the capitalist class as a whole?

It has always been the privilege of epigones to take fertile hypotheses, turn them into rigid dogma, and be smugly satisfied, whereas a pioneering mind is filled with creative doubt.

The point of view of the "experts," however, leads to a string of intriguing consequences, which they have obviously not taken the trouble to reflect on.

First consequence: If capitalist production can act without restriction [*schrankenlos*] as its own consumer, i.e., if production and market are identical, it becomes totally impossible to explain the periodic occurence of crises. If production can, "as the schemas show," accumulate at will by using its own growth for new expansion, it is puzzling how and why circumstances can arise where capitalist production cannot find a sufficient market for its commodities. According to the formula of the experts, all it has to do is swallow up the commodity surplus itself, and put it into production (partly as means of production, partly as means of subsistence for the workers), "in each subsequent year," as Otto Bauer's "Table VII" shows.* The indigestible commodities would then be converted into the new blessing of accumulation and profit-making. At any rate, this makes an absurdity of the specific Marxist concept of crisis, according to which crises result from the tendency of capital to outgrow each given restriction of the market [*Marketschranke*] in a shorter and shorter time. For how could production outgrow the market if it is its own market? In that case, the market would automatically grow as fast as production. In other words, how could capitalist production periodically outgrow itself? It could do it as easily as someone can jump over his own shadow. The capitalist crisis becomes an inexplicable phenomenon. Or *one other* possible explanation remains: A crisis is not the result of incongruity between the capacity for expansion of capitalist production and the more limited expandability of the market, but stems only from the disproportionate relations between different branches of capitalist production. By themselves, [according to the "experts"] these different branches could be quite sufficient as consumers of each other's products, except that, as a result of anarchy, the production in various branches is not correctly proportioned; too much is being produced in one, and too little in another. This would mean rejecting Marx and finally ending up with the man whom Marx ridiculed so thoroughly, the patriarch of vulgar economics, of the Manchester theory and of bourgeois harmony, that "wretched fellow" Say [as Marx termed him],* who in 1803 propounded the following dogma: It is absurd to say that too much of *all* commodities can be produced, there can only be partial crises, but no general ones. If for some reason a country has too much of one kind of product, that only proves that it has produced too little of some other kind.

* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 837; cf. *Discovering Imperialism*, p. 728.

Second consequence: Capitalist accumulation becomes (objectively) unrestricted [*schrankenlos*] once capitalist production has built a sufficient market for itself. As production will still be able to grow without disturbance, i.e. there can be an unrestricted development of the productive forces, even when all mankind is divided into capitalists and proletarians, since if there are no reestrictions on the *economic* development of capitalism, the one specifically Marxist foundation crumbles. According to Marx, the rebellion of the workers, the class struggle, is only the ideological reflection of the objective historical necessity of socialism, resulting from the objective impossibility of capitalism at a certain economic stage. Of course, that does not mean (it still seems necessary to point out these fundamentals of Marxism to the "experts") that the historical process has to be, or even could be, exhausted to the very limit of this economic impossibility. Long before this, the objective tendency of capitalist development in this direction is sufficient to produce such a social and political sharpening of contradictions in society that they must lead to the termination of capitalism. But these social and political contradictions are essentially only a product of the *economic* untenability of capitalism. The situation continues to sharpen as this becomes increasingly obvious.

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[*] For Marx's dismissal of "Say's Law," which held that crises of overproduction are impossible, see *Capital*, Vol. 2, pp. 466–7.

If we go along with the "experts" and assume the economic infinity of capitalist accumulation, then the vital foundation on which socialism rests will disappear. We then take refuge in the fog of the pre-Marxist systems and schools, which attempted to deduce socialism solely on the basis of the injustice and evils of today's world and the revolutionary determination of the working classes.[4]

Third consequence: After capitalist production has built itself a sufficient market that allows for expansion of the total accumulated value, there appears another riddle of modern development: competition for the most distant markets and capital exports, the most dominant feature of modern imperialism. Indeed this is incomprehensible! Why all the fuss? Why conquer colonies, why the Opium Wars [in China] of the 1840s and 1860s?[*] Why squabble over swamps in the Congo and Mesopotamian deserts?[†] Capital should stay at home and earn an honest living. Krupp should go along and produce for Thyssen,[‡] Thyssen for Krupp, let them invest their capital in their own enterprises and expand them mutually, and so on and so forth. The historical movement of capital, and with it modern imperialism, becomes thoroughly incomprehensible.

But there is still Pannekoek's priceless statement in the *Bremer Bürger-Zeitung*:[§] The chasing after noncapitalist markets is "a fact, but not a necessity"[¶]—a real pearl of historical materialism. And yet, he is absolutely right! According to the assumptions of the "experts," socialism as the final stage, with imperialism as its predecessor, ceases to be a historical necessity. The one becomes the laudable decision of the working class; the other is simply a vice of the bourgeoisie.

So the "experts" are faced with having to choose between two alternatives. Either—as they deduce from Marx's "reproduction schemas"—capitalist production is identical with its market, and the historical materialist explanation for imperialism disappears; or capital accumulation can only take place to the extent that customers can be found other than the capitalists and the workers, in which case growing sales among the noncapitalist strata and in noncapitalist regions are the essential precondition for accumulation. Despite my isolation I do have a truly "non-suspect" and also very "expert" crown witness for the above consequences.

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* The First Opium War, also known as the Anglo-Chinese War, occurred from 1839 to 1842; the Second Opium War was from 1856 to 1860.

† Luxemburg is referring to the conflicts among European capitalist powers, especially between France, Britain, Belgium, and Germany over the control of Central Africa before and during World War I. During the war Britain also sought to conquer Mesopotamia (modern-day Iraq and Syria)—at first unsuccessfully—from the Ottoman Empire.

‡ Krupp, founded in 1811, and Thyssen, founded in 1891, became two of the largest steel and munitions companies in Europe in the early twentieth century. In 1999 the two companies merged to become ThyssenKrupp.

§ Anton Pannekoek, "Rosa Luxemburg: Die Akkumulation des Kapitals: Ein Beitrag zur ökonomischen Erklärung des Imperialismus," in *Bremer Bürger-Zeitung*, January 30, 1913. For an English translation, see Anton Pannekoek, "Review of Rosa Luxemburg: *The Accumulation of Capital: A Contribution to the Economic Explanation of Imperialism*," in *Discovering Imperialism*, pp. 675–93.

¶ Ibid.; cf. *Discovering Imperialism*, p. 691.

In 1901 a book was published [in German] by a Russian "legal Marxist" professor, Mikhail V. Tugan-Baranovsky, *The Theory and History of Commercial Crises in England*.* Tugan-Baranovsky revised Marx by gradually replacing his theory with the clichéd wisdoms of bourgeois vulgar economists. Among other paradoxes, he claimed that crises are merely the result of maladjustments, not of the tendency for capitalist production to expand faster than the capacity of the population to consume. What was so novel and astonishing about this wisdom (that he borrowed from Say) was that he used Marx's "reproduction schemas" from Volume 2 of *Capital* to prove it! Tugan-Baranovsky wrote,

> It is only possible to expand social production if the productive forces are sufficiently developed. Thus, demand must also undergo a similar expansion in the proportional division of social

> production, since under these conditions every newly produced commodity represents new purchasing power for the acquisition of other commodities.

The "proof" for this comes from Marx's "schemas," which Tugan-Baranovsky reproduced, only with different figures, and which led him to conclude:

> The purpose of the above schemas is to prove something that in itself is very simple, but is frequently objected to because of an insufficient understanding of the process of the reproduction of social capital, to prove in fact the basic thesis that *social production creates its own market*.[†] (Emphasis added—*R. L.*)

Carried away by his predilection for paradoxes, Tugan-Baranovsky arrives at the conclusion that capitalist production is "in a certain sense" quite independent of human consumption. Anyway, we are not interested here in Tugan-Baranovsky's jokes, but only in the "actually very simple basic principle" on which he constructs everything that follows. And here we must note one thing in particular:

What my "expert" critics are holding against me now was said by Tugan-Baranovsky, word for word, in 1901, specifically in two typical assertions: (1) capitalist production builds a market for itself through its own expansion, so that the [problem of finding] a sales outlet should pose no difficulties for accumulation (apart from lack of proper proportion); (2) the proof that this is so is provided by mathematical schemas such as those used by Marx, i.e. exercises in addition and subtraction on uncomplaining paper. Thus spoke Tugan-Baranovsky in 1901. At that point the man had a tough time of it. Immediately, Karl Kautsky started in on him in *Neue Zeit*, mercilessly criticizing the absurdities pronounced by this Russian revisionist, including the above-mentioned "basic principle."[*] Kautsky wrote,

> If that principle were true, then the greater England's capital wealth was, the faster its industry would have to grow. But instead it was coming to a standstill; capital was emigrating to Russia, South Africa, China, Japan, and so on. This phenomenon is explained by our theory, according to which underconsumption is the ultimate cause of crises; it is incomprehensible from Tugan-Baranovsky's point of view.[5]

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[*] Luxemburg is quoting from the German translation of Tugan-Baranovsky's work, *Theorie und Geschichte der Handelskrisen in England* (Jena: Gustav Fischer, 1901). The book was originally

published in Russian in 1894 under the title, *Promyshlennye krizisy v sovremennoy Anglii, ikh prichiny i vliyanie na narodnuyu zhizn*'. For an English translation of parts 1 and 7 of the book, see "Studies on the Theory and the History of Business Crises in England," in *Value, Capitalist Dynamics, and Money*, Vol. 18 (2000), pp. 53–80 and 81–110.

† Tugan-Baranovsky, "Studies on the Theory and the History of Business Crises in England," in *Value, Capitalist Dynamics, and Money*, Vol. 18 (2000), p. 71.

Now, what is the theory that Kautsky opposes to Tugan-Baranovsky'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, *because accumulation of capital and productivity grow even faster. They must find a market in those strata and nations that are still noncapitalist*. They find this market, and expand into it, but that is still not enough, because this additional market hardly has the flexibility and capacity for expansion that the capitalist process of production has. 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 that results from a substantial expansion in the market is doomed from the beginning to a short life, and will necessarily end in a crisis.
>
> *This, in short, is the theory of crises which, as far as we can see, is generally accepted by "orthodox" Marxists and that was established by Marx*.[6]

Let us forget that Kautsky calls this theory by the dubious title: explanation of crises as caused "by underconsumption." Marx ridicules such a notion in Volume 2 of *Capital* (p. 410).[†]

* See Karl Kautsky, *Krisentheorien* (Crisis Theory), in *Die Neue Zeit*, Year 20 (1901–2), Vol. 2, pp. 37–47, 76–81, 110–18, and 133–43.

† See *Capital*, Vol. 2, pp. 486–7: "It is precisely a tautology to say that crises are caused by the scarcity of solvent consumers, or of a paying consumption. The capitalist system does not know any other modes of consumption than a paying one … But if one were to attempt to clothe this tautology with a semblance of profounder justification by saying that the working class receives too small a portion of their own product, and the evil would be remedied by giving them a larger share of it, or raising their wages, we should reply that crises are always preceded by a period in which wages rise generally and the working class actually gets a larger share of the annual product intended for consumption."

Let us [also] forget that Kautsky sees only the problem of crises, without noticing that capitalist production poses a problem even disregarding conjunctural fluctuations [*Konjunkturschwankungen*]—i.e. fluctuations between economic expansion and contraction.

Finally, let us forget the fact that Kautsky's explanation—consumption by 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 noncapitalist strata and nations*.

So far one thing is certain: In 1902, when attacking Tugan-Baranovsky, Kautsky refuted the same assertions that the "experts" now use to oppose my *Accumulation*, and the "experts" attack as a horrible deviation from the true faith, although I am now dealing with the problem of accumulation in roughly the same manner Kautsky used in opposition to the revisionist Tugan-Baranovsky, based on the theory of crises "generally accepted" by orthodox Marxists.

And how does Kautsky prove the untenability of his opponent's thesis? Precisely by referring to Marx's "reproduction schemas"! Kautsky demonstrates to Tugan-Baranovsky that, even when properly used, these schemas do not prove Tugan-Baranovsky's thesis but, on the contrary, prove the theory of crises as caused by "underconsumption."

The world shakes to its very foundations. Can it be that the supreme expert "understood" the "nature, aim, and significance of Marx's schemas" even less than Tugan-Baranovsky?

But Kautsky draws some interesting conclusions from Tugan-Baranovsky's assertion. We have already seen that [as Kautsky said] this assertion is an outright contradiction of Marx's theory of crises, that it makes the export of capital to noncapitalist countries an inexplicable phenomenon. Kautsky now indicates the general significance of this position:

"What practical importance … do our theoretical differences have?" Kautsky asks. "Whether crises are caused by disproportionality in social production or by underconsumption—is that anything more than an academic question?"

> That is what many "practical" men might think. But in fact the question is of great practical importance, especially for tactical differences that are being discussed in our party. It is no mere accident that revisionism attacks Marx's theory of crises with particular vigor.

Kautsky goes on to demonstrate explicitly that Tugan-Baranovsky's theory of crises basically leads to an alleged "mitigation of class contradictions." That means it is in the tradition of the theory that believes in the "change of Social Democracy from a party of proletarian class struggle into a democratic party on the left wing, a democratic party of social reform."[7]

That is how the supreme expert slew the heretic Tugan-Baranovsky fourteen years ago on thirty-six printed pages of *Neue Zeit*, finally walking away with his victim's scalp in his belt.

And now I must stand by and watch the "expert" pupils of this master damn my analysis of accumulation, using the same "basic principle" that cost the Russian revisionist his life on the hunting grounds of *Neue Zeit*! It is not quite clear in this adventure story what happens to the "theory of crises that, as far as we can see, is generally accepted by orthodox Marxists."

But something even more peculiar has happened. After my *Accumulation* had been destroyed, using the weapons of Tugan-Baranovsky in *Vorwärts*, the *Bremer Burgerzeitung, Dresdener Volkszeitung*, and *Frankfurter Volksstimme*, there appeared in *Neue Zeit* a new critique by Otto Bauer. This expert also believed in the magical power of mathematical schemas to prove questions of social reproduction, as we have seen. But he was still not completely satisfied with Marx's "reproduction schemas." He found them "not incontestable," "arbitrary and not without contradictions," which he explained by the fact that Engels "found this part unfinished" in his master's notebooks!

Bauer therefore goes to all the trouble of constructing his own schemas: "That is why we have *constructed models that, once one accepts the assumptions, are not arbitrary*." Only with these new schemas does Bauer believe he has found "an incontestable basis on which to approach the problems posed by Comrade Luxemburg."[*]

But above all, Bauer has understood that capitalist production cannot float around in thin air "undisturbed." He therefore looks for some objective social basis for capital accumulation, which he finally finds in *population growth*.

* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 838; cf. *Discovering Imperialism*, p. 723.

And here begins the most absurd part. The unanimous judgment of the "experts," with the corporate blessing of the editorial staff of *Vorwärts*, had declared my book to be arrant nonsense, total misunderstanding, the problem of accumulation simply does not exist, Marx already solved it, the schemas give a sufficient answer. Bauer is now forced to place his schemas on a slightly more material basis than the simple rules of addition and subtraction: he takes account of a particular social phenomenon—population growth; it is on this basis that he constructs his "Tables." The expansion of capitalist production, as his schemas are supposed to demonstrate, is not an autonomous movement of capital around its own axis, but follows the corresponding growth of the population:

> Accumulation presupposes expansion of the range of production, and this expands through population growth …[*]
>
> In capitalist production *there is a tendency for capital accumulation to adjust to the growth of population* … The tendency for accumulation to adjust to the population growth determines the international relations … When the capitalist world economy is seen as a whole, the tendency in the industrial cycle to adjust accumulation to the population growth becomes visible … *The periodic return of prosperity and of the crisis of depression is the empirical expression of the fact that the mechanism of capitalism acts to cancel overaccumulation and underaccumulation and continually readjusts accumulation to population growth*.[†] (Bauer's emphasis throughout—*R. L.*)

Later we will take a closer look at Bauer's population theory. But one thing is certain: the theory actually represents something quite new. For the other "experts," all questions about the social and economic foundation of accumulation seemed pure nonsense, "indeed difficult to discover." Bauer, on the other hand, constructs a whole theory to answer this question.

Yet Bauer's theory is not only a novelty to the other critics of my book; it makes its very first appearance in the whole of Marxist literature. Neither in the three volumes of Marx's *Capital* nor in *Theories of Surplus Value* or in Marx's other writings do we find a trace of Bauer's population theory as the basic principle of accumulation.

Let us look into matters further, this time examining the way in which Karl Kautsky announces and reviews Volume 2 of *Capital* in *Neue Zeit*.[‡] Kautsky deals very thoroughly with the first two sections of Volume 2, on circulation, showing all the formulas and figures as Marx uses them. He then dedicates three whole pages out of a total of twenty to the most important and original part of the volume, "Part Three: The Reproduction and Circulation of the Total Social Capital." In these three pages Kautsky deals exclusively—of course, reprinting in toto the unavoidable formulas—with the introductory "fiction of simple reproduction," i.e., capitalist production without profit, which Marx himself only takes as a theoretical starting point from which to approach the actual problem, the accumulation of total social capital. Kautsky settles this latter problem in literally two lines: "The accumulation of surplus value, the expansion of the productive process, brings further complications." Period. Not another word at that time, just after the publication of Volume 2, and not another word in the thirty years since. Thus not only do we find no trace of Bauer's population theory; Kautsky also completely failed to discuss the whole section on accumulation. He does not notice any special problem (unlike Bauer, who created an "unobjectionable principle" for its solution), nor the fact that Marx stops in the middle of his own investigation without an answer to the question he himself had raised several times.

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* Ibid., p. 869; cf. *Discovering Imperialism*, p. 737.

† Ibid., pp. 871–3; cf. *Discovering Imperialism*, pp. 739–40.

‡ See Karl Kautsky, "Das 'Elend der Philosophie' und 'Das Kapital'" (*The Poverty of Philosophy* and *Capital*), in *Die Neue Zeit*, Year 4, 1886, pp. 7–19, 49–58, 117–19, 157–65.

Once again (as in the previously mentioned series against Tugan-Baranovsky) Kautsky talks about Volume 2 of *Capital*. Here he restates the crisis theory, "commonly accepted by orthodox Marxists," of which the central point is that consumption by capitalists and workers is insufficient as a basis for accumulation, and that an additional market is necessary among "precapitalist producing strata and nations." Kautsky does not seem to be aware that this "commonly accepted" theory of crises neither fits Tugan-Baranovsky's paradoxes nor Marx's own accumulation schemas with their general presuppositions in Volume 2. This is because the premise in Marx's analysis in Volume 2 is a society of capitalists and workers only. The "reproduction schemas" are said to show in detail how those two insufficient consumer classes make accumulation possible year after year merely by consuming. Kautsky does not even give us the slightest hint of a population theory such as that used by Bauer as the true principle behind Marx's accumulation schemas.

Now let us look at Hilferding's *Finance Capital*.* In Chapter 16, after an introduction in which he praises Marx's illustration of the conditions of reproduction of total social capital as the most brilliant effort in this "astonishing work"—and he's certainly right about it's being "astonishing"—he copies word for word on fourteen pages the relevant pages in Marx, including of course the mathematical schemas. Here he moans that these schemas have been neglected and only attracted some attention thanks to Tugan-Baranovsky. And what does Hilferding himself notice in the whole brilliant effort? Here are his conclusions:

> [Marx's schemas show] that in capitalist production reproduction can take place on a simple as well as an expanded scale, if only *these relations can be kept stable*. On the other hand, even simple reproduction can produce crises if the proportions are upset; for instance, that between used-up capital and capital to be newly invested. *It does not necessarily follow that the cause of the crisis lies in the underconsumption of the masses, which is inherent in capitalist production*. Neither does *the possibility of general overproduction follow from the models: rather one can show that any expansion of production is possible that takes place within the limits of the existing productive forces*.*

* See Rudolf Hilferding, *Das Finanzkapital: Eine Studie über die jüngste Entwicklung des Kapitalismus* (Finance Capital: A Study of the Most Recent Development of Capitalism), (Vienna: Verlag der Wiener, 1910); *Finance Capital: A Study of the Latest Phase of Capitalist Development*, translated by Morris Watnick and Sam Gordon (London: Routledge and Kegan Paul, 1981).

That is all. Hilferding, too, sees Marx's analysis of accumulation as only a guide to the solution of the problem of crises. The mathematical schemas show the proportion that, if it is followed, allows undisturbed accumulation. From this Hilferding draws two conclusions:

1. Crises only develop from disproportionality. With this he sinks the "commonly accepted theory of crises" into the deep sea and adopts Tugan-Baranovsky's theory, condemned by Kautsky as revisionist heresy. After this, he concludes with the theory of "that wretched fellow Say": *general* overproduction is impossible.

2. Apart from crises as periodic interferences due to the lack of proportionality, capital accumulation (in a society of only capitalists and

workers) can expand as far as the actual productive forces allow. And here again, Hilferding copies Tugan-Baranovsky word for word.

Apart from crises, a problem of accumulation does not exist for Hilferding, since Marx's "reproduction schemas" show that "any expansion" is possible without any restrictions, i.e. that production and sales grow simultaneously. Again, no trace of Bauer's theory of the restriction posed by the rate of "growth of population" and no notion that such a theory was necessary.

Finally, even for Bauer himself his present theory was a new discovery.

Only in 1904, after the arguments between Kautsky and Tugan-Baranovsky, did Bauer deal in particular with the theory of crises in the light of Marx's theory. In two articles in *Neue Zeit* he himself explained that for the first time he wanted to give a coherent elaboration of this theory.[†] But he attributes crises mainly to a special form of circulation, that of *fixed capital*, making use of a phrase in Volume 2 of *Capital*, which tries to explain the ten-year cycle of modern industry. Not once does Bauer mention the basic importance of the relation between the expansion of production and the growth of population. Bauer's whole theory, the "tendency to adjust to population growth," which now explains crises and booms, the accumulation and the international movement of capital from country to country, and finally even imperialism: this supernatural law, which moves the whole mechanism of capitalism and "rules it automatically" —that theory did not exist either for Bauer or for the rest of the world [in 1904]. Now, in answer to my book, it has become the basic theory, the only theory, in order to place Marx's schemas "on an incontestable foundation," one "free of imperfections." Suddenly and casually this "foundation" appears, in order to solve a problem that evidently did not exist at all [for Bauer, in 1904]!

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* *Finanzkapital*, p. 318; emphases by R. L.; cf. *Finance Capital: A Study of the Latest Phase of Capitalist Development*.

† See Otto Bauer, "Marx' Theories der Wirtschaftkrisen" (Marx's Theory of Economic Crisis), in *Die Neue Zeit*, Year 23, Vol. 1 (1904), pp. 133–8 and 164–70.

What should we keep from [the points made by] all the other "experts"? Let us summarize what has been said:

1. According to Eckstein and Hilferding (and Pannekoek as well) a problem of capital accumulation does not exist. Everything, needless to say, is as clear as Marx's formulas demonstrate. It is only because I am totally incapable of understanding the formulas that I am critical of them. According to Bauer, the figures used by Marx are "arbitrarily chosen and not free of contradictions." Only he, Bauer, has found an "adequate illustration for Marx's thoughts" and has erected "models free from arbitrariness."[*]

2. According to Eckstein and the editorial staff of *Vorwärts*, my book has to be "rejected" as totally worthless. According to the minor "expert" writing in the *Frankfurter Volksstimme* (of February 1, 1913), my book is even highly damaging. Yet according to Bauer, there "is a kernel of truth hidden in the wrong explanation": it points out the restrictions on capital accumulation.[†]

3. According to Eckstein in *Vorwärts*, my book has not the slightest thing to do with imperialism: "… as things stand, the book has so little to do with the new phenomena of today's pulsating economic life, that it could have been written just as well twenty or more years ago."[‡] And yet, according to Bauer, my research has in fact disclosed "not the sole root … but only one of the roots of imperialism."[§]

For a little person like me that is quite a nice achievement.

4. According to Eckstein (in the *Vorwärts* supplement of February 16, 1913), Marx's schemas show "the actual extent of social needs"; they show "the *possibility* of equilibrium" from which capitalist reality is distant since it is governed by the drive for profit, resulting in crises.[¶] Early in the next paragraph "the illustration corresponds to Marx's model, *but also to reality*," because the schema demonstrates precisely "how profit is realized for the capitalist."[**] But according to Pannekoek, there is no state of equilibrium, but only "empty blue sky"; "the extent of production can be compared to a weightless thing floating at any level." "For the extent of production is in *no state of equilibrium* to be drawn back when it deviates." "The industrial cycle is *not* a fluctuation around an average, which is defined by some demand."[††] According to Bauer, Marx's schemas—since Bauer has finally discovered their true meaning—refer only to the movement of capitalist production in adjustment to population growth.

* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 837; cf. *Discovering Imperialism*, p. 728.

† Ibid., p. 873; cf. *Discovering Imperialism*, p. 742.

‡ Eckstein, *Vorwärts*, No. 40 (1913); cf. *Discovering Imperialism*, p. 712.

§ Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 874; cf. *Discovering Imperialism*, p. 743.

¶ Eckstein, *Vorwärts*, No. 40 (1913); cf. *Discovering Imperialism*, p. 702.

** Ibid.; cf. *Discovering Imperialism*, p. 703.

†† See Anton Pannekoek, "Theoretisches über der Ursache der Krisen" (Theoretical Remarks on the Cause of Crises), in *Die Neue Zeit*, 1913, No. 22, pp. 783 and 792.

5. Eckstein and Hilferding believe in the objective economic possibility of unrestricted accumulation; "the models [i.e. Marx's "reproduction schemas"] show who buys the products" (Eckstein). As Pannekoek puts it, capitalist production is a "weightless thing," and thus all the more can it "float at any level." According to Hilferding, "any expansion of production is possible that takes place within the limit of the existing productive forces," because, as the schemas show, "the [sales] outlet grows automatically with production." According to Bauer, "only the apologists for capitalism can speak of the endlessness of accumulation" and say that "consumption power [i.e. purchasing power] grows automatically with production."*

How do things stand now? What do the members of the jury think? Was there a problem of accumulation in Marx's Volume 2, that none of us had noticed until now, or is the problem still (even after its latest solution by Bauer) the product of my "total inability to work with Marx's models," as the *Vorwärts* reviewer said? Are Marx's schemas the ultimate truth, infallible dogma, or are they "arbitrary and not free from contradictions"? Does the problem I dealt with delve to the roots of imperialism, or has it not the "slightest thing to do with the phenomena of today's pulsating economic life"? And what do Marx's "now famous reproduction schemas," (as Eckstein calls them) finally illustrate? Do they show only a theoretical state of equilibrium of production, or an "actual picture of reality, a proof of the possibility of [limitless] expansion"? Or are they a proof of its impossibility in the face of underconsumption? Or an adjustment of production to population growth? Or Pannekoek's "weightless" children's balloon? Or something else altogether, perhaps a camel or a weasel? It is about time the "experts" started making up their minds.

Meanwhile let us look at a beautiful picture of clarity, harmony, and perfection produced by official Marxism with regard to the fundamental part of Volume 2 of *Capital*.† [This is] a fitting reply [by Bauer] to the arrogance of the gentlemen who attacked my book so viciously.[8]

Since Otto Bauer has relieved me of the bother of arguing further with the other "experts," I can now turn to Bauer himself.

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 873; cf. *Discovering Imperialism*, p. 741.

† That is, Part Three of Volume 2 of *Capital*.

Part II

THE METHODOLOGY OF OTTO BAUER

I will not of course go extensively into the calculations carried out in Bauer's "Tables." The centerpiece of his position, and of his critique of my book, is a theory that population growth is the basis for accumulation—a theory that he opposes to my view and that, by itself, has nothing to do with any schematic quantitative presentations. Below, in the latter part of this book, we will grapple with Bauer's theory of population. But first it is necessary to become acquainted with the *method*, the ways and means he uses to carry out his manipulation of the material in his "Tables." By no means do we consider his method and procedures suitable for finally solving the economic and societal problem of accumulation. Nevertheless, they are extremely characteristic of Bauer himself and of the "understanding" with which he approaches the solving of this problem. His procedures can be illustrated with just a few, quite simple examples, and even ordinary mortals—who rightly have a horror of mind-numbing "illustrative Tables" and cabalistic symbols—can easily form their own judgments from these examples.

I will pick out three for this purpose.

[First example:] On page 836 of *Neue Zeit*,[*] Bauer brings forth his depiction of how the accumulation of social capital takes place. He assumes, as Marx did, that there are two major subdivisions of social production: Department I, which turns out means of production; and Department II, which produces means of subsistence. As a starting point, Bauer places the figure "120,000" in Department I to represent constant capital and "50,000" as variable capital. (These numbers are supposed to stand for a certain monetary value, no matter whether it be thousands of marks, for example, or millions.) In Department II, he assumes a constant capital of 80,000 and variable capital worth 50,000. It goes without saying that the figures are arbitrary, but their *relations* to one another are important. They express certain economic premises, from which Bauer proceeds. Thus, in both departments of social production the constant capital is greater than the variable capital, to give expression to the high level of progress in technology. Furthermore, this predominance of constant capital over variable capital is even greater in Department I than in Department II—because technology usually makes faster progress in the former than in the latter. And finally, this corresponds to the fact that the amount of social capital in Department I is customarily greater than the amount in Department II. These are all assumptions made by Bauer himself—it should be noted—and highly commendable ones, since they are in accordance with the premises Marx adopted. Thus far, all is well.

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 836; cf. *Discovering Imperialism*, p. 726.

Now comes accumulation. And this is how it begins: Bauer increases both quantities of constant capital by 10,000 each, and both amounts of variable capital by 2,500 each.* With this, however, the abovementioned economic premises are sent flying [*umgeschmissen*]. Because (1) the smaller amount of social capital in Department II cannot possibly grow at the same rate as the larger amount in Department I, for in this way their interrelationship, determined by the general state of progress in technology, would be altered and reversed; and (2) the additional amounts of capital could not possibly be divided equally between the constant capital and variable capital of the two departments, because the original capital was not divided equally. Here, too, Bauer overturns the technological foundations that he himself had previously established as premises.

Thus, with his very first step in depicting the process of accumulation, it is already starting to happen that, in quite arbitrary fashion, Bauer is throwing his own economic assumptions to the winds. And why? Simply for the sake of getting easier arithmetical results, so that his calculations will come out more evenly; otherwise, the further development of his "Tables" would not go as smoothly.

Onward [to the second example]. After the expansion of production has been arbitrarily arranged in this way, Bauer wants to show how the decisive Act Two in this drama of accumulation will unfold, i.e., the famous *salto mortale*, the realization of surplus value. The exchange of this increased quantity of products is now supposed to take place, and in such a way that the ascent to a still broader stage of accumulation will follow, i.e., the expansion of production once again. This happens on Bauer's page 863.[†]

Here we have the two mass quantities of commodities, the results of the first year of production: 220,000 worth of means of production and 180,000 in means of subsistence. Now they must be brought to the market to be exchanged. From the very beginning, this business does not go well. Each department uses the greater portion of its commodities, partly directly and partly by exchange, for the purpose of renewing the old, used-up capital, as well as assuring that the consumption needs of the capitalist class are met. So far everything is in order, and Bauer is following naturally in Marx's footsteps.

But now the tricky part begins: expansion of production for the next year, i.e., the accumulation phase, is introduced as follows, with a quotation that we are already familiar with. "In this regard, however, the capitalists want to use the surplus value accumulated by them in the first year for the expansion of existing companies or the founding of new ones."[‡] Here we will not grapple any further with a question we have dealt with above: whether the mere "will" of the capitalist is sufficient. Here we take the position, together with Bauer, that the human will can be very far-reaching and deserves respect.[*] For our part we want only to call attention to the manipulations by which the "sovereign will" of the capitalists is carried through [by Bauer].

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* Ibid., p. 836; cf. *Discovering Imperialism*, p. 726.

† Ibid., p. 863; cf. *Discovering Imperialism*, p. 728.

‡ Ibid.; cf. *Discovering Imperialism*, p. 729.

Bauer's Department I capitalists, it seems, "have the will" to reinvest 12,500 of their surplus value in their own line of business. Why so much? Because Bauer needs this for his calculations to come out even. Well, all right. We will go along with the "will of Bauer" without grumbling, and there is only one thing we would like to be assured of—that he will adhere to his own, freely chosen premises.

All right, then, the capitalists of Department I have decided to throw [*schlagen*] 12,500 of their surplus value into production. But now it turns out that after they had already put 10,000 worth of their commodities into their own constant capital, and had shoved off [*abgestossen haben*] a further 2,500 of those commodities onto the other department [Department II], in order to exchange them for means of subsistence for the additional supply of workers needed in their expanded companies, a remainder still exists out of the total mass of commodities they had in stock, a remainder worth 4,666. They have already done all their consuming, have renewed their old, used-up capital, have put new capital in, for the expansion of production, and it all adds up in fact to the exact amount they had undertaken to spend after consulting with Bauer, and now there is still "a leftover to be carried painfully."† What are they to do with this remainder of 4,666?

However: We should remember that not only in Department I but also in Department II the capitalists "have the will" to accumulate. The capitalists there, too, as we have seen, although the capital they possess is much smaller, have the ambition to invest all of their 12,500, just as those in Department I do, and also to divide it up as they do. They have the vanity to want to imitate their wealthier colleagues, even if this leads them to disregard considerations of technology.

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* Luxemburg here uses a common German saying, *"des Menschen Wille [ist] sein Himmelreich"*—which means, literally "a man's will is his kingdom of heaven," and figuratively often means "whatever a person wants ought to be respected."

† *"Ein Rest zu tragen peinlich"* is a paraphrase of two lines of verse near the end of Part Two of Goethe's *Faust*: "Our task remains to carry painfully a leftover of the earth" (*Uns bleibt ein Erdenrest/Zu tragen peinlich*). The words are sung by angels, whose task is "to carry painfully a remnant of the earth" (*Erdenrest*), i.e. Faust, to heaven, thus cheating Mephistopheles of his desire to claim Faust's soul.

Be that as it may, for the desired enlargement they need an additional portion of means of production from Department I. Could an opportunity be presenting itself here, perhaps, for that department to get rid of its undigestible remainder [of 4,666 in producer goods] in the simplest possible way? But no, everything has happened already, and it has all been accounted for. The enlargement of Department II has already been completed in a planned way, that is, according to the plan devised by Bauer himself. There is no room for anything more, not even the smallest nail. Yet after all is said and done, there is still a remainder worth 4,666 sitting in

Department I. What shall we do now—magic wand in hand? "Where will they find their market?" Bauer asks.[*] Then the following passes before our eyes:

> The capitalists of the consumer goods industries transfer to the producer goods industries a part of the surplus product accumulated in the first year: no matter whether they do this by founding their own factories in which means of production are made; or they transfer through the banks a part of their accumulated surplus value to be used by the capitalists of the producer goods industries; or they buy shares in companies that make producer goods. To this end, the producer goods industries sell goods worth 4,666 in exchange for the capital that was accumulated in the consumer goods industries but is now being invested in the producer goods industries. Thus the capitalists of the consumer goods industries buy, along with the 85,334 worth of producer goods (which had already covered their needs in full—*R. L.*) … an additional quantity of producer goods worth 4,666, which are designated for the manufacture of means of production.[†]

That, then, is the solution: The capitalists of Department I sell their indigestible remainder of 4,666 to the capitalists of Department II, but the latter do not use these means of production in their own department; they "transfer" it back to Department I and use it there for one more round of expansion of the constant capital of Department I.

Again, the task we have before us here is not to try to reach a clearer understanding of the economic fact [asserted by] Bauer, the "transfer" of surplus value from Department II to Department I. Here we follow Bauer blindly, through hell and high water, asking only one thing: Is Bauer adhering to his own premises? In these numerical operations, freely chosen by Bauer himself, is there a procedure that is honest and upright?

To recapitulate, the capitalists of Department I "sell" the remainder of their commodities worth 4,666 to those of Department II, and the latter "buy" them by "transferring" to Department I "part of the surplus value they have accumulated." But wait! What was it they "bought" them with? Where exactly is this "part of their accumulated surplus value," which was used to pay for the sale? [According to Bauer's Table] the entire mass of commodities in Department II—except for that remainder of 1,167—has already gone to meet the consumer needs of the capitalist class of both departments, as well as to carry out the renewal and enlargement of constant capital. (See Bauer's own calculations on his page 865.)[‡]

* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 863; cf. *Discovering Imperialism*, p. 730.

† Ibid.; cf. *Discovering Imperialism*, p. 730.
‡ Ibid., p. 865; cf. *Discovering Imperialism*, p. 731.

Thus, 1,167 worth of consumer goods was all that remained of Department II's surplus value. And that same 1,167, and none other, was then used by Bauer, not to "pay" for the leftover 4,666 in means of production from Department I, but as variable capital to be used for additional workers. Whatever way we twist it or turn it, the Department II capitalists have, flat out, used up their surplus value already. They can empty their pockets but will not find a dime with which to buy those lurking, stored-up 4,666 worth of means of production.

On the other hand, if that purchase had actually taken place, we would have to see it recorded [in Bauer's Table] on the side showing the payments made by Department II. The 4,666 worth of consumer goods exchanged [with Department I] ought to appear there. But where are they? And what is Department I going to do with them? Bauer does not reveal this, uttering not one syllable about it. The mystical 4,666 worth of consumer goods, which must have been exchanged in this "sale,"* have disappeared without a trace. Or should we think about the matter in a different way, along the following lines? Perhaps the Department II capitalists still have some capital in reserve, which is not recorded in Bauer's Table. For all I know, they might have some deposits in the Bank of Germany and will now withdraw 4,666 in cash to pay for that 4,666 worth of means of production? But excuse me! If Bauer was thinking that way when he drew up his Table to illustrate the workings of "total social capital," and all the while was looking out of the corner of his eye at some secret stash of capital reserves he could draw from, if the exchanges in his Table failed to balance out equally, then that would make a mockery of the "schema" drawn up by Marx. However, this is not something to fool around with. Here all the records must be kept honestly, down to the last penny, showing exactly what society possesses in total capital, including the Bank of Germany and the deposits in it, and the entire circulation of social capital must be played out in the framework of this "schema"! All the "how's" and "why's" must be visible in the Table—or else, the entire "schema" and the entire series of calculations are not worth one red cent!

One thing remains quite clear: The manipulations that Bauer performs with his capitalists are idle flimflam and tall tales [*Flunkerei*]. These gentlemen merely go through the motions, as if they were “buying” and “selling” each other 4,666 worth of means of production, but actually there are no means with which they can be purchased.

Thus it is a pure gift, “to earn God’s blessings,” if the Department I capitalists give away the remainder of their mass of commodities to the Department II capitalists. And the capitalists of Department II respond to this magnanimity with equal generosity, so as not to look too shabby by comparison. They immediately return the gift to their colleagues, and to that they add, gratis, their own remainder of consumer goods worth 1,167 (for they likewise have no idea how to dispose of these): [as if to say,] “Here, you people, take it for God’s sake, and then right away you’ll have the variable capital you need to get your superfluous machines into operation.”

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* That is, in return for the 4,666 worth of means of production from Department I.

Thus, as the last act in this accumulation performance (after it has been ended by Bauer in his “carefully planned” way), there turns out to be present in Department I some additional, new constant capital worth 4,666 and variable capital worth 1,167. And Bauer adds a “voilá,” turning to address the public and smiling lightheartedly: “With this the entire product value of both departments, and thus also the entire surplus value, has been realized.”*

> In the same way one may be convinced first hand from Table VII† that not only in the first year but also in the following years the entire product value of both spheres [i.e., both departments] finds a sales outlet without any trouble, and the total surplus value is realized. The assumption of Comrade Luxemburg that the accumulated part of the surplus value cannot be realized is thus wrong.‡

This outcome is highly gratifying. But the joy is considerably dampened by the manipulations used to achieve it. To sum them up roughly, these consist of the following: After the renewal and expansion of the original capital, and the exchanges between the two departments of social production, have been brought to completion, there remains on Department I’s side an unsalable remnant of 4,666 in means of production, and on Department II’s side, a similar remainder of 1,167 in consumer goods. What should one try to do with these two remainders? To begin with [perhaps], try making an exchange, at least with the smaller amount. But then, first of all, there would still be a completely unsalable remainder in Department I, and we would have reduced the numbers but not the dilemma.

Second, and above all, what economic meaning and purpose did the exchange [between the two departments] have? What should Department I try to do with the consumer goods thus obtained? Use them as means of subsistence for additional workers? After that exchange, however, it would no longer have on hand a sufficient quantity of means of production to employ those additional workers. And what should Department II do, for its part, with the new means of production it has obtained? Because through this very exchange [with Department I] it would have given away, and would no longer have on hand, the consumer goods it would need to provide means of subsistence for additional workers in its sphere. Thus the exchange is really unworkable. Both the remainders in this schema would still be absolutely unsalable.

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 865; cf. *Discovering Imperialism*, p. 732.

† In the German original (and in the earlier Tarbuck translation) this is given as "Table IV," but the reference is actually to Table VII.

‡ Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 866; cf. *Discovering Imperialism*, p. 733.

To get himself out of this messy "affair," Bauer now performs a magic trick. First, he *fakes* a "sale" of the unsalable remainder of producer goods from Department I to Department II, without saying a single word to reveal what resources the latter uses to cover that purchase. Second, he lets the Department II capitalists undertake something even more original after the bogus "sale." With these newly gained means of production from Department I, the Department II capitalists make an excursion back to the other department, and there they invest these producer goods, as capital. And third, in addition to that, they take with them on their excursion their own unsalable means of consumption, in order to invest them as well in that other, alien department as variable capital.

One might ask why Bauer faked these light-fingered operations instead of simply leaving the excess means of production right there in Department I and letting them be used there to expand production, as does finally happen after Bauer has performed his prestidigitations [*Winkelzuegen*]. But in that case he would obviously be leaping out of the frying pan into the fire —in particular, he would fall into the quandary of having to explain how this necessary variable capital in the form of 1,167 worth of consumer goods could be dragged over from Department II to Department I.

This is not something that can actually be carried out, because utilization of the products without any remainder by way of an exchange is absolutely impossible. Therefore, Bauer creates a state of muddle and confusion in the course of which there is a flickering in front of one's eyes* with the result that, after several sleight-of-hand operations [*nach einzigen Winkelzuegen*], and as the last act in this bogus demonstration of the process of accumulation, the unsalable remainder of leftover goods from Department I is "merged" into Department II.

At any rate quite a clever innovation has occurred to Bauer here. Marx was the first person in the history of political economy to establish the distinction between the two departments of social production and the first to illustrate schematically the distinction between them, and the interrelations of these two departments. There is a fundamental idea here that placed the whole problem of social reproduction on a new basis and that first made possible its exact investigation.

However, the basic premise adopted by Marx, in making this distinction between the two major departments of social production and presenting his schema describing their workings, is that *exchange relations* are the only relations that exist between these two department—and such relations are in fact the fundamental form of existence for a capitalist economy or any other economy based on commodity production. Marx adheres strictly to this basic premise in the operations he carries out in his schema, just as he adheres with iron consistency to all the premises he adopts.

* That is, a blur of moving fingers (*es einem vor den Augen flimmert*).

Now Bauer comes along, takes the entire construction Marx has erected, and as though merely in passing and without thinking, mixes it all together and boggles it up. Bauer "transfers" commodities here and there, back and forth between one department and the other. And so he goes bustling about, rearranging and refashioning Marx's rigorous schema, whizzing back and forth "like a wild goose in flight"—to use a Polish saying.

Bauer refers to the fact that with the progress of technology, production of the means of production grows at the expense of consumer goods production, and he states that the capitalists of the consumer goods department would accordingly invest one part of their surplus value, by one means or another (through banks, the purchase of shares, or the founding of new companies). That is all well and good. However, these transfers of accumulated surplus value from one branch of production to another can occur only in the form of *money capital*, that absolute and undiscriminating form of capital, which is therefore the form that is indispensable for mediating the shifts and displacements in society's production of commodities. You cannot use unsold and unsalable candles made of stearin to found a new factory for producing machinery, nor buy shares in a coppermine with a warehouse full of unmarketable rubber shoes. What needs to be shown is how, through a process of all-round, many-sided exchange, capitalist commodities are turned into money capital, which is the only form that makes inflow or outflow possible from one department of social production to another. Thus, in a case where one simply "transfers" unsalable products to another department *without any exchange* [of equivalent values] that is merely a meaningless subterfuge.

And just as wonderful is the notion that occurs to Bauer to let one department of social production "found" some new businesses inside the other department. These "departments" do not consist of a roster of individual entrepreneurs. They represent two objective categories conceived of for the purpose of facilitating economic analysis. If a capitalist from Department II wants to use his money capital to "found" a business and engage in the process of accumulation in Department I, that would not mean that the consumer-goods-producing department has begun a joint venture with the means-of-production department. That would be an absurdity in terms of economic analysis. It would only mean that one and the same individual entrepreneur can function simultaneously in both departments of social production. But in that case, in terms of economic analysis, we would be dealing with *two* separate *blocks of capital*, one that turns out means of production and one that produces means of consumption.

That these two blocks of capital might belong to one and the same individual, and that the money capital from the surplus value obtained from both departments might end up being mixed together in that person's pocket—that is objectively, in terms of economic analysis of the conditions of social production—a total and complete irrelevancy. It does not matter one bit.

Exchange remains the only connecting bridge between the two departments; otherwise, if one starts stirring the two conceptions together, as Bauer does, into one formless mishmash, or *pot-au-feu*, then the sturdy construction established by Marx, the fruit of a hundred years of striving toward clarity by the science of political economy, collapses completely. And the analysis of the process of socioeconomic production dissolves into chaos—the chaos in which Say and similar lost souls wandered for years, keenly whacking their wizard's staffs at the fog-filled air.

Nota bene: Bauer himself, to begin with, proceeded from the same premise [adopted by Marx]. For example, at the beginning of the process of contructing his Tables, he says: "Accordingly in the second year the value of the products of the department turning out consumer goods must amount to 188,000, because the consumer goods *could only be exchanged for this value amount*."* In the same way, after the construction of his Tables has been completed and accumulation is set to begin, he asks: "Who will buy these goods?"† Thus Bauer assumed that he himself would [successfully] manage to show an orderly process of accumulation, in the sense that the total mass of commodities produced by society [in one year] would be exchanged between the two departments without any unexchanged remainder being left over. And now, at the conclusion of the process, when portions of commodities still remain on his hands after various exchanges between the two departments, he helps himself out of a tight spot in this way—he has the two departments shove gifts off onto each other, and he allows one department to blunder into the other one's territory. Thus, right at the beginning, Bauer abandons his own premises, and at the same time abandons the basic conditions of Marx's schemas.

And now a third example.

It is well known that Marx, in his schematic presentation of accumulation, adopted the premise that there would be an unchanging relationship‡ between constant capital and variable capital and likewise that the rate of surplus value would remain unchanged even if capital was growing progressively.[§] In my book [*Accumulation of Capital*], among other things, I contended that this assumption was not in keeping with the realities of life, even though it helps make the schema unfold smoothly and come out evenly. I held that account should be taken of the fact that in view of the actual [rapid] progress of technology, a gradual shift would occur, a step-by-step displacement, in the ratio between constant and variable capital, and that this, along with the lack of growth in the rate of surplus value, would pave the way for insuperable difficulties in Marx's schemas, and it would become evident that the process of capitalist accumulation would be impossible if it remained trapped in the context of the reciprocal relations [*Wechselbeziehungen*] of purely capitalist industry alone. (See my *Accumulation of Capital*, pp. 279–316.)[*]

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 837; cf. *Discovering Imperialism*, p. 727.

† Ibid., p. 863; cf. *Discovering Imperialism*, p. 729.

‡ That is, an unvarying ratio.

§ This is another way of saying that Marx assumes away transformations of the technical components of the production process in his formulas of expanded reproduction, as part of his effort to present the matter in what he calls "its fundamental simplicity."

Now Bauer in his Tables, unlike Marx, takes technological progress very much into account and calculates that from year to year such progress will cause constant capital to grow twice as fast as variable capital. Indeed, in his further elaborations he assigns a decisive role to technological progress in causing the changes from one conjunctural economic situation to another. But what do we see on the other hand? In the same breath, "in order to simplify the investigation," Bauer assumes a firmly fixed and unchanging rate of surplus value.[†]

It should be noted that the method of scientific analysis plainly allows one to abstract from actual conditions for the purpose of simplifying the investigation into a particular subject, or to freely make combinations as appropriate to the goal being pursued at the moment. The mathematician may reduce or enlarge his equation as he chooses. The physicist, in order to clarify the relative velocity of falling bodies, may undertake experiments in a vacuum. In the same way, for specific purposes of inquiry, the political economist may set aside certain real conditions of economic life.

Throughout Volume 1 of *Capital*, Marx proceeds from two assumptions: (1) that all commodities are sold at their value; and (2) that wages paid correspond in full to the value of labor-power, although it is well known that in practice these assumptions are contradicted at every step. Marx geared this procedure to his purpose, to show that even under such conditions, favorable to the worker in every way, capitalist exploitation is still carried out. His analysis therefore does not break off from following an exact procedure scientifically. On the contrary, it is precisely in this way that he gives us an unshakable foundation for an accurate evaluation of day-to-day practice and its variations.

But what would people say to a mathematician who multiplied one side of his equation by two, but left the other side unchanged, or divided it by two? What would they think of a physicist who, in comparing the relative velocity of two different falling bodies, observed one falling through a vacuum and the other falling through normal atmosphere? That is how Bauer proceeds. Marx consistently and plainly assumes a fixed rate of surplus value in all his schematic presentations of economic reproduction, even though one can regard this assumption as inadmissible or improper for the whole of Marx's investigation into the problem of accumulation. But in the assumption he made [about the rate of surplus value] and within the limits of that assumption, Marx proceeded quite consistently. He also disregarded the question of progress in technology everywhere, in all cases.

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* This refers to the first two chapters of Part III of her *Accumulation of Capital*, chapters 25 and 26, entitled "Contradictions within the Schema of Expanded Reproduction" and "The Reproduction of Capital and Its Milieu." See pp. 235–64 in the present volume.

† Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 835; cf. *Discovering Imperialism*, p. 724.

Bauer sets matters up in a way that differs even more widely [from Marx's approach]. He assumes, as Marx did, a fixed rate of surplus value, but at the same time, unlike Marx, he assumes a steady and powerful increase in technological progress! However, while taking technological progress into account, he does not allow for the rate of exploitation to rise at all—and thus we have two simultaneous conditions, each of which flies in the face of the other, and they cancel each other out. Thus, he magnanimously leaves it to us to test all his operations under the assumption of a rising rate of surplus value, which he "provisionally" excludes, and he assures us that, even so, everything will proceed to universal satisfaction. It's too bad Bauer didn't think this "trifle" worth the effort of testing it himself. Instead, exactly like some other masters of mathematics, he decided to take a break from his artful methods of calculation and because of other pressing matters that prevented him, to turn his back on us just at the point when actual testing and verification should have begun.[9] With testing and verification, at least an arithmetical proof of Bauer's assertions could have been offered. What he has offered, however, is not of any help in making a scientific analysis; it is only blundering and a botched-up job, which can explain nothing and prove nothing.

Up to now I have not spoken a single word about the economic content of Bauer's Tables. I have only tried to show by a few examples what methods he uses and how poorly he adheres to his own preconditions. I have also gone carefully into his lies and manipulations, but not just to score cheap points by exposing the clumsiness of his schematic operations. Many of the sunken rocks he foundered on[*] could easily have been sailed around, as has been done by rather more skillful constructors of Tables—Tugan-Baranovsky, for example, is a greater master at this art than the present gentleman under discussion—although not much would be proved by so doing. The point to be made here is that the ways in which Bauer makes use of Marx's schemas, inducing such confusion with his Tables, shows clearly how little he understands about how to proceed with these schemas.

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[*] The idiom to *umschiffen Klippen* also means "negotiate obstacles" (not just literally to "steer around reefs or rocks").

Eckstein, Bauer's colleague in the "body of experts," may very well give him a good dressing-down for his "thoroughgoing misunderstanding of Marx's schematic presentations," his "total incapacity for dealing with Marx's 'schemata.'" But for my part, I content myself with the few samples

I have given, which I have done, not because I want to act as a harsh taskmaster toward Bauer, as his Austro-Marxist colleague [Eckstein] does, but in reply to the following naïve declaration Bauer made:

> Rosa Luxemburg insists on pointing to the arbitrary aspects of Marx's "schemata" … But we seek to present an adequate illustration of Marx's line of thinking and to direct our investigation toward providing a schematic presentation freed of all arbitrariness. Therefore, we have put forward "schemata" here that, *because we have adopted premises that no longer contain any elements of arbitrariness, [have] numerical magnitudes that follow one another with much more compelling necessity*. (Bauer's italics.)[*]

Well, Bauer must forgive me if, after the examples given above, I would much rather stick with the uncorrected Marx for all the "arbitrariness" of the schematic presentation [in Volume 2 of *Capital*]. In our concluding section we will still have an opportunity to see what a difference there is between the errors of Marx and the bloopers [*Schnitzern*] committed by his "expert" epigones.

Bauer knows not only how to instruct me—thoroughgoing fellow that he is—but also how to explain where I went wrong. He has discovered the roots of my mistake: "The assumption of Comrade Luxemburg that the accumulated surplus value could not be realized is also wrong." That is what he writes after his Tables have been resolved successfully "leaving no remainder" as a result of the manipulations described above. "How is it possible that Comrade Luxemburg arrived at this wrong assumption?" Then this amazing explanation follows:

> We have assumed *that the capitalists already in the first year have purchased those means of production that will be set into motion in the second year by employing additional numbers of the working population, and that the capitalists already in the first year have purchased those means of consumption that in the second year they will sell to the added numbers of the working population*.[†]

And again:

> Rosa Luxemburg believes that the accumulated part of surplus value cannot be realized. In fact, it cannot be realized *in the first year* if the raw material elements of the added productive capital … are to be purchased only in the second year.[‡]

And that is the essence of the poor fool's [*Pudel*] argument. [According to Bauer,] I never knew that if you wanted to get a factory going in 1916 you would have to make arrangements in 1915 for the necessary buildings, the purchase of machinery and raw materials, and find the means of consumption for the prospective workers. What I imagined was that a factory operation could be started one year, and the structures inside which it would operate could be obtained later. I thought you employed the workers first and then planted the crops of rye from which their bread would be baked! Well, this really is something to laugh at—and not least because such "revelations" are served up on the pages of a supposedly scientific publication representing Marxism.

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 837; cf. *Discovering Imperialism*, p. 728.
† Ibid., p. 866; cf. *Discovering Imperialism*, p. 733. The emphasis is by Bauer.
‡ Ibid.; cf. *Discovering Imperialism*, p. 734.

Otto Bauer really believes, then, that Marx's formulas have something to do with "years," and the good man goes to great effort over the course of two printed pages to explain things to me in more "popularized" fashion with the help of three-part formulas using both Greek and Latin letters of the alphabet.* However, Marx's schematic presentations of capital accumulation have absolutely nothing to do with calendar years. What Marx was getting at was the *economic metamorphosis* of commodities, the fact that in the capitalist world the sequence of economic events goes like this: production—exchange—consumption, then again production—exchange—consumption, and so on in an endless chain. Since exchange is the unavoidable intermediate phase that must be passed through by all capitalist commodities, and since it is the only connecting element between producers and consumers, the exact time when the commodities are realized is not a matter of prime concern in relation to profit-making and accumulation. Those depend on the two following hard-fisted realities:

1. That in the case of the "collective capitalist,"† just as in the case of each individual capitalist, one cannot undertake any expansion of production until the bulk of the existing commodities have been exchanged.

2. That the "collective capitalist," as is true for each individual capitalist, does not undertake any expansion of production if an expanded market does not beckon to him.

Where does the capitalist class as a whole find a growing market as the basis for its accumulation? That was the question. And Bauer finally gives the following detailed explanation [about that problem]:

> In reality the accumulated surplus value is realized in capitalist society. The realization comes about by stages, gradually. For example, as a rule the means of subsistence that in the second year are used for the maintenance of an additional supply of workers were probably already produced in the first year and sold by the producers to the wholesalers, to the commercial capitalists engaged in the wholesale trade; part of the surplus value that is embodied in these means of subsistence is thus realized already in the first year. The realization of the second part of this surplus value then follows only in the course of the second year with the sale of these means of subsistence from the wholesaler to the retailer and from the latter to the workers … To this extent our model ["schema"] is a true picture of reality.‡

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* Ibid., pp. 836–7; cf. *Discovering Imperialism*, pp. 726–7.

† That is, the capitalist class as a whole.

‡ Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 868; cf. *Discovering Imperialism*, p. 736.

Here Bauer at least gives a comprehensible illustration of how he imagines the realization of surplus value to take place, whether in the first year or the second year. This happens when the means of subsistence are sold by the producers to the wholesalers and by the latter to the retailers and finally by the corner grocer to "the additional supply" of workers. In the final analysis, then, it is the workers who realize the surplus value for the capitalists, helping them transform it into shiny pieces of gold. To this extent, Bauer's schema is a true reflection of the individual capitalist's horizon, and of that of his Sancho Panza theorist, the vulgar economist of the bourgeois school.

Obviously the individual capitalist does not give a hoot about who will be the purchaser of his goods. It could be any Tom, Dick, or Harry, a worker just as well as another capitalist, a peasant just as well as an artisan, a foreigner just as well as a native. No matter to whom he sells, the individual capitalist still puts his profit in his pocket, and the entrepreneurs of the food industry stash their profits away by selling their commodities to the workers just as well as the entrepreneurs in the luxury trade do when they sell their crystal, gold, and diamonds to the wives of the "upper 10,000."

But when Bauer, without even noticing that he's doing it, transfers this banal wisdom from the individual entrepreneur to capital as a whole, into the sphere of total social capital, it seems that he is unable to distinguish between the conditions of total social reproduction and those of the reproduction of the individual capital. And so one must ask, what in the world was the point of Marx writing Volume 2 of *Capital*? That volume contains the heart of Marx's theory of reproduction, and that is the decisive achievement made by this "astonishing work," to quote from Bauer's colleague Hilferding. Marx extracted this discovery from a wasteland of contradictions for the first time, after futile attempts by Quesnay and Adam Smith, and by those who later echoed them in shallow and superficial ways. At last, with classical clarity Marx pointed out the fundamental distinction between these two categories: individual capital, on the one hand, and total social capital, on the other, revealing all the variations and the laws of motion connected with this distinction. Let us explore Bauer's conception from this angle—and also let us use the simplest of means and methods.

Where do the workers get the money with which they supposedly realize the surplus value of the capitalists when they purchase their means of subsistence? The individual entrepreneur obviously does not give a damn where his customers get their mammon from as long as they have some, whether it be a loan or a gift or the fruit of theft or prostitution. For the capitalist class as a whole the unshakable reality is the fact that it was only from the capitalists themselves that the workers, in exchange for their labor-power, obtained the means to purchase the needs of life—that is, their wages. They receive their wages, as I have already shown in detail above, in accordance with the conditions of commodity production in the modern era, in dual form: first as money, then as commodities, and in this process the money returns over and over again to its starting point, the pockets of the capitalist class. This circulation of variable capital totally exhausts the buying power of the workers; that is the extent of their interaction through exchange with the capitalists. Thus if the means of subsistence are sold to the working class, that does not mean *socially*[*] that capital has realized its surplus value. It only means that variable capital in both money form and commodity form (money wages and wages in kind) has been forked over in precisely the same amount [as is later spent by the workers], and thus capital retrieves in money form what it paid out at a previous time. This so-called realization of surplus value, according to Bauer's recipe, would therefore come down to the process in which the capitalist class over and over again exchanges a portion of new capital in commodity form for an equal portion of its own capital, which it had previously paid out in money form. The capitalist class constantly carries out this transaction in reality, because it must undergo the sad necessity of paying for labor-power, handing over part of the social product as means of subsistence to the worker, so that in return those workers produce new surplus value in commodity form. But still, the capitalist class never imagines that through this constantly repeated business transaction it has "realized" surplus value. It was to be Bauer's destiny to make this earth-shattering discovery.[10]

By the way, Bauer himself had a vague awareness that the transformation of surplus value into variable capital represented anything but "the realization of surplus value." But he spoke not one syllable about that, for example, as long as he was talking about the renewal of variable capital on the old scale—i.e., on the same scale as previously. This magic trick[†] first begins with his concept of an "additional supply of workers."[‡] Workers who have been employed by capital for years simply receive wages—first in money, then in means of subsistence—and in return for that they produce surplus value. In contrast, workers freshly hired with the expansion of a business, manage to achieve even more: They "realize" their surplus value for the capitalists, and this is how they do it—in return for the money wage received from the capitalists, they purchase means of subsistence from those same capitalists!

Generally speaking, the only thing workers "realize" for their own benefit is to sell the only commodity they possess—their labor-power—and they have done enough for capital when they *produce* surplus value. But if one refers to the workers as "an additional supply," then they are expected to bring about a double miracle for capital: (1) to produce surplus value in the form of commodities; and in addition, (2) to help with the "realization" of that surplus value into money!

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* That is, in terms of society as a whole.

† *Kunststück*—i.e. claiming that the conversion of surplus value into variable capital was the same thing as "realization of surplus value."

‡ *Bei den "zuschüssigen Arbeitern"*—i.e., those resulting from growth of the working population.

Here we have arrived, fortunately, at the ground floor of Volume 2 of *Capital*; we have come to some elementary concepts about the process of economic reproduction, and now there is quite clear evidence of how strongly Bauer feels called upon not only to elucidate Marx's Volume 2 but in particular to "free" Marx's exposition from its contradictions and "arbitrary features" and to provide "adequate expression for Marx's line of thinking."

Bauer crowns the general part of his critique of my book with the following passage:

> Comrade Luxemburg believes that the commodities in which α and β[*] are embodied (for ordinary mortals, this means "the commodities in which a particular amount of surplus value has been placed [and is stored up] for later capitalization"—*R. L.*) must be sold outside the capitalist world in order for the realization of the surplus value objectified within them to become possible. But what kind of commodities are these? They are the means of production that the capitalists need to enlarge their apparatus of production, and they are the consumer goods that will be needed to nourish the added component in the growth of the working population.

And Bauer cries out in astonishment at my slow-wittedness [*Begriffsstutzigkeit*]:

> If these commodities were flung away [*hinausgeschleudert*], out of the capitalist world, then in the following year no extended stage of the ladder of production would be possible at all—neither the creation of the necessary means of production for enlarging the apparatus of production nor the creation of the necessary means of subsistence for nourishing an increased number of workers. *The removal of this part of surplus value from the capitalist market would not, as Rosa Luxemburg thinks, make accumulation possible, but rather, it would make any accumulation impossible*. (Bauer's italics.)[†]

And again in the concluding part of his article [he states] categorically:

> The part of the surplus product in which the accumulated surplus value is embodied cannot be sold to peasants and petty bourgeois in the colonies, because it is needed in the capitalist motherland itself, in order to enlarge the apparatus of production.[‡]

Saints be praised! Can one find words for such a conception and for "criticism" like this? Here we are completely in the realm of economic innocence. Indeed this is on the level of that good old boy [*Kreuzbraven*] von Kirchmann or the honorable Russian arch-confusionist Vorontsov. Bauer believes in all seriousness that if capitalist commodities are "flung away" [*hinausschleudert*] upon noncapitalist social strata or noncapitalist countries, they disappear outright as if they had been dumped into the ocean, and that this leaves a gaping hole in the capitalist economy!

* Greek letters alpha and beta.
† Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 868; cf. *Discovering Imperialism*, p. 736.
‡ Ibid., p. 873; cf. *Discovering Imperialism*, p. 742.

In his zeal for abstract wool-gathering about Marx's "schemata" he did not notice what any schoolchild knows nowadays—that when commodities are exported they are not destroyed, but are *exchanged*, and that as a rule *other commodities* are purchased in those noncapitalist countries or from those non-capitalist social strata, and those newly purchased goods serve once again to supply the economy of the capitalist homeland with means of production and means of consumption! With pathos Bauer describes as terribly damaging to capitalist business, and as blindness or delusion on my part, a phenomenon that has been an everyday reality in the history of capitalism from its first day right down to the latest moment!

Astonishing things, for sure. From the 1820s through the 1860s, English capitalism continually "flung away" its own means of production, iron and coal, into North and South America, which were [mostly] noncapitalist at that time: yet it did not perish as a result, but flourished and developed rosy cheeks. And it brought back [to England] from those same Americas—cotton, sugar, rice, tobacco, and later, grain. Today with fiery ardor, German capitalism "flings away" its machines, iron and steel ingots, locomotives, and textile products to noncapitalist Turkey, and instead of perishing as a result, *it is more than ever ready to set all four corners of the world ablaze in order to monopolize for itself, on a much more all-embracing and comprehensive basis, this type of "damaging" business*.

In order to open up the possibility of "flinging away" their own capitalist commodities to noncapitalist China, England and France waged bloody wars in East Asia for three [or more] decades [in the nineteenth century].* And at the beginning of the twentieth century the united capitalist powers of Europe undertook an international crusade against China.† Indeed in Europe itself, right here under our noses, trade with peasants and artisans, that is, noncapitalist producers, is one of the everyday experiences of capitalist industry, as everyone knows, and at the same time it is one of the most indispensable conditions for the existence of that industry. Yet here comes Otto Bauer, suddenly providing us with this revelation: If the capitalists were to take the commodities that they or their workers had not themselves consumed, and "flung them away" onto the noncapitalist milieu, any and all accumulation would become impossible! As if capitalist development would have been possible, in contrast to what happened historically, if from the beginning it had been limited in sources of means of production and consumption only to that which it produced itself!

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* A reference to the Opium Wars waged by England and France to "open up" China, in 1839–42 and 1856–60.

† A reference to the suppression of the Boxer Rebellion in China by the "Great Powers" in 1900 and after. Luxemburg neglects to mention at this point Japan's role in this "crusade" against China.

That is how people can entangle themselves through excessive zeal for woolgathering in the realms of theory! But this is characteristic of the whole trend of epigone "experts" on the theory and practice of Marxism—and later on, below, we will find further confirmation of this many times. As they plunge deeper into an abstract "schema," losing all sense of reality, the more unfazed they are about waving their staffs around as they wander through the fog of theory, and the more pitifully they stumble against the hard-fisted realities of life.

With that we are finished with all preliminary matters relating to Bauer. We have become acquainted with his methods and ways of operating. Now the main issue remains: his "population theory."

2. THE "NEW" POPULATION THEORY OF OTTO BAUER

"Every society whose population is growing in number must expand its production every year. This necessity will exist just as much for a socialist society of the future as for the capitalist society of the present, just as it did for [the systems of] simple commodity production or for peasant economy in the past, which produced only to meet their own needs."*

That is Bauer's solution to the question of accumulation in a nutshell. For accumulation to occur, capital needs an ever-expanding market, which will make the realization of surplus value possible. Where does this market come from? Bauer's answer is this: The population of capitalist society grows just like that of every other society, and with it grows the demand for commodities, and with that the foundation is laid for accumulation in general. “In the capitalist mode of production there exists *the tendency toward adjustment of accumulation of capital to the growth of population*.”[†] From this crucial initial point Bauer subsequently derives the characteristic laws of motion of capitalist society and its various forms.

First of all [Bauer asserts] there is an *equilibrium* between production and population, that is, a median around which gravitate the various fluctuating conjunctural economic situations.

Bauer assumes, by way of example, that population grows 5 percent yearly:

“Thus, for equilibrium to be maintained, variable capital must also increase by 5 percent yearly.”[‡] Since progress in technology is rising steadily, that means that constant capital (dead means of production) will grow at the expense of variable capital (wages for workers), and Bauer therefore assumes, in order to emphasize this point quite strongly, that constant capital will grow twice as fast as variable capital, that is, 10 percent yearly.

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 834; cf. *Discovering Imperialism*, p. 723.

† Ibid., p. 871; cf. *Discovering Imperialism*, p. 738.

‡ Ibid., p. 870; cf. *Discovering Imperialism*, p. 737.

It is on this basis that Bauer constructs his “flawless and irreproachable” Tables, whose operations we have already become acquainted with, and that should only be of interest to us from now on for their economic content. In these Tables, Bauer has somehow or other allowed the total social product to be sold off smoothly. Bauer then concludes: “The expansion of the field of production, which constitutes one of the preconditions for accumulation, is here provided for by the growth of population.”[*]

Therefore the condition that variable capital must grow as quickly as population is the starting point for Bauer’s “state of equilibrium,” in which accumulation proceeds so smoothly. Let us stop for a moment to consider this supposed “basic law of accumulation.”

The population grows, according to Bauer’s “model,” by 5 percent yearly, and therefore the variable capital must also grow by 5 percent, but what exactly does that mean? After all, “variable capital” is a magnitude of value, the total sum of wages paid to workers, expressed in a particular amount of money, although this could represent quite different quantities of consumer goods. On the basis of an assumption of overall progress in technology and therefore of rising productivity of labor, the result must be a relatively smaller and smaller amount of variable capital corresponding to a particular quantity of consumer goods. Thus, let us say, if population grows at the rate of 5 percent annually, then variable capital would only need to grow at the rate of 4¾ [the first year], 4½ [the next], 4¼ [the next], then 4 percent, etc., in order to make possible the same standard of living.

Bauer does adopt the premise of universal, all-around progress in technology, and his way of expressing this is that he immediately assumes that constant capital will grow twice as fast as variable capital. Given this assumption, there is only one case in which it would be conceivable that variable capital would increase at a rate equal to the growth of population—and that would be if, in spite of the rapid and sustained advance of technology in all branches of production (and thus a continually rising productivity of labor), if the prices of commodities were always to remain unchanged. But not only would that be the burial, theoretically, of Marx's doctrine about the law of value, but also in practice it would be incomprehensible from the capitalist's standpoint. It is precisely the lowering of the prices of commodities that is seen as a weapon in the competitive battle among individual capitalists, and that is why they are motivated to act as pioneers in introducing more advanced technology.

But wait! Shouldn't we think this matter over a bit more along the following lines? In spite of the rising productivity of labor and the consequent cheapening of the means of subsistence, money wages (i.e., variable capital as a magnitude of value) remain unchanged, because the standard of living of the workers rises in accordance with the progressive advance of technology. Here the social advancement of the working class would be taken into account. Nevertheless, if this rise in the living standards of the workers is a strong and persistent one, so that year in and year out variable capital (the total sum of wages in money form) must grow at the same rate as the working population, this would mean nothing more and nothing less than that all the progress in technology, all the advantages of rising productivity of labor, would be of benefit exclusively to the workers; that is to say, aside from a certain rise in their own standard of living, the capitalists would not increase the rate of surplus value at all. In fact, as we know, Bauer assumes in his Tables an unchanging rate of surplus value. And actually he now says he would assume this "in advance" and "for the sake of simplicity," in order to accomplish two purposes: (1) to lend us a helping hand, to aid us in our slow-wittedness, and (2) to make it easier for us to climb onto the first rung of his [new and brilliant] theory. In reality, however, this assumption—as it is now presented—is the *economic buttress* undergirding Bauer's theory of accumulation. His entire concept of a "state of equilibrium" rests upon this notion of an equilibrium between the production and consumption processes in society!

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* Ibid., p. 869; cf. *Discovering Imperialism*, p. 737.

Bauer himself explicitly admits as much:

> Our schema (Table IV) assumes that (1) *the number of workers grows by 5 percent annually*; (2) variable capital grows in the same proportion as the workers; (3) constant capital grows more quickly than variable capital because of the heightened demands of technological progress. *In view of these assumptions* it is not astonishing that no difficulty arises in the realization of surplus value. (Emphasis added—*R. L.*)[*]

Yes, but these assumptions themselves are "astonishing" to the highest degree. Because, unless we are floating around, waving a staff in the clear blue ether, rather than standing on the flat and solid ground of capitalist reality [we have to ask]: What is the stimulus in general for the capitalist class to invest in more advanced technology? Why does it pour ever-greater sums into constant capital (into dead means of production) if the entire result of such technological progress is solely for the benefit of the working class? In Marx's view the only objective motive for the capitalist class as a whole to promote advanced technology in production consists in the creation of "relative surplus value," intensification of the rate of exploitation by lowering the cost of labor-power. Also according to Marx, that is the actual objective result unconsciously aimed at in the competitive struggles among individual capitalists for extra profit. Thus Bauer's astonishing assumption is utterly impossible economically, as long as capitalism exists. If one assumes progress in technology, as he does, i.e., rising productivity of labor, it follows as plain as day that it is quite impossible for variable capital, the sum total of wages in money form, to grow “in the same proportion” as the growth of population. So then, the situation is such that if population grows yearly at a fixed rate, then variable capital can only grow at a constantly *decreasing* rate—let us say at 4⅚, 4⅘, 4¾, 4½ percent, etc. And in reverse: to make variable capital grow with the regularity of 5 percent yearly, the population would have to grow at an increasing rate—let us say 5¼, 5½, 5¾, 6 percent, etc.

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* Ibid.; cf. *Discovering Imperialism*, p. 737.

With that, however, the law of “equilibrium” that Bauer set up collapses like a house of cards. It is sufficient to point out that his assumption of a “state of equilibrium,” the starting point for his entire theory that accumulation adjusts to population growth—that assumption is caught on the horns of a dilemma consisting of two economic absurdities, both of which contradict the real nature and purpose of accumulation, since his theory holds that progress in technology either does not make commodities cheaper at all or that this cheapening* exclusively benefits the workers and does not contribute to accumulation for the capitalists!

Let us look around a bit now to see what the reality is. Bauer’s assumption of a 5 percent yearly growth of population is of course only a theoretical postulation. He could just as well have chosen 2 percent or 10 percent. However, the *actual* growth of population [in the real world] is not a matter of indifference. According to Bauer, capitalist development must adjust to population growth. This is the basic principle on which his theory of accumulation rests. But what does reality tell us, for example, about the actual population growth in Germany?

The yearly increase in population was 0.96 percent, according to the official statistical data for the period from 1816–64, and in the period from 1864–1910, it was 1.09 percent. In reality then, the increase of population increased its tempo somewhat, so that from 1816 to 1910, nearly a century, the average yearly increase went from 0.96 percent to 1.09 percent, an entire 0.13 percent. Or if we focus only on the period of Germany’s large-scale capitalist development, the yearly increase in population amounted to 1.0 percent from 1871 to 1880, 0.89 percent from 1881 to 1890, 1.31 percent from 1890 to 1901, and 1.41 percent from 1900 to 1910. Thus here, too, there is a gain over the course of forty years of an entire … one-third of 1 percent! How compatible or realistic does that seem in comparison with the unparalleled roaring tempo of growth for German capitalism during the last quarter of a century!

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* That is, the lowering of the prices of commodities.

Still more splendid prospects open up if we consider the other capitalist countries, where the yearly increase of population, according to the latest censuses that have been taken, is as follows:

Name of country	*Percent*
Austria-Hungary	0.87
European Russia	1.37
Italy	0.63
Romania	1.50
Serbia	1.60
Belgium	1.03
Netherlands	1.38
England, Scotland, and Ireland	0.87
U.S.	1.90
France	0.18

One can see, from both the absolute numbers given here for population growth and by comparing the different countries with one another, that from the standpoint of population growth as the supposed basis for capital accumulation, wonderful results have been achieved.

For the sake of trying to salvage Bauer's hypothesis about an annual 5 percent increase in population, we would have to go to warmer climes. To find such figures in the real world, we must go to places like Nigeria or the Sunda Islands.* The yearly population growth in those regions, according to the latest census figures, has actually been as follows:

Name of country	*Percent*
Uruguay	3.77
British Malaya	4.18
South Nigeria	5.55
North Borneo	6.36
Hong Kong	7.84

What a terrible pity! What a crying shame that such lush green meadowlands for the accumulation of capital should beckon so invitingly in places where, of all things, no capitalist production exists, and that the prospects dwindle drearily down to a kind of scraggly wasteland the closer we come to the ancestral sites and company headquarters of capitalism!

Let us now make a more careful and precise examination of the matter. Bauer says that capital accumulation is dependent on the growth of population, and that the former adjusts exactly to the latter. How do things look, then, in the case of France, for example? Here population growth has been steadily declining. According to the latest census figures, such growth has been only 0.18 percent. Thus it is evident that population growth [in that country] is slowly coming to a standstill, perhaps even to a decline in absolute terms. But despite its stagnating population France continues merrily on, accumulating so well that with its reserves of capital it can invest everywhere in the world. In Serbia we see population growing twice as fast as in England, but everyone knows that the intensity of capital accumulation in England is far greater than in Serbia. How are we to make sense of all this?

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* The Sunda Islands are in the Malay Archipelago.

The answer to these doubts [Bauer would say] is that to raise such questions is merely to reveal a slowness of comprehension.* It is impossible [he would say] to apply his theory to any one country and its population by themselves alone; his eye is fixed on population in general, on all of humanity. What ought to come under consideration, then, is something like the total increase of the whole human race. But then even more peculiar riddles arise.

It is clear without any need for further discussion that for capitalist accumulation the yearly additional growth of "the whole human race" can only be meaningful to the extent that this "humanity" becomes the buyer and consumer of capitalist commodities. There can be no doubt that the gratifyingly rapid growth of population in southern Nigeria and northern Borneo is not of much account as a basis for accumulation of capital. Is there any real connection, generally speaking, between the natural growth of population and the process of expanding the circle of commodity-buying customers for capitalism? One thing is certainly clear: If capitalism had waited for the natural increase of its original circle of consumers, it would probably still be lying in swaddling clothes in the stage of manufacture, or would not even have advanced that far. In actuality, capital never dreamed of waiting. Rather, it seized upon other, more abbreviated and abrupt methods to expand the basis for accumulation to suit itself: using all available means of political violence to storm the ramparts of (1) the natural economy, and (2) simple commodity production. And by the successive ruination of both these forms of production it created ever-widening circles of customers for capitalist commodities in all parts of the world. However, these methods intersected in extremely drastic ways with the growth of population in the newly encountered regions, and among the tribes and races of those regions. In this way the wars of European capital to "open up" China led to periodic rampages of mass slaughter against the Chinese population, inevitably causing a slowdown in its natural growth.

Thus, the circle of commodity-buyers can grow even while the population is *decreasing*. The capitalist method of creating a world market is carried out by a storming of the primitive natural economy hand in hand with the decimation and even extermination of entire tribal peoples. This process has accompanied capitalist development since the [European] discovery of the Americas, whether it be the Spanish in Mexico and Peru in the 1500s, the English in North America in the 1600s, and in Australia in the 1700s, the Dutch in the Malay Archipelago [for centuries], the French in North Africa and the English in India in the 1800s, and the Germans in [Southwest] Africa in the early 1900s.

* *Begriffstutzigkeit*; i.e., dimwittendess.

While the broadening of the basis for capital accumulation in the noncapitalist lands is linked in this way with the partial extermination of the population, in the lands where capitalist production had its roots, accumulation is accompanied by shifts or displacements of a different kind that also tend to reduce the natural growth of population.

In all the developed capitalist countries in recent times, we see two contradictory trends affecting the two basic "factors," birth rate and death rate. The number of births has generally and persistently been in decline. Thus, in Germany, the birth rate per 1,000 inhabitants has been: 1871–80, 40.7; 1881–90, 38.2; 1891–1900, 37.3; 1901–10, 33.9; in 1911, 29.5; in 1912, 29.1. The same trend becomes clearly apparent when the highly developed capitalist countries are compared with those that are lagging behind. The number of births per 1,000 inhabitants (for 1911 or 1912) was in Germany, 28.3; in England, 23.8; in Belgium 22.6; and in France, 19.0; but in Portugal it was 39.5; in Bosnia-Herzegovina, 40.3; in Bulgaria, 40.6; in Romania, 43.4; in Russia, 46.8. All the statisticians, economists, and physicians attribute this phenomenon to the effects of life in big cities, to factory conditions, to the insecurity of existence, to the rise in cultural and educational levels, etc.—in short, it can be traced back to the effects of capitalist culture.

At the same time the modern development of science and technology and the same cultural advancement have provided mechanism for a successful fight to reduce the mortality rate. Thus, per 1,000 inhabitants of Germany there were 28.8 deaths in the period 1871–80; 26.5, in 1881–90; 23.5, in 1891–1900; 19.7, in 1901–10; 18.2 in 1911; and 16.4 in 1912. The same picture emerges when the highly developed capitalist countries are compared with the more backward. The death rate per 1,000 inhabitants (for 1911 or 1912) in France was 17.5; in Germany, 15.6; in Belgium, 14.8; in England, 13.3; but in Russia it was 29.8; in Bosnia-Herzegovina, 26.1; in Romania, 22.9; in Portugal, 22.5; and in Bulgaria, 21.8.

Depending on which of the two factors had the more powerful effect, the result has been a quicker or slower addition to the size of the population. In every case and in every respect, however, with the development of capitalism, with the accompanying phenomena of social, economic, physical, and mental life, *it is the accumulation of capital that influences and determines population growth, and not vice versa*. Indeed a general assertion can be made: capitalist development has had one main impact on the laws of motion of population; to wit, to a greater or lesser extent it has generally contributed to a slowing down of population growth. Hong Kong and Borneo vs. Germany and England, Serbia and Romania vs. France and Italy—these contrasts speak clearly enough.

After all this, the conclusion that follows is obvious, as if it were lying on the palm of your hand: Bauer's theory stands reality on its head, and with it the real relations among things. In his schematic constructions Bauer has capital accumulation adjust to the natural growth of population. But in doing this he totally loses sight of an everyday fact of ordinary reality, known to all the world, that capitalism itself is far more the molder and shaper of population [than vice versa]. At one point it carries out mass extermination; at another it speeds up the growth of population, and at still another slows it down. And the overall, concluding result is this: *the faster accumulation goes, the slower the added growth of population*.

What a fine confusion it is for a historical materialist—to forget to look around at reality and to ask himself, after he has made capital accumulation dependent on population: Well then, what does the growth of population depend on? As Friedrich Albert Lange said at one point in his *History of Materialism*:

> In Germany even today we have so-called philosophers who, with a kind of metaphysical muddleheadedness write lengthy treatises about the formation of ideas—applying "exact observation by means of the inner sense [only]," without even thinking about the fact that in their own house there are children's rooms where one could at least observe the symptoms with one's own eyes and ears.[*]

I do not know if there are still "philosophers" like that in Germany today, but the species of "metaphysical muddleheadedness," that wishes to solve social problems through exact schematic calculations utilizing only the "inner sense," while forgetting about eyes and ears, the real world, and even children's rooms, seems to have found worthy "heirs to the legacy of classical German philosophy" in the form of the present-day "experts" of official Marxism.

A FINER KETTLE OF FISH

But this fine kettle of fish gets even finer. Up until now we have been considering the conditions of overall population growth, because Bauer gives the impression, or pretends, that his theory of accumulation is based on that. In reality his theory has a different basis. When he speaks of "the population" and of "population growth" he is actually referring to the class of wageworkers under capitalism—and to them only!

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* See Friedrich Albert Lange, *Geschichte des Materialismus und Kritik seiner Bedeutung in der Gegenwart* (Erstdruck: Iserlohn, 1866), p. 147. For an English translation, see *History of Materialism and Critique of its Present Significance*, Vol. 1 (London: Kegan Paul, Trench, Trübner & Co., 1892), p. 320.

To demonstrate this, the following passages suffice:

> We assume that the population grows yearly by 5 percent. If the equilibrium (between production and the needs of society—*R. L.*) is to be maintained, then *variable capital* (that is, the sum total of wages paid—*R. L.*) must also increase yearly by 5 percent.*

If consumption by the population, the basis on which production is calculated, is the same as variable capital, i.e., the total amount of wages paid, Bauer can only be talking about the wageworkers when he uses the term "population." And he formulates this himself quite explicitly:

"The provision of means of subsistence for the additional population is expressed in the increase of variable capital (i.e. of total wages—*R. L.*)."† And [he states this] even more categorically in a passage I have already quoted:

> Our schema (in Table VII) assumes that (1) *the number of workers grows by 5 percent annually*; (2) variable capital grows in the same proportion as the workers; (3) constant capital (i.e. what is paid for nonliving means of production—*R. L.*) grows more quickly than variable capital because of the heightened demands of technological progress. *Given these assumptions* it is not astonishing that no difficulty arises in the realization of surplus value.‡

Nota bene: according to Bauer's assumption, there exist only two classes in society, workers and capitalists. He says for example, a few lines further on: "[In] a society that *consists only of capitalists and workers*, the jobless proletarians can find no source of income other than income from wages."§ This assumption is not made accidentally or just stated in passing, but is of overriding importance for Bauer's approach to the problem. In fact he finds this assumption convenient; it suits him, as with the other "experts," precisely in order to demonstrate, against me, that according to his "schema," even in a society consisting exclusively of capitalists and workers the accumulation of capital would be possible and would proceed smoothly. Thus, in Bauer's theory, only two social classes remain, all in all, capitalists and workers. But capital accumulation is oriented [in his theory] only toward the proletarian class. In this way, by first stating an explicit assumption, Bauer reduces the population as a whole to capitalists and workers alone, and then through his unstated [*stillschweigend*] sleight-of-hand operations he manipulates his "schema" until only workers remain. They are "the population" to whose needs, he claims, capital adjusts. So it is to be understood that when Bauer takes a "yearly 5 percent population growth" as the basis for his schematic presentation it means that only the *working population* grows by 5 percent annually. Or are we somehow supposed to conceive of this growth of the proletarian stratum as being a partial manifestation of a general equal-sized growth of the entire population by 5 percent yearly? But that would be a completely new discovery—in light of the fact that Marx already established theoretically, and professional statisticians have long demonstrated in practice, that in present-day society each social class follows its own "law of population."

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 835; cf. *Discovering Imperialism*, p. 724.

† Ibid., p. 834; cf. *Discovering Imperialism*, p. 724.

‡ Ibid., p. 869; cf. *Discovering Imperialism*, p. 737.

§ Ibid.; cf. *Discovering Imperialism*, p. 736. The emphasis is Luxemburg's.

Actually Bauer is not thinking in terms of an equal rate of growth for all parts of the population. In any case this rate does not apply to the capitalists in his "schema." Their annual growth is by no means 5 percent, as can easily be demonstrated.

On Bauer's page 835,* he includes a "consumption fund" for his capitalists over a four-year period, listing one year after the other with the following amounts: 75,000 in the first year, 77,750 in the second, 80,539 in the third, and 83,374 in the last. Bauer assumes that the wages of the workers will grow in exact proportion to these sums. We may well assume that the capitalists, in the lifestyle they maintain for themselves, will at least do no worse than the workers, and that the income to be used for the capitalists' consumption needs will keep pace with their own growth. If that is so, then it becomes evident from Bauer's schema that over these four years we get the following annual growth, respectively, for the capitalist class: 5 percent in the second year, 3.6 in the third, and 3.5 in the fourth. If things continued that way, Bauer's capitalists might soon begin to die out, providing a most distinctive solution to the problem of accumulation.

Certainly it is not our purpose here to worry about the personal fates of Bauer's capitalists, but we can establish in this way that when Bauer continually speaks about the growth of the population as the basis for accumulation, he is speaking continually about the growth of the class of wageworkers only.

Finally, Bauer says it flat out, in so many words, on his page 869: "Its augmentation (i.e., that of the rate of accumulation—*R. L.*) must thus continue until *the equilibrium between the growth of variable capital and the growth of population is restored*."[†] In addition there is his statement on page 870:

> Under pressure from the industrial reserve army, the rate of surplus value rises and with it the overall rate of accumulation, as long as the latter is large enough, despite the rising organic composition of capital, to increase *variable capital just as quickly as the increase of the working population. As long as that is the case … the equilibrium between accumulation and population growth will be restored*.[‡]

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[*] Ibid., p. 835; cf. *Discovering Imperialism*, p. 725.
[†] Ibid., p. 869; cf. *Discovering Imperialism*, p. 737. The emphasis is Luxemburg's.
[‡] Ibid., p. 870; cf. *Discovering Imperialism*, p. 738.

Again [he says this] just as distinctly, and as though he were stating a general rule, on his page 871:

> In capitalist society there exists *the tendency for the adjustment of capital accumulation to the growth of the population*. This adjustment occurs as soon as variable capital (and thus, the total of wages—*R. L.*) increases just as quickly *as the working population* (emphasis added—*R. L.*), while constant capital grows at an even faster rate, as required by the development of productivity.[*]

Finally, in perhaps the most lapidary form of all, at the end of his article, Bauer gives this quintessential summary:

> To begin with (in an isolated capitalist society, such as lies at the basis of his schema—*R. L.*), *accumulation is limited by the growth of the working population* ... Because—with the given organic composition of capital—*the amount of accumulation is defined by the growth of the available working population*.†

Thus it is clear as day: Under the pretext that capital accumulation adjusts to population growth, Bauer makes it appear as though capital orients itself toward the working class and its natural growth. We specify "toward its *natural* growth," because in Bauer's society, which knows no middle classes, in which there are still only capitalists and proletarians, recruitment of the proletariat from among the small craftsmen and peasant strata is excluded in advance, and therefore natural propagation is the only method for increasing [the working-class population]. It is precisely this adaptation toward the proletarian population that Bauer makes into a kind of on-and-off tap, or spigot, for the constantly changing *conjunctural economic situation* under capitalism. From this point on our task is to test his theory.

As we have seen: The equilibrium of social production and consumption is reached [according to Bauer] when variable capital, that is, the part of capital designated for the payment of wages, grows just as quickly as the working population. But capitalist production has a mechanical inclination to be yanked out of equilibrium again and again, now turning downward—toward "underaccumulation"—and now upward—toward "overaccumulation." To begin with, let us observe the entire motion of this pendulum, or the ups and downs of this seesaw.

If "the first rate of accumulation" is too weak, Bauer says, i.e., if the capitalists have not laid aside enough new capital to invest in production, "then the growth of variable capital remains behind the increase of the job-seeking population. We can call the condition that sets in then the condition of *underaccumulation*."‡

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* Ibid., p. 871; cf. *Discovering Imperialism*, p. 738. The emphasis is Luxemburg's.

† Ibid., p. 873; cf. *Discovering Imperialism*, p. 738. The emphasis is Luxemburg's.

‡ Ibid., p. 869; cf. *Discovering Imperialism*, p. 737. The emphasis is Bauer's.

Now Bauer describes the situation in more detail. The first effect of "under-accumulation" is the formation of an industrial reserve army. Part of the added population remains jobless. Because of the jobless, there is pressure on the wages of employed workers, wages fall, and the rate of surplus value rises:

> Because in a society that consists of only capitalists and workers, jobless proletarians can find no income other than income from wages, *wages must fall for so long, and the rate of surplus value must rise for so long* (emphasis added—*R. L.*), until the point is reached where, despite the relatively reduced variable capital, the working population as a whole finds employment.
>
> The changed distribution of the value produced that takes place in this way is caused by the fact that with the rising organic composition of capital, in which technological progress is expressed, *the value of labor-power* has fallen and therefore *relative surplus value* has been created.

From this addition to surplus value there now arises a fresh fund for the capitalists, which contributes to a renewed and stronger [rate of] accumulation, and from that, in turn, the result is a livelier demand for labor-power. "Thus the mass of surplus value also grows, which is applied to the enlargement of the variable capital." Its enlargement in this way must continue to take place until such time as "*the equilibrium between the growth of variable capital and the growth of the population is restored*."* Thus we are led out from "underaccumulation" back to equilibrium. Here half of capital's swing of the pendulum around the position of economic equilibrium has been described for us, and before we go on we want to pause a bit to look more closely at this first act of Bauer's theatrical production.

The state of equilibrium means—let us remind ourselves again—that the demand for labor-power and the growth of the proletarian population balance each other, and thus the working class as a whole with its natural augmentation is able to find employment. From this equilibrium point, production will now be accelerated, and the growth of the proletariat will lag behind the demand for labor. By what means will production be accelerated? What carries this first swing of the pendulum on past the midpoint of equilibrium? Admittedly for ordinary mortals this is rather a hard nut to crack—trying to figure out the answer from the learned gibberish [*Kauderwelsch*] Bauer presented us with above. Fortunately he helps us out in our weakness by using a style that is somewhat less obscurantist on the next page, where he says: "Over and over again, progress toward a higher organic composition of capital brings about underaccumulation."†

That is at least clear and concise. The answer, then, is *progress in technology*, which causes living labor to be displaced by machines, thus periodically causing a relative weakening in the demand for workers, the formation of an industrial reserve army, the lowering of wages—in short, [a return to] the condition of "underaccumulation."

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* Ibid.; cf. *Discovering Imperialism*, p. 736. The emphasis is Bauer's.

† Ibid., p. 870; cf. *Discovering Imperialism*, p. 738.

Let us confront Bauer with Marx.

1. With underaccumulation, says Bauer, "the value of labor-power falls," and because of that, "relative surplus value" is formed, which serves to contribute to a new accumulation fund.

Allow me to object! If [as Bauer says] because of the introduction of machines "a part of the added population is left jobless," and if, because of the pressure of these jobless, "wages fall," that would not at all mean that "the value of labor" was lowered. Rather, the *price* of the commodity called labor-power (money wages) would *fall*, solely because of the excess supply of that commodity at its existing *value* (i.e., given the cultural level and standard of living that workers have attained).

However, relative surplus value originates, according to Marx, not at all because wages fall below the value of labor-power due to a reduced demand for workers, but because—and Marx repeats this countless times in Volume 1 of *Capital*—the living costs of labor-power have grown cheaper. And this explicitly assumes that the price of labor-power, i.e., the worker's wage, remains *equal* to its real value; in other words, the demand for labor-power and its supply remain in equilibrium; that is, as a result of a process that Bauer has directly rejected! As we have seen, Bauer declares that for equilibrium to *exist*, it is absolutely necessary that there be an exactly proportional "growth of variable capital and of the working population."

To put it more simply: Bauer derives the formation of new capital, from which he wants to obtain the means for feeding or supplying future accumulation —he derives it solely from *pressure on wages*, under the pretense that this is "relative surplus value," [and he asserts that] this pressure comes to bear on the workers only during a downturn in the economic conjuncture.

2. What kind of peculiar economic law is that for the movement of wages—that they must "continually fall until the entire working population finds employment"? Here we also encounter another original phenomenon —that the lower wages fall, the higher the rate of employment rises. At the point of deepest decline for wages the entire reserve army is employed! On the solid ground where we live, things usually occur exactly the other way around: The decline of wages [normally] goes hand in hand with increasing unemployment, and rising wages with growing employment. When wages reach their lowest point the industrial reserve army is customarily at its largest, and at the highest level of wages it has been absorbed, to a greater or lesser degree.

But even more peculiarities are to be found in Bauer's schema.

From the vale of tears called underaccumulation, capitalist production helps itself up again by a means that is as simple as it is difficult: It is precisely the deep downward plunge of wages that enables the capitalists to scrape together some new savings. (Because of Bauer's small misunderstanding of Volume 1 of Marx's *Capital*, he gives this process the misnomer of "relative surplus value.") In this way the capitalists obtain a new fund for making investments and expanding production, thus reviving the demand for labor-power. Again we find ourselves, not on solid ground, not on terra firma, but in the strange world [and rarefied atmosphere] of Baueresque "society." How very likely it is that nowadays capital would find it necessary to scrape together "a few extra pennies" through a general lowering of wages before it could dare to engage in new investments or other undertakings! There would first have to be a universal and long-lasting decline in wages, a reduction to the lowest possible level, in order for the necessary new investment capital to be obtained in this way! In Bauer's world of abstract speculation, where capitalism has supposedly reached the highest imaginable stage of development, where all intermediate social strata have been absorbed, where the entire population has been transformed into nothing but capitalists and workers—[how is it that] in a society like this there suddenly turn out to be no capital reserves? It lives entirely from hand to mouth, as though it had returned to the times of "the good Dr. [John] Aikin" in the eighteenth century.*

In this Baueresque society one institution seems not to be had at all—*the banks*. Yet here below on earth, banks have long since accumulated and are keeping gigantic capital reserves hidden away, waiting only for the proper market opening to plunge in regardless of wage levels. We see the feverish accumulation under way at the highest rungs of the ladder, right in the midst of a powerful upward climb of industrial wages, as all the belligerent and neutral countries put their capital reserves into operation to bring the bloody harvest of the World War as quickly as possible into the barns of profit making. That reality is the harshest conceivable satire on the frail and consumptive capitalism of Bauer's fantasy. His imagined form of capitalism—only someday, after the longest time, and only by driving the workers down to the lowest level of destitution [*Dürftigkeit*]—finally manages to scrape together enough fat, so that only then it can attempt new high-risk ventures, new exploits in the field of accumulation. For it should be noted well what Bauer emphasizes once again in his description of regained equilibrium:

> Under the pressure of the industrial reserve army the rate of surplus value rises and with it the general social rate of accumulation *as long as this becomes large enough*, despite the increasing organic composition of capital, and keeps pace with the growth of the working population. *As long as that is the case*, the industrial reserve army is absorbed (n.b. this is the second time already, because the first time was when wages were at their lowest level, i.e., in the depths of "underaccumulation" —*R. L.*), and the equilibrium between accumulation and population growth is restored. (Emphases added—*R. L.*)*

* See Marx's *Capital*, Vol. 1, p. 742. There seems to have been a typographical error in the German text, which has "16th century," instead of the correct "18th." Aikin's book, quoted by Marx, was published in 1795, and describes the coming of the industrial revolution around Manchester, England, over the course of the eighteenth century.

This regained equilibrium is now followed immediately by the next phase, or deviation, in the swing of the pendulum—upward, toward "overaccumulation." Bauer describes this process with exceptional succinctness:

> The social rate of accumulation rises (thanks to the well-known "downward pressure on wages"—*R. L.*), so that it conclusively reaches a point at which variable capital grows faster than population. The condition ushered in, in this case, we call the condition of *overaccumulation*.†

With these two sentences the subject is exhausted. Bauer does not reveal anything more about the genesis of "overaccumulation." Previously he did give us at least one impulse that again and again brought underaccumulation into being—progress in technology—but with this opposite swing of the pendulum, he leaves us to rely on our own wits, pitifully inadequate though they be. We learn only that the accumulation rate (i.e., the formation of capital suitable for investment) is caught up in an ascending pattern, but this can only last until the demand for labor-power exceeds its supply. Yet why must it [the accumulation rate] "conclusively" reach this point? Is it because of some physical law of inertia? Will it continue to rise just because, after all, it is already in the course of rising? But it is generally true that, under the pressure of unemployment, wages fall. It is from *this decline in wages* that the additional growth of disposable capital arose. But in any case, this additional growth can last only until all of the jobless have found work, and that occurs, in this peculiar society of Bauer's at the extreme lowest depths of "underaccumulation."‡ Once the working population as a whole is employed, in this strange society, wages stop falling and in fact begin to rise gradually, just as they do on our planet. But as soon as wages start to rise again, the accumulation rate, which according to Bauer has its origins only in this source, immediately ceases to rise, and thus the formation of new capital certainly must also recede. And so how can the accumulation rate, after the jobless are all employed, keep rising further untiringly so as to "conclusively" attain to the condition of overaccumulation? We wait in vain for an answer.

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 870; cf. *Discovering Imperialism*, p. 738.

† Ibid.; cf. *Discovering Imperialism*, p. 738. The emphasis is Bauer's.

‡ The previous five lines are missing in the Tarbuck edition of *Anti-Critique*.

We must remain in the dark about the *origins* of "overaccumulation," and things go no better for us with the last act of Bauer's theatrical production—the process by which overaccumulation is thrown overboard, canceled out, and turned back to the midpoint of the equilibrium.

> If the rate of accumulation is too great (it is understood, as always, that this is in relation to available labor-power and its added growth!—*R. L.*), then the reserve army is quickly absorbed (which has now happened to it for the third time—*R. L.*). Wages rise, and the rate of surplus value falls.

The profit rate falls even faster in the latter case, as it would anyhow because of the rising organic composition of capital. The result of all this is a “devastating crisis,” with enormous amounts of capital left to lie fallow, “massive destruction of values,” and a steep plunge in the rate of profit. Now accumulation slows down again, and “the growth of variable capital once again lags behind the growth of population.”* And already we are sliding down once more into “the condition of underaccumulation,” with which we are so familiar.

But why in the world does this “devastating crisis” break out in Bauer’s world at the height of “overaccumulation”? *For Bauer*, “overaccumulation” means nothing other than that variable capital is growing faster than the working population. Stated more simply, this means: the demand for labor-power exceeds the supply provided by the labor market. Is one of the full-scale industrial and commercial crises of the modern era supposed to break out *because of that*?

Bauer definitely tries to help himself at this point by quoting from Hilferding:

“At the moment when the tendencies causing the rate of profit to fall, which have just been described, assert themselves against the tendencies for prices and profits to rise as a result of increasing demand—that is when a crisis sets in.”† This quotation from Hilferding can explain nothing with regard to Bauer, because in itself it is not an explanation, but only a rough outline of what happens in a crisis, with the use of big, heavy words. Nevertheless, aside from that, the quotation from Hilferding lands with a big burst in the middle of Bauer’s murky speculations, approximately the same way that a heavy roofing-stone would land on a dung heap at a henhouse.

In Bauer’s entire presentation there exists neither a rising nor a falling demand for commodities, which might have an effect on “the tendencies of prices or profits to rise.” With Bauer there is only one dance with two dancing partners: variable profit and the proletariat (“the population”). The entire pattern of motion of accumulation, the central axis of its “equilibrium,” its ups and downs relative to this axis, shows itself solely in the form of the reciprocal relations of these two protagonists: variable capital and the proletariat. There is no discussion whatever in Bauer about demand for commodities or the market for commodities and market difficulties; he doesn't utter one syllable about them. Overaccumulation consists accordingly, in Bauer, of nothing other than an excess of variable capital, i.e., a demand for labor relative to its natural growth. This is the only "demand" that ever comes under consideration for Bauer during the entire time of his discussion. And a crisis is supposed to break out *because of that*? A "devastating crisis" to boot? This magic trick is only meant to fool us!

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 871; cf. *Discovering Imperialism*, p. 739.

† Ibid.; cf. *Discovering Imperialism*, p. 739.

Of course, of course, on solid ground where the rest of us live, it is not uncommon that just before the outbreak of a crisis a conjunctural economic situation may exist in which the demand for workers is at the highest level of tension and wages are caught in an upward spiral. But here on solid ground the latter phenomenon is not the *cause* of the crisis but a "harbinger" of its coming, as Marx says in Volume 2 of *Capital*.[*] It is merely a *phenomenon* secondary to other factors—namely conditions in *production* and *market* conditions.

Whatever theoretical explanation one might wish to give about the deeper connections underlying the periodic commercial crises of the modern era, they obviously result, in the real world perceptible to everyone, from a disproportion between production, i.e. the supply of commodity products, and the market, i.e. the demand for commodities. Contrariwise, for Bauer, for whom the question of markets and commodities does not exist at all, periodic crises are the result of the disproportion between the demand for labor-power and the natural propagation of the workers! *Because* the workers are not reproducing as rapidly as capital's rising demands require, a "devastating crisis" breaks out! [For Bauer] the periodic shortage of workers is the only cause of economic crises. This is surely one of the most stunning discoveries of political economy, not only since Marx, but since William Petty, and an achievement worthy of crowning all the other notable laws that govern capital accumulation and capitalism's changing conjunctural situations in the [strange] world of Baueresque society.

Now we know the movement of capital in all its phases, and Bauer puts the whole thing together to reach the following harmonious conclusion:

> The capitalist mode of production bears within itself the mechanism that causes accumulation that has fallen behind population growth (he means "growth of the working population"—*R. L.*) to once again adjust to population growth.†

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* See *Capital*, Vol. 2, p. 487.

† Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 870; cf. *Discovering Imperialism*, p. 738.

And again [he states] with the greatest emphasis:

> When the capitalist world economy is observed as a whole, something becomes evident in the industrial cycle—the tendency for accumulation to adjust to population growth (again he means "growth of the working population"—*R. L.*). Prosperity is overaccumulation. It abolishes itself in an economic crisis. The depression that now follows is a time of underaccumulation. It also eliminates itself, or transcends itself, by the fact that depression produces from within itself the conditions for a return to prosperity. *The periodical recurrence of prosperity, crisis, and depression is the empirical expression of the fact that the mechanism of the capitalist mode of production automatically eliminates, or transcends* [aufhebt] *overaccumulation and underaccumulation, and the accumulation of capital over and over again adjusts to the growth of population* (he means "growth of the working population"—*R. L.*)*

Now there can certainly be no more misunderstanding. Simply stated, Bauer's "mechanism" consists solely of the following: In the center of the capitalist world economy stands the working class. It and its natural growth are the given quantity, the axis around which economic life turns. Around this axis swings variable capital (and with it, in technologically requisite proportions, constant capital). At one point the amount of available capital is too small to employ all of the proletariat; then because of low wages some additional growth is squeezed out, but soon that becomes too much for the proletariat to keep up with, so then part of the capital destroys itself in an economic crisis—in all cases the entire movement of present-day production, including its conjunctural variations, represents only the eternal striving of capital to adjust its size to the numbers of the proletariat and their natural increase.

That is the quintessence of Bauer's "mechanism," his elaborate mathematical sleights of hand in his Tables, and his explanations of these.

By now it will probably have occurred to readers who are at all well versed in Marxism to wonder what Copernican achievement, realigning the basic laws of the capitalist economy, lies before them in the form of Bauer's accumulation theory. In order to appreciate the full glory of this achievement, we will still have to acquaint ourselves with how Bauer, proceeding from his newly discovered center of gravity, finds himself in a position to explain, offhandedly, even playfully, all the other, partial phenomena of the capitalist economy.

We are already acquainted with the constantly changing conjunctural situations under capitalism, i.e., the deviations of the capitalist economy over the course of time. Bauer now proceeds to elaborate on its spatial differentiation:

> International relations are dominated by the tendency of accumulation to adjust to population growth (he means "growth of the working population"—*R. L.*). Countries with constant, lasting overaccumulation make investments abroad with a large and growing part of the surplus value that accumulates in them every year. Example: France and England. (And Germany, too, I would hope!—*R. L.*) Countries with constant, lasting underaccumulation attract capital to themselves from other countries and export labor-power abroad. Example: the agrarian countries of Eastern Europe.*

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* Ibid., p. 872; cf. *Discovering Imperialism*, p. 740. The emphasis is Bauer's. The German verb *sich aufheben* and the related noun *Aufhebung* in the above passage have special connotations coming from Hegel's philosophical terminology. It simulatenously means to negate, preserve, and overcome, and is often translated into English as "sublate." Bauer may have deliberately chosen the verb *aufheben* to add an element of Hegelian language to his theory that capitalism automatically transcends its own difficulties—by repeatedly "adjusting" to population growth.

What a marvelous ring this has to it! How concise and clear! One can see plainly the smiling satisfaction with which Bauer is able to solve the most complicated problems with his newly won basic precept, as though he were playing a children's game. Let us also try our hand at this game, making just a few easy moves.

There are countries "with constant, lasting overaccumulation" and countries with "constant, lasting underaccumulation." What is meant by "overaccumulation" and "underaccumulation"? The answer is right there on the next page: "Prosperity is overaccumulation … Depression is a time of underaccumulation." Accordingly, the countries with continual and lasting prosperity are: France, England, Germany! And the countries with lasting depression are: the agrarian countries of Eastern Europe! Wonderfully easy, isn't it?

Second question: What is the cause of underaccumulation? The answer is on the same page previously quoted: "Over and over again, progress toward a higher organic composition of capital (or more simply, technological progress—*R. L.*) brings about underaccumulation." † According to this, then, the countries with constant underaccumulation must be those in which technological progress is at work most persistently and energetically—but the ones with constant underaccumulation are "the agrarian countries of Eastern Europe." Those with constant overaccumulation must be the countries with the slowest and weakest progress in technology—but they are France, England, Germany. Again, isn't this great fun?

Evidently the crowning structure on Bauer's edifice is "the North American Union" [i.e., the U.S.], which manages to be the country that *simultaneously* has "lasting overaccumulation" and "lasting underaccumulation." It has the most energetic technological progress as well as the slowest technological progress, with both long-lasting prosperity and prolonged depression. And this is because—oh wonder of wonders!—it attracts *simultaneously* and "lastingly" both capital and labor-power from other countries.

MARX VS. BAUER

Let us confront this "mechanism" of Bauer's with Marx.

The quintessence of Bauer's theory is that capital has a tendency to adjust to the available working population and its growth. For Bauer the term "overaccumulation" means that capital has grown too quickly by comparison with the proletariat, and "underaccumulation," that it has grown too slowly by that same comparison. An excess of capital and a shortage of labor-power, or a shortage of capital and an excess of labor-power—those are the two poles of accumulation in Bauer's "mechanism." What do we find in Marx?

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 873; cf. *Discovering Imperialism*, p. 740.

† Ibid., p. 870; cf. *Discovering Imperialism*, p. 738.

Bauer, in the midst of his explanations, weaves in a passage from Volume 3 of Marx's *Capital* dealing with "overaccumulation," thereby making it seem as though his, Bauer's, theory were merely a "faultless" restatement of Marx's conception. Here is what Bauer says after he has arrived at the condition he calls "overaccumulation": "Marx describes the condition of overaccumulation as follows."

> Thus as soon as capital has grown in such proportion to the working population that neither the absolute labor-time that this working population provides nor its relative surplus labor-time can be extended (the latter not being possible in any case in a situation where the demand for labor was so strong, and there was thus a tendency for wages to rise); where, therefore, the expanded capital produces only the same mass of surplus value as before, there will be an absolute overproduction of capital; i.e., the expanded C and ΔC will not produce any more profit, or will produce even less profit, than the capital C did before its increase by ΔC. In both cases there would even be a sharper and more sudden fall in the general rate of profit, but this time on account of a change in the composition of capital that would not be due to a development in productivity, but rather to a rise in the money value of the variable capital (on account of higher wages) and to a corresponding decline in the proportion of surplus labor to necessary labor.*

To the above quotation Bauer attaches a little tail [*ein Schwänzchen*]: "This point marks *the absolute limit of accumulation*.† This point being reached, there follows, amid a devastating crisis, the adjustment of accumulation to the growth of population," etc. (As always with Bauer, when he says "population" he means "working population."—*R. L.*) From the above, the uninformed reader must surely assume that what is under discussion *in Marx* is exactly the same as in Bauer—the continuous adjustment of capital to the working population—and that Bauer was only saying it more concisely and with his own words.

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* See Marx, *Capital*, Vol. 3, translated by David Fernbach (New York: Penguin, 1981), pp. 261–2.

† Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 871; cf. *Discovering Imperialism*, p. 739. The emphasis is Bauer's.

Now, [it so happens that] in the same chapter of Marx's work almost immediately preceding the quotation given by Bauer there appears the following:

> This plethora (i.e., excess—*R. L.*) of capital arises from the same causes that produce a relative surplus population and is therefore a phenomenon that complements the latter, even though the

> two things stand at opposite poles—unoccupied capital on the one hand and an unemployed working population on the other.[*]

What are we to make of this? According to Bauer, "overaccumulation" means nothing else but an excess of capital *relative to the growth of the working population*, and thus an excess of capital is always identical with a shortage of the working population, just as "underaccumulation," i.e., a shortage of capital, is always identical with an excess of the working population. For Marx it is exactly the other way around. Excess of capital is simultaneous with excess of the working population, both stemming from the same circumstances—from a third cause.

And in the same chapter *after* the passage quoted by Bauer, somewhat further along, on page 238 [of the fourth German edition, Marx says]:

> It is no contradiction that this overproduction of capital is accompanied by a greater or smaller relative surplus population. The same causes that have raised the productivity of labor, increased the mass of commodity products, extended markets, accelerated the accumulation of capital, in terms of both mass and value, and lowered the rate of profit, these same causes have produced, and continue constantly to produce, a relative surplus population, a surplus population of workers who are not employed by this excess capital on account of the low level of exploitation of labor at which they would have to be employed, or at least on account of the low rate of profit they would yield at the given rate of exploitation.[†]

On the same page Marx continues:

> If capital is sent abroad, this is not because it absolutely could not be employed at home. It is rather because it can be employed abroad at a higher rate of profit. But this capital is absolutely surplus capital for the employed working population and for the country in question. It exists as such *alongside the relative surplus population, and this is an example of how the two things exist side by side and reciprocally condition one another*. (Emphasis added—*R. L.*)[‡]

That is certainly clear enough. But what heading does Marx use for this whole chapter (a heading never quoted by Bauer)? It is this: *"Surplus Capital Alongside Surplus Population*."[§] And yet a peculiar notion occurred to Bauer, that he could ornament his own "mechanism" with a quotation from Marx's chapter [as we have shown] and by directly tacking his own sentence onto that quotation give the impression that he was merely restating Marx's view! Actually, Marx's lapidary chapter heading stands as the condensed expression of Marx's theory in this part of his book—by itself alone this heading deals such a powerful blow to Bauer's construct that his whole ingenious "mechanism" goes tumbling down.

* *Capital*, Vol. 3, p. 359.
† Ibid., p. 364.
‡ Ibid., pp. 364–5.
§ Ibid., p. 359.

One thing is clear: Bauer's "overaccumulation" and Marx's are two entirely different economic concepts; in fact, they are opposites!

In Bauer, overaccumulation is identical with a period of prosperity, with the highest demand for labor-power and absorption of the industrial reserve army. In Marx, a surplus of capital goes hand in hand with a surplus of workers and the greatest degree of unemployment, and thus overaccumulation is identical with economic crisis and the deepest depression. Bauer explains: periodically there is too much capital because there are too many workers. Marx explains: periodically there is too much capital *and consequently too many workers*. The real question is: In relation to *what* is there "too much" of either? [The answer is:] In relation to the market or sales possibilities existing under "normal" conditions, that is, conditions that ensure receipt of the required profit. Since the market for capitalist commodities periodically becomes too narrow, part of the capital must be left to lie fallow and *therefore* part of the labor force as well. In Marx, the connections between economic causes and effects are as follows:

The starting point at any moment is the *market* for capitalist commodities (meaning in fact a market with "normal" prices, that is, prices that include at least the average profit). The amount of capital that can be put to use at any given moment is oriented toward this market and its fluctuations. The orientation toward these, at a secondary level, as it were, also determines the size of the employed working population. Marx shows this at every turn in Volume 3, Part One, of *Capital*.

Thus on page 226 [of the fourth German edition], he talks about the "internal contradiction" of capitalist production, which seeks resolution "by extending the external field of production."* Bauer also speaks at one point about "extending the external field of production," which is necessary for accumulation, and again he attaches a little tail in the spirit of his own *idée fixe*, and again, evidently, this is supposed to be an abbreviated restatement of the phrase used by Marx above.

* Ibid., p. 353.
† Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 872; cf. *Discovering Imperialism*, p. 740.
‡ *Capital*, Vol. 3, p. 353.

"The field of production is expanded by the growth of the population."† As usual, by "population" Bauer means "working population." Marx, however, gives a plain and clear elucidation of what he means by the phrase "extending the external field of production." His immediately preceding sentence again has a lapidary quality: "*The market, therefore, must be continually extended*"‡ (italics mine—*R. L.*). Likewise, on page 237 [of the fourth German edition] after a description of economic crises and how they are overcome [Marx states]:

> And so we go round the whole circle again. One part of the capital that was devalued by the cessation of its function now regains its old value. And apart from that, with expanded conditions of production, *with an expanded market*, and with increased productivity, the same cycle of errors is passed through again.* (Emphasis added—*R. L.*)

And in the same way, on page 238, as we have seen:

> The same causes that have raised the productivity of labor, increased the mass of commodity products, *expanded the markets*, accelerated the accumulation of capital, in terms of both mass and value, and lowered the rate of profit, these same causes have produced, and continue constantly to produce, a relative surplus population, a surplus population of workers who are not employed by this excess capital, etc.† (Emphasis added—*R. L.*)

Here the matter is as plain as if it were lying on the palm of your hand, right in front of you. When Marx speaks of "extending the external field of production," i.e., *expanding markets*, he could *not* have meant the growth of the working population. Because expansion of the markets goes hand in hand here, as a parallel phenomenon, with the workers being rendered superfluous, with the swelling of the army of the jobless, and therefore with the sharp contraction, or shriveling up, of the purchasing power of the working class!

It is the same on page 239: "it is said that (in economic crises—*R. L.*) there is no general overproduction, but simply a disproportion between the various branches of production," but this also means that "*countries where the capitalist mode of production is not developed are ... required to consume and produce on a level that suits the countries of the capitalist mode of production*"‡ (emphasis added—*R. L.*).

Here Marx expressly traces the crisis back, not to a disturbance in the relation between disposable capital and the disposable working population, but to a disturbance in the exchange between capitalist and noncapitalist lands, and in fact he treats this exchange here, in passing [*beiläufig*], as the self-evident basis for accumulation!

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* Ibid., p. 364.
† Ibid.
‡ Ibid., pp. 365–6.

And likewise, a few lines further on:

> How … could there be a lack of demand for those very goods that the mass of the people are short of, and how could it be that *this demand has to be sought abroad, in distant markets*, in order to pay the workers back home the average measure of the necessary means of subsistence?* (Emphasis added—*R. L.*)

Again Marx has stated clearly and distinctly here what it is that the employment rate of workers in the capitalist countries depends on: the possibility for capitalist commodities to find sales outlets "in distant markets."

With that Bauer's references to Volume 3 are pretty well exhausted. But what about the following little sentence that Bauer quotes from Marx's *Theories of Surplus Value*? "An *increasing population* appears to be the basis of accumulation as a continuous process."† Isn't the whole of Bauer's "mechanism" contained in a nutshell in these words? Well, actually, what Bauer did here again is simply to pick a raisin out of the cake. If you read the entire passage, it comes out rather differently.

Here Marx is investigating the conditions of "Transformation of Revenue into Capital,"‡ that is, the productive investment of surplus value. His analysis is that this [transformation] could be brought about only in the following way: The additional, new portion of capital must be transformed into one part constant capital—certainly the largest part—and the other, smaller part into variable capital.

> To begin with, a portion of the surplus value (and the corresponding surplus product in the form of means of subsistence) has to be transformed into variable capital, that is to say, new labor has

> to be bought with it. *This is only possible if the number of laborers grows* or if the labor time during which they work is prolonged.§ (Emphasis added—*R. L.*)

The latter occurs if workers previously employed only part-time become fulltime employees or if the workday is increased above its normal length. And further on, consideration is given to [the hiring of] strata of the proletariat who until then had not worked in production: women, children, paupers.

> *Finally* [says Marx], *together with the growth of the population in general, the laboring population can grow absolutely. If accumulation is to be a steady continuous process, then this absolute growth in population*—although it may be decreasing in relation to the capital employed —*is a necessary condition*.¶ (Emphasis added—*R. L.*)

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* Ibid., p. 366.

† See *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32 (New York: International Publishers, 1989), p. 110.

‡ See Ibid., pp. 103–74.

§ Ibid., pp. 109–10.

¶ Ibid., p. 110.

Now there follows the little sentence that Bauer tore out of context: "Population increase appears as the basis of accumulation as a continuous process."*

That is what Marx says on the same page of *Theories of Surplus Value* from which Bauer, supposedly, has brought onto the field a classical piece of testimony in support of his "mechanism." If the reader is to gather anything from the passage cited, the first obvious thing is the following train of thought on Marx's part:

If accumulation, i.e., the expansion of production, is to take place, then additional labor-power is also needed for that purpose. Therefore, *without* a growing population of workers, no continuous expansion of production can occur. This is obviously understandable, by the way, to even the most simple-minded worker. And it is only in *this sense* that population increase "appears as the basis of accumulation."

For Bauer, however, the question is not whether an increase in the working population is *required* for accumulation—because no mortal yet, as far as we know, has disputed this—but whether it is a *sufficient* condition.

Marx says: Accumulation cannot take place *without* a growing population of workers. Bauer stands that on its head: In order for accumulation to take place, *it is sufficient* that the working population grow. With Marx, accumulation is *presupposed*, the possibility of a market for sales, free of any difficulties, being assumed as a given; what Marx is investigating are the *forms taken* by this accumulation as it proceeds, and he finds that among the other necessary aspects of the accumulation process, an increase in the number of workers is one. With Bauer, the increase in the number of workers is the given, *for which* and *on the basis of which* the expansion of production takes place—and furthermore, he does not worry himself about the market! Thus [we have] exactly the same turning of Marx's thought into its opposite as in the "classical testimony" from Volume 3 of *Capital*.

But perhaps we are reading too much into this Marx quotation? Perhaps Bauer was in a position to interpret Marx's words—or should we say, to *mis*interpret them—in *his* own, Baueresque, spirit? And yet it is truly puzzling: how can someone misunderstand Marx on this point, assuming that he has truly read the chapter from which Bauer quotes? Because a few pages further on Marx himself, in the following clear words, gives a précis of, i.e., summarizes, the basic ideas and the actual problem presented in his analysis: "The question has now to be formulated thus: *assuming general accumulation* [Marx's emphasis], in other words, assuming that capital is accumulated to some extent in all branches of production—this is in fact a condition of capitalist production … —what are the *conditions* of this general accumulation, what does it amount to?" And he answers: the conditions must be "that labor-power was bought with one part of the money capital and means of production with the other."*

* Ibid., p. 110. The actual passage in Marx reads: "If accumulation is to be a steady, continuous process, then this absolute growth in population—although it may be decreasing in relation to the capital employed—is a necessary condition."

And at the same time, in order to eliminate any doubts, as though he had a premonition about future "expert disciples" of his, he adds:

> We disregard here the case in which more capital is accumulated than can be invested in production, and for example lies fallow in the form of money at the bank. This results in loans abroad, etc., in short speculative investments. Nor do we consider the case in which it is

> impossible to sell the mass of commodities produced, crises, etc. This belongs to the section on competition. *Here we examine only the forms of capital in the various phases of its process*, assuming throughout that the commodities are sold at their value.[†] (Emphasis mine—*R. L.*)

This means, therefore, that Marx assumes market expansion, the *possibility* of accumulation, *in advance*, and he is investigating only what elements, or sub-processes, the overall process breaks down into. One of those would be that new components of the workforce adjust themselves to the process, and for that of course the growth of the working population is necessary. Bauer turns this into: *That is how* accumulation takes place. It is sufficient for the working population to grow. In fact, accumulation takes place *because* the working population grows. The objective meaning and purpose of accumulation and its "mechanism" (according to Bauer) is to adjust itself to the growth of the working population.

A condition for human beings to live is that they breathe air. The conclusion from this á la Bauer is that "man lives by air," that human beings live *because* they breathe air; the entire life process of a human being is nothing other than an "automatic" adaptation of the bodily mechanism to breathing in and breathing out. Splendid results from running about, whacking at the air with one's staff, in the intellectual darkness of abstract rumination [*Spintisiererei*].

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* Ibid., p. 115.

† Ibid., p. 116.

But the fun ends here, because the subject is really anything but funny. The point is that we are no longer just talking about my inadequacies or those of my book, but about the elementary principles of Marx's theory. Now we can leave behind us the steep and cloudy heights of Volume 3 of *Capital* and *Theories of Surplus Value*, which have unfortunately remained unfamiliar to the Marxist public with a few exceptions, and return to Volume 1 of *Capital*, which until now has constituted the actual basis for Social Democracy's understanding of political economy. Here any reader for whom the first volume of Marx's main work is familiar territory can test Bauer's entire construct with little effort, and do so on his own; he need only open Chapter 23 to page 602 [of the fourth German edition] to read the following:

> The appropriate law for modern industry, with its ten-year cycles … is the law of the regulation of the demand and supply of labor by the alternate expansion and contraction of capital, i.e. *by the law of capital's valorization requirements at the relevant moment* … It would be utterly absurd, in place of this, to lay down a law according to which *the movement of capital depended simply on the movement of the population*. Yet this is the dogma of the economists.[*] (Emphasis added—*R. L.*)

Marx was referring to the old "dogma" of bourgeois political economy, the so-called wage fund, which regarded the capital available to society at any given time as an entirely specific, given amount, and in relation to that amount of the employed working population dependent on its own natural growth. Marx polemicizes against this "dogma" in detail, and in the process, unintentionally, delivers one slap in the face after another to his "expert" disciple [Bauer].[†]

Here is what Marx teaches Bauer on p. 605 [of Volume 1, fourth German edition]:

> The demand for labor is not identical with the growth of capital, nor is supply of labor with the growth of the working class. It is not a case of two independent forces working on each other. *Les dés sont pipés*. [The dice are loaded.] *Capital acts on both sides at once*. If its accumulation on the one hand increases the demand for labor, it increases on the other the supply of workers by "setting them free."[‡] (Emphasis added—*R. L.*)

In Bauer's "mechanism" the industrial reserve army originates, as we have seen, as the result of accumulation that is too slow, that lags behind the growth of population. Bauer states categorically: "The first effect of underaccumulation is the formation of an industrial reserve army."[§] Thus the less capital accumulation there is, the larger the industrial reserve army will be. That is according to Bauer. But four pages after the Marx quotation we have just cited, Marx teaches him this lesson:

> *The greater the social wealth, the functioning capital, the extent and energy of its growth*, and therefore also the greater the absolute mass of the proletariat and the productivity of its labor, *the larger is the industrial reserve army. The same causes that develop the expansive power of capital* also develop the labor-power at its disposal.[*] (Emphasis added—*R. L.*)

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[*] *Capital*, Vol. 1, p. 790. Following this passage, Marx goes on to criticize the theory of the "wage fund," or "labor fund," which was espoused by economists like Smith, Ricardo, and their followers in the school of classical political economy. Marx says ironically, on p. 791, "This would indeed be a beautiful form of motion for developed capitalist production!"

† See also the chapter by Marx in Volume 1 of *Capital*, "The So-Called Labor Fund," pp. 758–61. For Luxemburg's detailed critique of the theory of the wage fund, see *The Complete Works of Rosa Luxemburg*, Vol. I, pp. 509–20.

‡ *Capital*, Vol. 1, p. 793.

§ Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 869; cf. *Discovering Imperialism*, p. 737.

In the subsequent paragraph Marx even waxes sarcastic:

> We can now understand the foolishness of the economic wisdom that preaches to the workers that they should adapt their numbers to the valorization requirements of capital. *The capitalist production-and-accumulation mechanism itself constantly effects this adjustment*.[†]

Which is the greater "foolishness"—that old, bourgeois "wisdom" that preached to the workers that they should adapt their growth to capital? Or the new, "Austro-Marxist wisdom," which tells the workers the opposite, and asks them to believe that capital constantly adjusts itself to their growth? I think the latter is greater. Because the old "foolishness" was only a subjective misunderstanding that reflected the real situation [at that time], whereas the new one is the equivalent of standing reality on its head.

In the entire chapter that deals with the working population and its growth Marx speaks continually about the "valorization requirements" of capital. It is *to these*, according to Marx, that the working population must adjust its growth; and *this* is what other things depend on, such as the intensity of the demand for labor-power at any given time; the level of wages; a lively and brisk economic situation, or its opposite, i.e. prosperity or crisis. What exactly are these "valorization requirements," about which Marx speaks at such great length and about which Bauer says not a mumbling word?

In that same chapter, Marx also speaks continually about "sudden expansions" of capital, to which he attributes great significance for the process of capital accumulation, as well as for the working population. Indeed, capital's capacity for sudden and unrestricted expansion is, according to Marx, the characteristic feature and determining aspect of modern large-scale industrial development. What is to be understood by these "sudden expansions" of capital, which are so important to Marx and about which Bauer speaks not a single syllable?

Marx, in effect, answers both questions in the same chapter, right at the beginning (on page 577) [of the German fourth edition] with the following clear words: "And since, lastly, under conditions especially liable to stimulate the drive for self-enrichment, as, for example, *the opening of new* *markets, or of new spheres for the outlay of capital* resulting from newly developed social requirements, the scale of accumulation may suddenly be extended"‡ (emphasis added—*R. L.*).

* *Capital*, Vol. 1, p. 798.
† Ibid.
‡ Ibid., p. 763.

The same in more detail on page 597 [of the fourth German edition]:

> With accumulation, and the development of the productivity of labor that accompanies it, capital's power of sudden expansion also grows; it grows, not merely because the elasticity of the already functioning capital increases, not merely because the absolute wealth of society expands (and capital only forms an elastic part of this), not merely *because credit, under every special stimulus, at once places an unusual part of this wealth at the disposal of production in the form of additional capital* … The mass of social wealth, overflowing with the advance of accumulation and capable of being transformed into additional capital, thrusts itself frantically into old branches of production, *whose market suddenly explodes, or into newly formed branches*, such as railways, etc., that now become necessary as the result of the further development of the old branches. In all such cases, there must be the possibility of suddenly throwing great human masses into the decisive areas without doing any damage to the scale of production in other spheres. The surplus population supplies these masses.* (Emphasis added—*R. L.*)

Here Marx not only explains how the sudden expansions of capital come about—particularly as the result of sudden explosions of the market—but also he formulates *the special function of the industrial reserve army*: that is, for those extraordinary sudden expansions of capital, the "great human masses" must be "available for throwing." With this he takes note of the most important function, the real function, of the industrial reserve army. Because of the nature of this function he terms it a condition of existence for large-scale capitalist production, and adds that the formation of this industrial "surplus population" becomes "the lever of capitalist accumulation," indeed "a condition of existence for the capitalist mode of production." [He also states:] "Modern industry's whole form of motion therefore depends on the *constant* transformation of a part of the working population into unemployed or semi-employed 'hands'"† (italics mine in the above quotations—*R. L.*). The clearest and perhaps most concise formulation by Marx of this view is found on p. 573,‡ where he says:

> [As] soon as the general conditions of production appropriate to large-scale industry have been established, this mode of doing business acquires an elasticity, *a capacity for sudden expansion by leaps and bounds, that comes up against no barriers but those presented by the availability of raw materials and the extent of sales outlets*.[§] (Emphasis added—*R. L.*)

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* Ibid., pp. 784–5.

† Luxemburg cites pages 597 and 598 of the fourth German edition for the above quotes. See *Capital*, Vol. 1, pp. 784 and 786.

‡ Luxemburg erroneously cites p. 573 of the fourth German edition, when it should be 373.

§ *Capital*, Vol. 1, p. 579.

How do things stand with Bauer in relation to all this? In his "mechanism" there is not any room for sudden expansions of capital, nor for the elasticity of capital. There are two reasons why not. The first reason is that production is geared solely toward the working population and its growth—indeed, for Bauer, markets have no role to play whatsoever. And it goes without saying that the population, as it grows through natural propagation, shows no sign of expanding by leaps and bounds. It is true that among the working population a tendency is displayed periodically for the industrial reserve army to suddenly swell, but for Bauer this occurs only in "periods of *underaccumulation*," which are therefore the periods of slowest growth and shortage of disposable capital relative to the working class.

The second reason is that not only does the sudden widening-out of the market belong to the category of general preconditions for sudden expansion, but also belonging to this category [of preconditions] is disposable capital, the availability of *capital reserves* that have already been accumulated, reserves that Marx spoke of as follows: "Credit, under every special stimulus, at once places an unusual part of [the wealth of society] at the disposal of production in the form of additional capital."[*] In Bauer that kind of thing is excluded. According to his "mechanism," a pendulum swing back from the phase of "underaccumulation" is possible by and large only when, under the the pressure of unemployment, the [accompanying] general downward pressure on wages permits a new accumulation of capital!

Since, from the standpoint of Bauer's "mechanism," the sudden expansion of capital is just as inexplicable as the outbreak of crisis, there is no actual function for the industrial reserve army in that mechanism. Bauer lets the reserve army pop up occasionally, as a product of progress in technology, but he does not know of any role to assign it other than the one that appears in Marx as a secondary factor: as a dead weight for putting pressure on the wages of the employed workers. In contrast, what makes the reserve army, according to Marx, a "condition of existence" and "*the* [crucial] lever" of the capitalist mode of production—for Bauer that simply does not exist. Bauer in fact does not know what to do with the reserve army. This is clearly shown by the amusing fact that in the course of the industrial cycle he allows it to be "absorbed" three different times: at the lowest depth of "underaccumulation," at the high point of "overaccumulation," but also at the average, or middle, level of equilibrium!

These oddities [*Wunderlichkeiten*] arise for one simple reason: for Bauer, all the laws of motion of the working population are present and exist, not for the sake of capital and its "valorization requirements," as they do for Marx and in the real world. For Bauer the opposite is true: all the laws of motion of capital revolve around the working population and its growth. For Bauer, the way things go for capital is like the fable of the tortoise and the hare. The hare is always chasing back and forth, huffing and puffing [*keuchend*], racing ahead, then falling behind the working population, and it's always just about to win the race, but at the finish line it hears: "Hey, I'm here already!"

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* Ibid., p. 785.

But in Marx the fundamental idea of the entire last part of Volume 1 is that the working-class population even as it increases must fully adapt to capital and its market prospects at any given time, that it is dominated by them and thrown about by them hither and yon. From page 573 to 603, for over forty pages [of the fourth German edition], Marx exerts himself to make clear this epoch-making economic discovery. "*This is the absolute, universal law of capitalist accumulation*,"* he emphasizes in summing it all up. This is followed by another section, "Illustrations," which fills up an additional sixty-five printed pages. And what do these pages show, citing the example of England as the typical country, the leading country, of capitalist production? They show that *while the yearly increase in population from 1811 through 1866 steadily declined, the wealth of the country, that is, the accumulation of capital, constantly grew by giant steps*! These are the facts that Marx sheds light on with innumerable statistical data from the most varied angles and sources.

Perhaps Bauer will interject at this point: But that gigantic growth of British industry in the nineteenth century should not be calculated in terms of the British population alone, and accordingly it should not be the only economic basis for comparing accumulation to growth of population. Consider the British market in North America, and in South and Central America, and look at the periodic crises in British industry that followed after every sudden market expansion in those regions. Excellent! But if Bauer knows that, then he knows everything, and he also knows that his theory about accumulation adjusting itself to the growth of the working population is pure humbug, and he knows what Marx was seeking to demonstrate and illustrate in Volume 1 of *Capital*—that the *opposite* is true, that the size of the working population is forced to adjust at any given time to the accumulation of capital and to its changing "valorization requirements," i.e., to market possibilities.

That is exactly the culminating idea of the theory expounded in Volume 1 of *Capital*. It is the groundbreaking idea in which Marx summarizes the whole spirit of his analysis of capitalist exploitation, the essential relationship between capital and labor, and the basis for the "law of population" unique to the capitalist era!

And yet Bauer comes along and, calm as a cucumber, turns this entire edifice on its head. He announces to the world that the laws of motion of capital as a whole stem from its tendency to adjust itself to the growth of the working population!

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* Ibid., p. 798.

In terms of content, as we have seen, Bauer's construct is nothing but a soap bubble. Bauer needs to be corrected because the right assumption to make, as Marx did, is that an elastic reserve of the total social capital exists, and that at all times it retains its unrestricted capacity for expansion. So much, then, for Bauer's concept of "underaccumulation." Bauer needs to be corrected because the assumption that must be made, as Marx did, is of an industrial reserve army in constant formation, whose function is, even at times of the greatest prosperity, to satisfy the demands of capital. So much, then, for Bauer's specific concept of "overaccumulation." Bauer needs to be corrected because the assumption that must be made, as Marx did, is that as a result of progress in technology there occurs a constant relative decline of variable capital relative to the number of workers. So much, then, for Bauer's idea of "equilibrium." Thus his entire "mechanism" dissolves into vapor, evaporates into nothing. But more important than the windiness and vaporous quality of Bauer's construct is its underlying thought—that capital in its movements has a pleasant, accommodating tendency to adjust itself to [the needs of] the working population. This throws the very heart of Marx's theory to the winds.

And yet Bauer's ingeniously constructed system, with all its pompous pedantry and hair-raising nonsensicality, was calmly allowed to appear in a publication officially representing Marxist theory! In their zeal for the good of the cause—after all, a wiseacre heretic was scheduled for burning—people failed to notice that someone far greater was getting it in the neck!—i.e., Marx himself.

In the natural sciences nowadays a generally watchful attitude and a critical public are on guard.[*] In that field it is entirely excluded that the educated public would take it seriously if, for example, someone suddenly made a contribution to the modern system of astronomy by showing with exact calculations that all the stars circle around the earth. Indeed, such a bizarre notion would not even become known to the public because no editor of a scientific publication would allow such humbug to go unchallenged. However, under the regime of the Austro-Marxist *diadochoi,*[†] it seems, this kind of thing can be passed along without making the slightest ripple!

Bauer's accumulation theory, when proclaimed from such a platform, is not just a common error that might slip by at any time in the midst of the pressing search for scientific knowledge. It is in fact, quite apart from his attitude toward my book, a blemish on the face of official Marxism in our day, and for the Social Democratic movement it is a scandal.

* That is, there is general peer-monitoring of the research findings of scientists.

† The *diadochoi* (or "successors") were generals of Alexander the Great who fought among themselves for control of his empire after his death.

BAUER'S CONCLUSIONS

That's as far as Bauer goes with his own explanation of the accumulation of capital. And what is his practical conclusion? Bauer formulates this as follows:

> The result of our investigation therefore is: (one) that even in an isolated capitalist society the accumulation of capital is possible, insofar as it does not go beyond a fixed limit (namely, the growth of the available working population—*R. L.*); and (two) that it will automatically be brought back within this boundary by the mechanism of the capitalist mode of production itself.*

And immediately after that, Bauer, in a concluding chapter, again summarizes the quintessence of his research studies on capital accumulation in their practical application. Here we read:

> Comrade Luxemburg explains imperialism in the following manner: In an isolated capitalist society the transformation [*Verwandlung*] of surplus value into capital would be impossible. It is made possible only by the fact that the capitalist class constantly expands its markets into areas that do not yet produce on a capitalist basis, so as to sell that part of the surplus product in which the accumulated part of surplus value is embodied. Imperialism serves this purpose. This explanation, as we have seen, is incorrect. *Accumulation is possible and necessary even in an isolated capitalist society*. (Emphasis added—*R. L.*)†

Thus Bauer, by a roundabout route, using a new "extra," his specially invented "population theory," puffs himself up and braces himself like the other "experts" to make the claim that capitalist production and accumulation could flourish and prosper even under conditions such as no mortal has ever seen in reality. And it is on this basis that he intends to proceed in addressing the question of imperialism!

But here, before all else, one point should be firmly established: While Bauer makes it appear as though he is defending, against *me*, the concepts laid down by Marx in Volume 2 of *Capital*, he is once again foisting onto Marx his own most peculiar invention, and all the while Marx's premises are fundamentally different.

In particular Marx never talked about an "isolated capitalist society," alongside of which other, noncapitalist societies were therefore presumed to have existed from the beginning. Nor have I ever spoken about such an isolated society. This absurd notion first sprang from the fantastical theoretical imagination of Otto Bauer like Venus rising from the sea foam.

* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 873; cf. *Discovering Imperialism*, p. 742.

† Ibid.; cf. *Discovering Imperialism*, p. 742.

Let us recall exactly how Marx formulates his premises. In Volume 1 of *Capital* he expressly states that he intends, "in order to examine the object of our investigation in its integrity [*in seiner Reinheit*], free from all disturbing subsidiary circumstances," to treat "the whole world of trade" as though it constituted "one nation," a single economic whole, and "assume that capitalist production is established *everywhere and has taken possession of all branches of industry*."*

That is certainly plain enough. The premise Marx adopts is not the childish fantasy of a capitalist society on Robinson Crusoe's island, which flourishes in secret seclusion, "isolated" from whole continents of noncapitalist peoples, a society in which the highest imaginable degree of development has been reached (with a population consisting solely of capitalists and wage-earning proletarians), one that knows no production by artisans and craftsmen or by the peasantry and has no connection whatsoever with the surrounding noncapitalist world. Marx's premise is not a fantastic absurdity, but a fiction used for scientific purposes. In particular, Marx is anticipating [*vorwegnehmen*] the *real trend* of capitalist development. He assumes the condition of universal and absolute domination by capitalism over the entire earth, as well as that most complete formation of a world market and world economy toward which capital and all present-day economic and political development is *actually* heading—positing that condition as having already been reached. Thus Marx places his investigation on the rails of the real trend of historical development, and makes the assumption that the ultimate, the most extreme final point of that development, has already been attained. Scientifically this is an entirely defensible method, and as I have shown in my book, for example, it is quite sufficient for an investigation into the workings of accumulation by individual capitalists. However, I am convinced that in dealing with the main problem—the accumulation of total social capital—it does not work and becomes misleading.

Bauer, on the other hand, invents the grotesque concept of an "isolated capitalist society," without middle layers, without artisans, without peasants, one that has never existed and is equally unlikely to ever come into existence, one that has nothing to do with reality or the actual trend of development; in short, a construct whose artificial "mechanism" has as much bearing on the real laws of capital accumulation as the notorious mechanical figures devised by [Jacques de] Vaucanson had for clarifying the physiology and psyche of the human organism.* Up until now it was only bourgeois economists who tried to work with the childish device of an "isolated economy," in order to demonstrate the laws of capitalist world production using a mannequin like that. No one mocked and ridiculed the vulgar economists who used the "Crusoe's island" approach more caustically than Marx did. Now, with Otto Bauer's Robinson Crusoe fantasy, Marx is supposedly placed at last on "an irreproachably sound footing," "an impeccably firm foundation"!

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* Luxemburg is quoting from p. 544 of the fourth German edition. See *Capital*, Vol. 1, p. 727, footnote 2: "Here we take no account of the export trade, by means of which a nation can change articles of luxury either into means of production or means of subsistence, and vice versa. In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world of trade as one nation, and assume that capitalist production is established everywhere and has taken possession of every branch of industry."

But there are some good reasons for this "explanation" that Bauer chose. In particular, if one adopts the same premise Marx did, that the "universal and exclusive domination of capitalist production" in the entire world had already been achieved, then imperialism is certainly excluded and there is no need to bother inventing an explanation for it, because thanks to this very premise, imperialism itself has already been historically bypassed, is over and done with, case closed and consigned to the archives. Basing oneself on such a premise, one would have as little possibility of giving a detailed illustration and description of the process of the entry of capitalism into its imperialist phase as one could, for example, after adopting the premise of the universal domination of feudalism in Europe as a foregone conclusion, then try to account for the process of the decline and fall of the Roman Empire.

When faced with the task of bringing present-day imperialism into harmonious connection with the theory of capital accumulation sketched out [in 1878] in an uncompleted fragment of Volume 2 of *Capital*, these “experts” among the epigones had to choose between two alternatives: Either to deny imperialism as a historical necessity; or to do as I did in my book, abandon Marx’s premise as one that was adopted mistakenly and to investigate the process of accumulation under the real, historically given conditions, those of capitalism developing in constant interaction with its noncapitalist surroundings.

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* Vaucanson, a French inventor, created a number of mechanical devices to mimic the operations of the human body, especially regarding disgestion and respiration.

A Gustav Eckstein, who understands nothing at all about the subject, was not even capable of making a choice between these alternatives. In contrast, Otto Bauer finally noticed that there was a snag, a “catch” in what Marx had written, and as a typical representative of the so-called “Marxist center,” he comes up with a compromise solution. Capitalism [he argues] could indeed thrive magnificently on Crusoe’s island, but in its isolation it would encounter a limit to this flourishing, and could overcome this limit only to the extent that it entered into trade relations with the noncapitalist milieu. In conclusion, Bauer makes an admission: “In this false explanation [by me—*R. L.*] a kernel of truth is hidden.” [And he says further:]

> Accumulation in an isolated capitalist society is not impossible, but it is *restricted within certain limits. Imperialism in fact serves the purpose of expanding those limits* [emphasis added—*R. L.*] … This is in fact one root, but not the only root, of imperialism.*

Thus Bauer himself has not been entirely open and aboveboard in employing as a supposedly scientific premise his Robinson Crusoe legend of “an isolated capitalist society.” For such a premise to be truly scientific he would have to intend it seriously as the sole basis for his investigation, but instead he carried out his investigations [of Crusoe’s island], while out of the corner of his eye he was keeping watch on those other, noncapitalist lands.

He rattles on for us at great length about the ingenious "mechanism" of capitalist society, which [he says] is able to exist and flourish by and for itself alone, and all the while, in silence, he has kept the noncapitalist surroundings in reserve, so that if he gets in a pinch on Crusoe's island, finding it hard to explain imperialism there, in the end he can find a way out through the noncapitalist milieu.

Anyone who has read closely the footnotes and occasional critical comments in Volume 1 of *Capital*, where Marx takes issue with the theoretical prestidigitations [*Handgriffen*] of Say, J. S. Mill, [Henry Charles] Carey, et al., can more or less imagine how sharply Marx would rap the knuckles of a "scientific method" like this one.

Regardless of anything else, we have arrived at last at the final section of Bauer's article, which has the title: "The Explanation of Imperialism." After that title the reader might well hope to find such an explanation at last. Since Bauer stated earlier that I had indeed uncovered *one root* of imperialism, though "not the only one," it is logical to expect that Bauer would now reveal, from his point of view, what the *other roots* are! Unfortunately nothing of the kind happens. Down to the very end Bauer fails to mention with even one syllable what those other roots might be. He keeps his secret well. The only sorry little root of imperialism that remains, despite Bauer's promising talk in the introductory passage of his final section, is the "kernel of truth" that he admitted existed in my "wrong explanation."

Nevertheless, in the midst of all this, Bauer has conceded much too much to me, and I am talking specifically about the "*one* root" that he has good-naturedly accepted as "a kernel of truth." After that admission, we find ourselves in an "either-or" situation, and the compromise that Bauer is trying to make is as miserable and unsustainable as most compromises.

If his theory of accumulation propped up by "population growth" is correct, then the abovementioned "root" is totally unnecessary, because on the basis of his theory, imperialism would simply be impossible.

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, pp. 873–4; cf. *Discovering Imperialism*, p. 742.

Indeed, we should recall what Bauer's "mechanism" actually consists of! It consists—does it not?—of the assertion that capitalist production automatically and repeatedly adjusts, in its scope and extent, to the growth of the working class. In what sense then can there be any talk of a "limit" to accumulation? Consequently, [according to Bauer] capital has neither the need nor the ability to go rushing beyond this "limit." Because if production in one instance—in the phase of Bauer's "overaccumulation"—were to shoot ahead of the growth of the working class, then in the following phase of "underaccumulation" production would again lag behind the numbers of the available working population. In Bauer's "mechanism" there is no excess capital whatsoever, and thus no capital that might press beyond Bauer's "limit." After all, his theory excludes, on exactly the same grounds as we have seen, the formation of any capital reserves or of any capacity for sudden expansion of production. Any excess of capital gives way and is replaced by the opposite extreme: a shortage of capital. In Bauer's theory both phases dissolve into each other with the pedantic regularity of the phases of the moon, from new moon to full moon and back again. There are no "limits" to capital accumulation in Bauer's theory, nor is there any tendency toward overstepping them. After all, Bauer expressly states that accumulation is continually *brought back automatically* within limits by "the mechanism of capitalist production itself."* By no means does there exist a conflict here between the drive toward expansion and a supposed restriction [*Schranke*] on capital. With these concepts Bauer subjects his "mechanism" to great strains—only in order to somehow build an artificial bridge from his overall conception to imperialism. The forced nature of this construction is best confirmed by the interpretation he gives to imperialism from the standpoint of his theory.

According to Bauer, the axis around which the pendulum of capital swings is the working class. The basis for widening the limits for accumulation—as Bauer has it—is this: increasing the size of the working population! Thus we read in black and white in *Neue Zeit* (p. 873):

> To begin with, accumulation is limited by the growth of the working population. Imperialism now greatly increases the mass of the working population. The workers are forced to sell their labor-power to capital, and their numbers are now vastly augmented by imperialism. It does this by breaking down the old forms of production in the colonial areas, thereby forcing millions either to emigrate to capitalist regions or, while remaining in their native regions, to hire themselves out to European or North American capital. Since the magnitude of accumulation is

determined by the growth of the available working population, imperialism is in fact a means of widening the limits of accumulation.†

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* Ibid., p. 873; cf. *Discovering Imperialism*, p. 740.
† Ibid.; cf. *Discovering Imperialism*, p. 742.

This, then, [according to Bauer,] is the main function and primary concern of imperialism: to "vastly" increase the number of workers through immigration from the colonies or right there on the spot [in their native regions]. And Bauer says this, even though everyone in possession of his or her five senses knows that, *on the contrary*, the opposite is true: in the home countries of imperialist capital, in the old capitalist countries, unemployment and a fully formed and consolidated reserve army of the proletariat exist as a permanent feature, while in the colonies, constant complaints by capital are heard about the shortage of "working hands"!

Thus [according to Bauer], in its drive for more wageworkers, imperialist capital flees from countries in which rapid technical progress, an energetic process of proletarianization of the middle classes, and the breakup of the structure of the proletarian family—all act together to constantly replenish the numbers of "working hands" available in reserve. It prefers to go rushing off into those very parts of the world where ancient and rigid social relations with traditional forms of property [such as tribal or community land holding] keep the labor force tied down by tenacious bonds, so that it takes decades before these regions release a halfway usable proletariat—thanks to the disintegrating power of the domination of capital and as the final result of that domination.

Bauer fantasizes about a "vast and powerful" influx of new workers from the colonies to the old [established] regions of capitalist production, when everyone of sound mind knows that, *to the contrary*, in parallel with the migration of capital from the old established countries to the colonies, an emigration of "surplus" labor to the colonies has taken place, which as Marx said "was in fact following migrating capital."* Look at the flow of human beings from Europe, which was in fact "vast and powerful," and which during the course of the nineteenth century settled North and South America, South Africa, and Australia. Look, further, at the various "milder" forms of slavery and indentured servitude to which European and North

American capital resorted to assure itself of the necessary minimum of "working hands" in the African colonies, in the West Indies, in South America, and in the South Seas!

English capital, according to Bauer, waged bloody wars against China for half a century, above all to assure itself of a "vast and powerful influx" of Chinese coolies in view of the "severe" shortage of English workers, and probably the united crusade of imperialist Europe against China at the turn of the century[†] also had to do with this same pressing need! In Morocco, obviously, French capital attacked the Berbers[‡] mainly because of its need to make up for the deficit of French factory workers. And of course Austrian imperialism has been stalking Serbia and Albania above all to obtain a fresh supply of labor-power, while today German capital is searching all over, with lantern held high, through the length and breadth of Asia Minor and Mesopotamia for Turkish industrial workers, especially because, as everyone knows, before the World War [in 1914] the labor shortage reigning in all sectors of the economy in Germany was felt so painfully!

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[*] See *Capital*, Vol. 1, p. 1,080: "a part [of the emigrating population] does in fact follow the capital abroad."

[†] This is a reference to the suppression of the Boxer Rebellion in 1900.

[‡] After becoming a French colony in 1912, the French military launched a series of attacks on the Zaian Confederation of Berber tribes, from 1914 to 1920. Although the French defeated the Berbers, some of them continued to harass French forces well into the 1930s.

One thing is clear: Once again Otto Bauer, as a "speculative person" waving his staff around in the fog, has forgotten the earth beneath his feet. He has coolly transformed modern imperialism into the drive of capital for new sources of labor-power. This is supposed to be the innermost motive principle of imperialism.

To be sure, as a secondary motive, Bauer refers also, by the way, to the need for overseas raw materials. This lacks any economic connection with his theory of accumulation and pops up as though shot from a gun. Because if accumulation in his well-known "isolated capitalist society" can flourish so luxuriantly, according to the picture that Bauer has painted for us, then it must certainly have, on this miraculous island, all the necessary treasures of nature and gifts from God, right there at hand—unlike the pitiful capitalism of harsh reality, which from the first day of its existence had to depend on the means of production in the world.

Finally, in the third place, and quite incidentally, Bauer again mentions, in two sentences, as a side motif, another motivation for imperialism, the opening up of new markets, although this is merely a means of moderating the severity of crises. That in itself is "also a lovely concept," but it is hardly recognizable on the planet we inhabit, where every significant market expansion has had as its consequence the severe intensification of economic crises!

That, in the end, is the only explanation of imperialism Otto Bauer knows how to give. "*In our view capitalism even without expansion is conceivable*" (emphasis by me—*R. L.*).* His theory of "isolated" accumulation culminates in this, but we are left with the consoling assurance that in any case, whether he is right or not, "whether with expansion or without, capitalism itself will bring about its own demise."

This is what the historical materialist method looks like in "expert" hands. Capitalism [they say] is conceivable without expansion. To be sure, according to Marx, capitalism's impulse toward sudden bursts of expansion is precisely the most prominent feature of modern development. And it is true that the entire historical track record of capital has been accompanied by expansion, which has taken on such undisguised, brutal features in its present-day, final phase of imperialism that the entire civilized existence of humankind is now called into question. It is true that precisely this insatiable drive for expansion created the modern world economy step by step and thereby actually created the historical foundations for socialism. It is true that the proletarian international, which is destined to dig capitalism's grave, is in turn a product of the worldwide expansion of capital. But none of this [in the view of the "experts"] is necessarily so, because an entirely different course of history is conceivable. In fact what is not conceivable for a "powerful thinker"? For a truly powerful thinker isn't anything or everything "conceivable"? "In our view, capitalism even without expansion is conceivable." In his view the development of the modern world is conceivable even without the discovery of America and the navigation of a sea route around Africa. On mature reflection, in fact, human history without capitalism is also "conceivable." Lastly, the solar system without the planet Earth is conceivable. Perhaps German philosophy without “metaphysical muddle-headedness” is even conceivable. Only one thing seems to us inconceivable—that such “powerful thinkers” of official Marxism could act as the intellectual vanguard of the workers’ movement in the age of imperialism and bring about any results other than the miserable fiasco of today’s Social Democracy, which we are experiencing in the midst of this World War today.

* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 874; cf. *Discovering Imperialism*, p. 743.

Certainly one’s tactics and conduct in battle do not depend directly on whether one regards Volume 2 of *Capital* as a finished work or merely one containing uncompleted fragments, nor does it depend on whether or not one believes in the possibility of accumulation in an “isolated capitalist society,” or on whether a person takes one view or another of Marx’s schemas. Thousands of proletarians are brave and firm fighters for the goals of socialism without knowing anything about these theoretical questions—[they proceed] on the basis of a general knowledge of the lessons of the class struggle and on the basis of an unfailing class instinct and the revolutionary traditions of the movement. However, in broad outline, and over longer stretches of time, there is always a very close connection between the way in which theoretical questions are handled and the actual practice of political parties. In the decade that preceded the outbreak of the World War, German Social Democracy was held up as the international metropolis of working-class political life, allegedly displaying the complete harmony of theory and practice. But in truth the same poor judgment and the same blockheadedness was evident in both spheres, theory and practice, and it was the same imperialism, as the overpoweringly dominant phenomenon in public life, that checkmated both the theoretical and the political general staff of Social Democracy.

Just as the proud tower, the completely finished edifice of official German Social Democracy revealed itself, when first tested on a world-historical scale, to be nothing but a Potemkin village,* so, too, in the very same way the apparent “theoretical expertise” and the infallibility of official Marxism ended up being totally discredited, because it gave the seal of approval to every practical action of the [Social Democratic] movement. It was revealed to be merely a pompous curtain stretched over and concealing structures of intolerant dogmatism. Hidden behind that dogmatism was an inner uncertainty and incapacity for action, with a corresponding dreary round of routine that knew how to operate only in the tried and true channel of the "old reliable tactic"—that is, nothing but parliamentarism. This theoretical group of epigones fastened firmly onto the formulas of its teacher, while abandoning the living spirit of his doctrine. Above we have seen some samples of this scatterbrained quality that prevailed in the Areopagus of the "experts."

* A reference to the collapse of the Second International in August 1914, when its member parties—foremost among them the German Social-Democratic Party—voted to support the war effort of their respective governments.

But the connection with practice in our case is even more concrete and specific than might at first glance seem to be the case. In the final analysis, what we are dealing with are two different methods in the fight against imperialism.

Marx's analysis of accumulation was sketched out at a time when imperialism had not yet [fully] entered the world arena,* and the premise that Marx adopted as the basis of that analysis—the absolute domination of capitalism in the world—excluded in advance any consideration of how the process of imperialism might occur. However—and here lies the difference between an error by Marx and the dim-witted blunders of his epigones—Marx's error by itself, in this case, is "fructifying" and leads us onward, pointing toward a solution. The problem posed in Volume 2 of *Capital* is left open. The problem of showing how accumulation would occur under conditions of the exclusive domination of capitalism defies solution. Accumulation under these conditions is utterly impossible. However, one only needs to translate this seemingly rigid contradiction into the historical dialectic, as befits the spirit of all of Marx's teaching and way of thinking, and then the contradiction in Marx's schema can be transformed into a living mirror of the track record of capital's passage through the world, its time of flourishing and its final end.

Accumulation is impossible in an exclusively capitalist setting. From the very first moment of capitalism's existence, it was accompanied by the drive toward expansion and encroachment upon noncapitalist social strata and into noncapitalist lands, the ruin of handicraft production and of the peasantry, the proletarianization of the middle strata, colonial policy, and the export of capital. Only through continual expansion into new domains of production and new lands has the existence and development of capitalism ever been possible. But this worldwide drive for expansion constantly leads to a clash between capital and the noncapitalist forms of society. Hence force and violence, war, and revolution—in short, catastrophe, which has been the characteristic "life element" of capitalism from start to finish.

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* The emergence of modern imperialism—as distinct from earlier European colonial policy—is generally traced to the Berlin Conference of 1884–85, which carved up Africa among the European powers, and the 1894–95 Sino-Japanese War. Marx died in 1883.

Capital accumulation proceeds and extends itself at the expense of noncapitalist social strata and noncapitalist regions. It violates and subjugates them, tears them apart and tramples them underfoot at a more and more accelerated pace. The overall trend and end result of this process is the exclusive world domination of capitalist production. Once this is achieved, Marx's schema comes into effect: at that point, accumulation—that is, the further expansion of capital—becomes impossible. Capitalism is caught in a blind alley. It can no longer function as the historical vehicle for developing the productive forces. It has come up against its objective economic restriction [*Schranke*]. The contradiction in Marx's schematic representation of accumulation, when grasped dialectically, is only the living contradiction between capitalism's unrestricted drive toward expansion and the restriction that it places upon itself through the ongoing annihilation of all other forms of production, the contradiction between the mighty productive forces it calls into being all over the world in its process of accumulation—the contradiction between that and the narrow base that it demarcates for itself as a result of its own laws of accumulation. Marx's schematic representation of accumulation—when rightly understood—exactly because of its unsolvable quality constitutes a prognosis of the economically inevitable downfall of capitalism as the result of the imperialist expansion process, and the special purpose of that process is to make a reality of Marx's presupposition—the universal and unrestricted domination of capital.

Can this situation really ever come about? In general and for the most part this is merely a theoretical fiction, precisely because the accumulation of capital is not just an economic process but also a political one.

> As much as imperialism is a historical method to prolong the existence of capital, objectively it is at the same time the surest way to bring this existence to the swiftest conclusion. This does not mean that this endpoint has literally to be reached. The tendency toward this terminal point of capitalist development manifests itself in forms that configure the final phase of capitalism as a period of catastrophes …*
>
> The more violently capital uses militarism to exterminate non-capitalist strata both at home and abroad, and to worsen living standards for all strata of workers, the more the day-to-day history of capital accumulation on the world stage is transformed into a continuous series of political and social catastrophes and convulsions, that, together with the periodic economic cataclysms in the form of crises, will make it impossible for accumulation to continue, and will turn the rebellion of the international working class against the rule of capital into a necessity, even before the latter has come up against its natural, self-created economic constraints.*

* Luxemburg is quoting from her own work, *The Accumulation of Capital*. See this volume, p. 325.

Here as elsewhere in history, if theory is to perform its service fully, it must show us the *trend* of development, the logical concluding point toward which development is objectively heading. It is as little possible, just as in any earlier period of historical development, for the final point itself to be reached and realized to the very last consequence. So much the less does it *need* to be reached if to a greater extent social consciousness, embodied in the socialist proletariat, can intervene as an active factor in the blind play of conflicting forces. Also in this case the correct understanding of Marx's theory provides the most fruitful stimulation for this consciousness as well as its most powerful motivating force.

Imperialism today, as Bauer's schema would have it, is only the prelude to the expansion of capital, and not at all the final chapter in an expansion process with a long history. [Imperialism is] an era of general intensified worldwide competition among the capitalist states over the final remainders of the non-capitalist environment that exist on the earth. In this final phase, economic and political catastrophe is just as much a standard part of life, the normal form of existence for capital as it was in the phase of "primitive accumulation" at the time of its origins.[†] Just as the discovery of America and of a sea route to India and the Indies were not at all Promethean achievements of the human spirit and of human culture, as they are portrayed in the liberal legend, but in fact were inseparable from a series of mass murders worthy of King Herod against the tribal peoples of the New World and the rise of a monstrously huge slave trade involving the peoples of Africa and Asia, so in the imperialist final phase, the economic expansion of capital is inseparable from a series of colonial conquests and the very World War we are living through. The distinguishing characteristic of imperialism as the final competitive battle for world domination is not at all the special energy and versatility displayed in the process of expansion —rather, imperialism is the specific indication that we are beginning to see the closing of the circle, the completion of the cycle—it is the symptom that the decisive battles for expansion have turned back from the regions that had been the main object of expansion, back to the lands of its origin. With this imperialism brings catastrophe as the standard form of existence back from the peripheral regions of capitalist development to its starting point. After the expansion of capital over four centuries had sacrificed the existence and culture of all the noncapitalist peoples of Asia, Africa, America, and Australia, subjecting them to ceaseless convulsions and violence, causing their decline and fall on a massive scale, in the same way now the expansion of capital plunges the cultured people of Europe itself into a series of catastrophes that are bound to have as their final result either the destruction of all culture or a transition to the socialist mode of production.

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* See this volume, p. 341.

† For Marx's discussion of the "So-called Primitive Accumulation" of capital, see *Capital*, Vol. 1, pp. 873–940.

In the light of this conception the attitude of the proletariat toward imperialism must be a universal rejection of the domination of capitalism. The main tactical line of conduct for the working class is dictated by this stark historical alternative.[*]

The guidelines run in quite a different direction from the standpoint of the "experts" of official Marxism. Their belief in the possibility of accumulation in an "isolated capitalist society," their belief that "capitalism without expansion is also conceivable"—these theoretical formulas are applied in a particular way in matters of tactics. This conception of the "experts" is aimed at promoting the view that this phase of imperialism is not a historical necessity, not the occasion for a decisive settling of accounts in favor of socialism, but as a regrettable invention made by a handful of "special interests." This conception leads toward the practice of giving advice to the bourgeoisie, assuring them that from the standpoint of their own best capitalist interests, militarism and imperialism are harmful to the bourgeoisie itself. The aim here is to isolate the alleged handful of beneficiaries of imperialism and thus to form a bloc between the working class and the broad strata of the bourgeoisie in order to "put a wet blanket" on imperialism, to starve out militarism by promoting "partial disarmament" and thus to remove the stinger from its abdomen!

Just as liberalism in its era of decline appealed from the poorly informed monarchy to those who would better inform it, so, too, the "Marxist center" wants to appeal from the poorly advised bourgeoisie to those who would give it better advice,[†] from the policy course of imperialist catastrophes to international disarmament treaties.[11]

They want to appeal from the wrenching struggle of the Great Powers to establish a worldwide dictatorship of the sword to a peaceful federation of democratic nation-states. The need for a general settling of accounts to resolve the world-historical contradiction between labor and capital is transformed into the utopia of arranging a "historic compromise" between the proletariat and the bourgeoisie for the "mitigation" of imperialist conflicts among the capitalist states.[12]

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* That is, socialism or barbarism.

† Four years before she wrote the *Anti-Critique*, Luxemburg wrote an article entitled "Peace Utopias," which spells out in greater detail her views on whether any real "disarmament" is possible under capitalism. It was published on May 6 and 8, 1911, in the Social Democratic newspaper *Leipziger Volkszeitung* (Leipzig People's Paper). An abridged translation of "Peace Utopias" is in *Rosa Luxemburg Speaks* (New York: Pathfinder, 1970), pp. 250–6.

Otto Bauer concludes his critique of my book with the following words:

> Capitalism will be shattered not on the mechanical impossibility of realizing surplus value. It will be laid low by the rebellion to which it has driven the masses. The collapse of capitalism will come, not after the last peasant and the last petty bourgeois on the entire earth has been transformed into a wageworker, so that there will no longer be any additional market open to capitalism; it will be felled much sooner than that by the growing indignation and rebellion "of the constantly swelling ranks of the working class, trained, united, and organized by the mechanism of the capitalist production process itself."[*]

In order to direct this instructive passage back at me, Bauer as a master of abstraction must abstract not only from the entire meaning and thrust of my conception of capital accumulation but also from the clear wording of my statements. But his own brave words are to be understood once again as merely the typical abstract statements of the "experts" of official Marxism, that is, the harmless heat lightning of "pure thought," as is shown by the behavior of this entire group of theoreticians at the outbreak of the World War. The indignation and rebellion of the constantly growing, well-trained, and organized working class is suddenly transformed into abstention in the face of decisive, epoch-making events of world history and "keeping quiet" until the bells of peace ring out.

Back in the depths of peacetime, when "over all the hilltops" calm rested[†] [*über allen Wipfen Ruh' war*], the *Road to Power* was depicted virtuoso-style, down to the minutest detail. But when the first storm wind of reality began to blow, this *Road to Power* immediately turned into the *Road to Impotence*.[‡] The group of epigones, which during the past decade has held the official theoretical leadership of the workers' movement in Germany, revealed its inner bankruptcy and flat-out surrendered all leadership to imperialism. A clear view of what happened in this sequence of events is one of the necessary preconditions for the reconstruction of a proletarian policy that would be equal to the historical tasks of the working class in the age of imperialism.

Sorrowful souls will once again bemoan the fact that "the Marxists are fighting among themselves," that the tried-and-true "authorities" are being challenged. But Marxism does not consist of a dozen persons who have granted each other the right to be the "experts," before whom the masses are supposed to prostrate themselves in blind obedience, like loyal followers of the true faith of Islam.

Marxism is a revolutionary outlook on the world that must always strive toward new knowledge and new discoveries. Nothing is so abhorrent to it as to grow rigid in forms that were once appropriate but no longer are. Its living force is best preserved in the intellectual clash of self-criticism and in the midst of history's thunder and lightning.

Therefore I agree with what Lessing wrote to the young Reimarus: "But what can you do? Let everyone speak what they *think* to be the truth, and as for *the truth itself*, leave that in the hands of God."*

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* Bauer, *Die Neue Zeit*, Year 31, Vol. 1, p. 874; cf. *Discovering Imperialism*, p. 743.

† This is a phrase from a famous poem by Goethe, entitled "Wanderer's Nightsong."

‡ See Kautsky's *Der Weg zur Macht* (Berlin: Buchhandlung Vorwärts, 1909). For the English edition, see *The Road to Power* (Berkeley, CA: Center for Socialist History, 2007).

* See the letter of April 6, 1778, by Gotthold Ephraim Lessing to Johann Albert Heinrich Reimarus in *Lessings Briefe in einem Band* (Lessing's Letters in One Volume) (Berlin and Weimar: 1967), p. 420.

The Second and Third Volumes of *Capital*

The Second and Third Volumes of *Capital*[*]

The second and third volumes of Marx's work shared the same destiny as the first: he hoped that he would be in a position to publish them soon after the first volume had appeared, but many years passed, and he was finally unable to produce manuscripts that were ready for printing.

He was prevented from completing his opus by his need to engage in a series of new and ever-deeper studies and by protracted illnesses, and thus it was Engels who assembled both volumes from the uncompleted manuscripts left behind by his friend. These consisted of transcripts, drafts, and notes, which at times formed large, cohesive sections, and at others merely consisted of brief, jotted observations, as are made by a researcher for his own clarification—in all, a colossal intellectual endeavor, spanning (with interruptions) the long period between 1861 and 1878.

These circumstances make clear why it would be wrong to expect to find something like a self-contained and finished solution to all of the most important problems of economics in these two final volumes of *Capital*; to a certain extent, they merely provide a formulation of these problems, and indications of the direction in which their solution is to be sought. In accordance with Marx's whole worldview, his magnum opus is no Bible containing ultimate truths that are valid for all time, pronounced by the highest and final authority; instead, it is an inexhaustible stimulus for further intellectual work, further research, and the struggle for the truth.

The same circumstances also explain why outwardly, in their literary form, the second and third volumes are not as consummate, not as intellectually scintillating, and do not contain the same flashes of inspiration as the first volume. Yet, for certain readers, these volumes offer even greater rewards than the first one, precisely because they present Marx's mere thought processes as he transcribed them without any concern for the form in which they were expressed. In terms of content, the second and third volumes constitute a substantial supplement to, and further development of, the first, and are thus indispensable for a comprehension of the Marxian system as a whole; until now, however, they have unfortunately been neglected in all popularizations of Marx's *Capital*, and thus remain unknown to the broad masses of enlightened workers.

In the first volume, Marx addresses the cardinal question in economics: What is the source of wealth, of profit? In the time before Marx came on the scene, answers to this question were given in two directions.

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* Rosa Luxemburg composed this text at the request of Franz Mehring for his biography of Marx: Franz Mehring, *Karl Marx: Geschichte seines Lebens* (Leipzig: Leipziger Buchdrückerei, 1918); Franz Mehring, *Karl Marx: The Story of His Life*, translated by Edward Fitzgerald (London: Routledge, 2011).

The "scientific" apologists for this best of all possible worlds in which we live, men who were to a certain extent also held in some esteem and trusted by workers, like for example Schulze-Delitzsch, explained capitalist wealth by means of a series of more or less plausible justifications and devious manipulations, arguing that it is the fruit of a systematic premium on the price of commodities as "compensation" to the entrepreneur for the capital that he gallantly "cedes" in order for production to take place, a reimbursement for the risk run by each industrialist, a remuneration for the "intellectual management" of the enterprise, and so on. Each of these explanations merely sought to present the wealth of some, and thus the poverty of others, as being "just" and therefore incontrovertible.

On the other side, the critics of bourgeois society—i.e., the various schools of socialists that emerged before Marx—explained the wealth of capitalists as principally the result of downright fraud or even theft from the workers, which was made possible by the mediation of money or by the lack of organization of the production process. This led these socialists to develop various utopian plans to eliminate exploitation through the abolition of money, through the "organization of labor," and so on.

By contrast, Marx revealed the actual roots of capitalist wealth in the first volume of *Capital*. Here he neither engages in justifications for the capitalists, nor in denunciations of their iniquity; rather, he shows for the first time how profit arises and how it comes to accrue to the capitalists. He explains this through two decisive economic facts: first, the mass of workers consists of proletarians, who must sell their labor-power as a commodity; and second, this commodity, labor-power, today possesses such a high degree of productivity that it is able to produce a much greater product in any given time than is necessary for its own maintenance within the same time period. As a consequence of these two purely economic facts, which are at the same time given as a result of objective, historical development, the fruits of the labor of the proletariat automatically land in the lap of the capitalists and are mechanically amassed to form an ever-increasing wealth as capital as long as the wage system persists.

Thus Marx explains capitalist wealth neither as any kind of compensation to the capitalist for imaginary sacrifices and good deeds on his part, nor as fraud or theft in the ordinary sense of the terms, but rather as an exchange transaction between the capitalist and the worker that is fully legitimate in terms of criminal law, and that is concluded precisely according to the same laws as govern any other sale or purchase of commodities. In order to thoroughly elucidate this unimpeachable transaction, which bears golden fruit for the capitalist, it was necessary for Marx to complete the development of the law of value (i.e. the explanation of the internal laws of commodity exchange) first established at the end of the eighteenth and beginning of the nineteenth century by the eminent British classical political economists, Smith and Ricardo, and to apply this law to labor-power as a commodity. From the law of value, Marx derives the wage and surplus value, thus explaining how the product of wage-labor is automatically divided up into the meager subsistence of the worker and the wealth that the capitalist gains without working. This constitutes the main content of the first volume of *Capital*, and herein lies its great historical significance: Marx was able to demonstrate that exploitation can only be eradicated by the elimination of the sale of labor-power—i.e. by the dissolution of the wages system.

The first volume of *Capital* is located exclusively within the workplace, whether this is an individual factory, a mine, or a modern agricultural enterprise. The process that occurs here applies to every capitalist enterprise. The individual capital that typifies the entire mode of production is the sole object of analysis in this volume. By the end of the volume, Marx has clarified the daily formation of profit, and shed light on the internal mechanism of exploitation. For each commodity amid the mountains of wares of all kinds emerging, still damp with the sweat of the workers' brow, from the factory, it is now possible to sharply distinguish the part of its value that derives from the unpaid labor of proletarians and that is appropriated by the capitalist just as legitimately as is the whole commodity. Exploitation can now be grasped by the root.

At this stage, the capitalist is still far from bringing in the harvest, however. The fruit of exploitation is at hand, but it is still contained in a form that cannot be consumed by the entrepreneur. As long as it remains in his possession in the form of a pile of commodities, the capitalist cannot reap the benefits of exploitation. In this he is unlike the slaveowner of the ancient Greco-Roman world or the feudal lord of the Middle Ages, who oppressed the working population for their own luxury and in order to maintain their great courts and households. The capitalist needs his wealth in hard cash, in order to use it both for the maintenance of a "standard of living befitting his station" and for the ongoing expansion of his capital. For this purpose, the sale of the commodities produced by the wage laborer is necessary, including all the surplus value contained in them. These commodities must leave the factory warehouse or the agricultural repository and be brought to market; the capitalist leaves his office to track them on the exchanges and in the shops, and the reader of the second volume of *Capital* is able to follow him there.

In the sphere of commodity-exchange, where the second chapter of the capitalist's life is played out, he encounters some difficulties. In his factory, or on his estate, he was master. There he could impose the strictest organization, discipline, and order. On the commodity markets, by contrast, complete anarchy—so-called free competition—reigns. Here, no one is concerned about anyone else or about the operation of the system as a whole. Yet it is precisely in the midst of this anarchy that the capitalist feels his dependence on others, his all-round dependence on society.

He is compelled to keep pace with his competitors. If he wastes more time than is absolutely necessary in concluding the sale of his commodities, if he omits to provide himself with enough money in order to acquire raw materials and everything else that is required at the right time in order to avoid any interruptions in production by his enterprise, if he fails to ensure that the money that he receives as revenue from the sale of his commodities does not lie idle, but is profitably invested somewhere, then he will inevitably lag behind his competitors. The devil takes the hindmost, and the individual entrepreneur who does not take care that his business operates as effectively in the continual to-and-fro between the factory and the market as in the factory itself will not make the usual profits, however diligently he exploits his wage-laborers. A part of his “well-earned” profit will be diverted along the way, and will fail to appear in his bank account.

Yet even this is not sufficient. The capitalist can only accumulate wealth if he produces commodities—i.e., objects of use. However, he must produce precisely the types and kinds of commodities, and only in the respective quantities, that society requires. Otherwise his commodities will remain unsold, and the surplus value that they contain will also go down the drain. But how is an individual capitalist to know all this? There is no one to tell him which particular goods and how many of each are required by society, for precisely the reason that no one is in a position to know this. This is because we live in an anarchic society, one bereft of planning! Each individual entrepreneur is in the same position. And yet, out of this chaos, this disarray, a whole must be constituted, one that is capable of facilitating capitalists’ individual transactions and their enrichment at the same time as it meets the needs of society as a whole and guarantees its continued existence.

More precisely, amid the confusion on the unregulated market, the following conditions must be met. First, the constant movement of individual capitals within their circuit must be facilitated—individual capitalists must be able to produce, sell, purchase, and produce anew, with capital constantly emerging from its money-form into its commodity-form and vice versa: these various phases must interlock with one another smoothly, and reserves of money must be available in order to take advantage of market fluctuations for procurement, and in order to cover current expenditures by the enterprise. Second, it must be possible for the money gradually flowing back as revenue from sales of commodities to be instantly reactivated—i.e., reinvested. The individual capitalists, who are seemingly completely independent of one another, in actual fact join ranks in a great fraternity by continually advancing each other the money they require and relieving each other of money held in reserve through the credit and banking system, thus enabling the uninterrupted continuation of production and sales of commodities both for individual capitalists and for society as a whole. Whereas bourgeois economics can only explain credit in terms of an ingenious mechanism for “facilitating commodity exchange,” Marx is casually able to show in passing in the second volume of *Capital* that credit is simply a mode of existence of capital, and a link between the two phases of the life of capital (i.e., its life in production and on the commodity market), as well as between the seemingly autonomous movement of individual capitals.

Secondly, the constant movement of production and circulation at the level of society as a whole must be kept flowing within its circuit amid the chaotic behavior of individual capitals; more specifically, this must occur in such a way as to guarantee the conditions for capitalist production: the production of means of production, the maintenance of the working class, and the progressive enrichment of the capitalist class—i.e., the increasing accumulation and activation of total social capital. Admittedly, Marx does not provide a definitive solution in the second volume of *Capital* to the question of how the innumerable divergent movements of individual capitals combine to form a whole, how the movement of this whole is brought back into the correct proportions through constant deviations, fluctuating between the excesses of the expansionary phase and collapse during the crisis, only for these proportions to be completely upset the very next instant. Nor does he completely resolve the question of how all these processes combine to ensure, on an increasingly enormous scale, the maintenance and economic progress of the present society, but only as a means, and progressive capital accumulation as its end. However, he was the first since Adam Smith, a century before him, to establish a firm foundation for these questions in terms of the laws that govern them.

Even if all of the above conditions are satisfied, however, there still remain tasks fraught with difficulties for the capitalist. For now, insofar as his profit has been progressively turned into gold, he is faced with the big question as to how the booty is to be allocated. Here, utterly disparate groups stake their claims: alongside the entrepreneur, there is the merchant, the financier,* and the landowner. They have each played a part in facilitating the exploitation of the wage laborer and the sale of the commodities produced by him, and now they each demand a part of the profit. This distribution of profit is a much more complex task than it would appear at first sight, however. For among the entrepreneurs there are also significant variations, according to the type of enterprise, in the profits that they achieve (i.e., in terms of the profits freshly produced at the point of production, so to speak).

In one branch of production, the production and sale of commodities is accomplished very quickly, and capital flows back to the capitalist along with an increment in the briefest period of time; it can thus be used for renewed enterprise and to generate new profits in brisk cycles. In another branch, capital is tied up in production for several years, and thus only yields a profit after a longer period. In certain branches the entrepreneur must invest the majority of his capital in dead means of production (buildings, costly machinery, etc.) that do not in themselves generate a profit, however necessary for profit-making they might be. In other branches, the entrepreneur can use his capital mainly for recruiting workers, each of whom represents the hardworking goose that lays him golden eggs.

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* *Leihkapitalist*—literally, "loan capitalist."

Consequently, there are large variations in the profits generated by individual capitals; to bourgeois society, this constitutes a much more flagrant "injustice" than the peculiar "distribution" between capitalist and worker. How can these variations be compensated for, how can an "equitable" distribution of the booty be achieved, such that each capitalist gets his "just deserts"? Moreover, all of these tasks must be carried out without any conscious, planned regulation: distribution in the present society is equally as anarchic as is production. No actual "distribution" occurs in the sense of the application of measures of social policy; all that takes place is exchange, the circulation of commodities, mere transactions of sale and purchase. The question is thus the following: how is it possible, by the route of the blind exchange of commodities alone, for each stratum of exploiters, and each individual within each stratum, to be allocated an "equitable" portion—i.e., an "equitable" portion from the standpoint of capitalist domination—of the wealth created by the labor-power of the proletariat?

Marx answers these questions in the third volume of *Capital*. Having analyzed the production of capital and the secret of profit generation in the first volume, and outlined the movement of capital between the factory and the commodity market—between production and consumption at the level of society as a whole—in the second volume, he retraces the distribution of profit in the third volume. All the while he maintains the same three basic conditions: first, that everything that occurs in capitalist society proceeds not according to arbitrary decisions, but is effectively regulated by determinate laws, even if social agents are unaware of them; second, that economic relations are not based on the violent measures of robbery and theft; finally, that there is no social rationality that is brought to bear on the whole through a planned, effective intervention. Employing a clear and logically consistent argument, Marx gradually develops all the phenomena and relations of the capitalist economy exclusively from the mechanism of exchange—i.e., from the law of value and the surplus value deriving from it.

If his magnum opus is surveyed as a whole, the following observations can be made: the first volume, which develops the law of value, wages, and surplus value, merely lays the foundations of the present society, whereas the second and third volumes identify the stories of the edifice that stands on these foundations. Alternatively, to use a completely different metaphor: the first volume shows us the heart of the social organism, where the life-giving sap is produced, whereas the second and third volumes indicate the blood circulation and alimentation of the whole organism down to the outermost skin cells.

In accordance with their content, the movement in the latter two volumes occurs on a different plane than the first. In the latter, it was the factory, the deep shaft of labor within society, in which the source of capitalist wealth was detected. In the second and third volumes, the movement occurs on the surface, on the public stage of society. Warehouses, banks, the stock market, financial transactions, "distressed landowners" and their concerns—all these are foregrounded here. Here, the worker plays no part. Nor is he concerned with these matters in reality, as they take place behind his back, after his hide has already been tanned. Amid the noisy hustle and bustle of the throng as it conducts its business, the workers are only encountered at dawn as they trudge in droves to their factories, and at dusk when they are once again spewed out in long columns.

Accordingly, it might not be immediately apparent why the various private concerns that capitalists have in profit-making, and their wrangling over the spoils, should be of interest for the workers. In actual fact, however, the second and third volumes of *Capital* are just as indispensable for an exhaustive knowledge of the present economic mechanism as is the first. Admittedly, they do not have the decisive and fundamental significance for the modern workers' movement that the latter has. However, they, too, contain a rich wealth of insights of inestimable importance in terms of equipping the proletariat intellectually in its practical struggle. Two examples of this should suffice.

In the second volume, Marx engages with the question of how the regular sustenance of society can result from the chaotic rule of individual capitals, and in this context he naturally touches upon the question of crises. The reader should not expect to find a systematic and instructive treatise on crises here, but merely a few incidental remarks. However, their application would be of great use to enlightened and reflective workers. A core part of the stock—to use an economic metaphor—of strategies for social democratic agitation, particularly by the trade unions, is the argument that one of the principal reasons why crises arise is through the shortsightedness of capitalists, who absolutely refuse to recognize that the masses of workers are their best customers, and that they merely need to pay the latter higher wages in order to maintain a customer base with purchasing power and thus to ward off the threat of crises.

This conception is as completely misguided as it is popular, and Marx refutes it as follows:

> It is a pure tautology to say that crises are provoked by a lack of effective demand or effective consumption. The capitalist system does not recognize any forms of consumer other than those who can pay, if we exclude the consumption of paupers and swindlers. The fact that commodities are unsalable means no more than that no effective buyers have been found for them, i.e., no consumers … If the attempt is made to give this tautology the semblance of greater profundity, by the statement that the working class receives too small a portion of its own product, and that the evil would be remedied if it received a bigger share, i.e., if its wages rose, we need only note that crises are always prepared by a period in which wages generally rise, and the working class actually does receive a greater share in the part of the annual product destined for consumption. From the standpoint of these advocates of sound and "simple" (!) common sense, such periods should rather avert the crisis. It thus appears that capitalist production involves certain conditions independent of people's good or bad intentions, which permit the relative prosperity of the working class only temporarily, and moreover always as a harbinger of crisis.[*]

In fact, the exposition in the second and third volumes of *Capital* affords a profound insight into the essence of crises, which simply arise as the inevitable consequences of the movement of capital—a movement that, amid the unbridled and insatiable drive to accumulate, tends immediately to surpass any constraint posed by consumption, no matter how much the latter is expanded through the increased purchasing power of a particular social stratum or by the conquest of new markets. Thus the conception lurking in the background of this popular trade union agitation must be dispelled—i.e., the conception of a harmony of interests between capital and labor that the entrepreneurs merely fail to recognize due to their myopia. Likewise, all hope of a palliative patching-up of economic anarchy of capitalism must be abandoned. The struggle for material improvements in the living standards of waged proletarians has a thousand better weapons in its intellectual armory, and has no need of such theoretically untenable and practically ambiguous arguments.

The second example can be found in the third volume of *Capital*, where Marx is the first to give a scientific explanation for a phenomenon that had perplexed economists since the inception of economic science—i.e., the phenomenon whereby capitals in all branches of production tend to yield the so-called "customary countrywide" profit, despite the huge variation in the conditions under which they are invested. At first sight, this phenomenon would seem to contradict the explanation given by Marx himself of capitalist wealth as deriving exclusively from the unpaid labor of the waged proletariat. How is it in fact possible that the capitalist who must invest a relatively large proportion of his capital in dead means of production can earn the same profit as his colleague who has fewer outlays of this kind and is thus in a position to engage a correspondingly greater proportion of living labor?

* Marx, *Capital*, Vol. 2, pp. 486–7.

Marx proceeds to solve this conundrum in an astonishingly simple way by showing how the variations in profit are equalized through the process whereby certain types of commodities are sold above their value, while others are sold beneath theirs, leading to the formation of an "average rate of profit" for all branches of production. Quite unconsciously, and without any intentional agreement between them, the capitalists proceed in such a way during the exchange of their commodities that they effectively pool the surplus value that each of them extracts from his workers, and divide up this total yield of exploitation among themselves in a fraternal manner, such that each obtains a share according to the size of his capital. The individual capitalist thus in no way reaps the benefits from the profit personally obtained by him; instead he is allotted a portion of the profits achieved by all his colleagues:

> As far as profits are concerned, the various different capitals here are in the position of shareholders in a joint-stock company, in which the dividends are evenly distributed for each 100 units, and hence are distinguished, from the standpoint of the individual capitalists, only according to the size of the capital that each of them has put into the common enterprise, according to the number of his shares.*

This ostensibly dry law of the "average rate of profit" thus affords a profound insight into the solid material foundations of the class solidarity of the capitalists, who, although hostile brothers in their daily business dealings, form a freemasons' society vis-à-vis the working class, bound by the greatest and most personal interest in the overall exploitation of the latter. Despite the fact that the capitalists of course do not have the slightest awareness of these objective economic laws, their unerring class instinct is an expression of their sense of their own class interests, and of how these stand opposed to the proletariat; unfortunately, this sense on the part of the capitalists preserves itself much more securely through the tempests of history than does the class consciousness of the workers, for all that the latter is scientifically enlightened and substantiated through the works of Marx and Engels.

These two brief and randomly selected items of supporting evidence ought to give an idea of how many treasures—in terms of the intellectual stimulation and profundity they offer the enlightened working class—lie waiting to be unearthed in the two final volumes of *Capital*, and that remain to be given a popularizing exposition. As incomplete as these volumes are, they provide something infinitely more valuable than any supposed final truth: a spur to reflection, to critique and self-critique, which is the most distinctive element of the theory that was Marx's legacy.

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* Karl Marx, *Capital*, Vol. 3, p. 258 (translation modified—*translator*).

Notes

THE ACCUMULATION OF CAPITAL

1 Karl Marx, *Das Kapital*, Band I (fourth edition) (Hamburg: Von Otto Meissner, 1890), p. 529. [See Karl Marx, *Capital*, Vol. 1, translated by Ben Fowkes (New York: Penguin Books, 1976), p. 711. All subsequent references to Vol. 1 of Marx's *Capital* are to this English-language edition—*the Editors*].

2 In this exposition, surplus value is taken to be identical with profit, which is the case for total production, which is dealt with below. We also disregard the division of surplus value into its components (profit of enterprise; interest on capital; rent), as this question has no bearing on the problem of reproduction for the time being.

3 Karl Marx, *Das Kapital*, Band 2, second edition (Hamburg: Verlag von Otto Meissner, 1893), p. 332. [Karl Marx, *Capital*, Vol. 2, translated by David Fernbach (New York: Penguin, 1978), p. 435. All further references to Vol. 2 of *Capital* are to this English-language edition—*the Editors*].

4 Cf. [Pierre Samuel] Du Pont [de Nemours], "*Analyse du Tableau Économique*," in *Journal de l'Agriculture, du Commerce et des Finances*, (1766), pp. 305 ff., in [Auguste] Oncken's edition of *Œuvres de F. Quesnay* (Paris: Francfort, 1888). Quesnay states explicitly that in his account of circulation, the latter presupposes two conditions: free trade, and a system of taxation levied only on rent: "Yet these facts have indispensable conditions; that the freedom of commerce sustains the sale of products at a good price, and moreover, that the farmer need not pay any other direct or indirect charges but this revenue, part of which, say two-sevenths, must form the revenue of the Sovereign" (Ibid., p. 311).

5 Adam Smith, *Natur und Ursachen des Volkswohlstandes*, übersetzung von Wilhelm Loewenthal (Berlin: Staude, 1879), p. 53. [Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, edited by R. H. Campbell, A. S. Skinner, and W. B. Todd (Indianapolis, IN: Liberty Fund, 1981) p. 68. All further references to Smith's *Wealth of Nations* are to this English-language edition—*the Editors*.]

6 Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, p. 286.

7 Ibid., pp. 286–7.

8 Ibid., p. 289.

9 On Rodbertus and his specific conception of "national capital," see Section Two below.

10 J. B. Say, *A Treatise on Political Economy*, Vol. 2, translated by C. R. Prinsep (London: Longman, 1821), pp. 75–7.

11 Incidentally, it should be noted that [Victor de Riqueti, Marquis de] Mirabeau explicitly mentions the fixed capital of the unproductive class in his "explications" of the *Tableau économique*: "The *avances primitives* of this class, for the establishment of manufactures, for instruments, machines, mills, smithies (ironworks), and other factories … (amount to) 2 billion livres" (*Tableau économique avec ses Explications* [Paris: Hérissant, 1760], p. 82). In his confusing sketch of the *Tableau* itself, however, Mirabeau in fact fails to take this fixed capital of the sterile class into account.

12 Smith also gives the following general formulation: "The value that the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages that he advanced" (*An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, p. 8). Further,

in Book 2, Chapter 8, on industrial labor in particular: "The labor of a manufacturer adds generally to the value of the materials that he works upon, that of his own maintenance and of his master's profit. The labor of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his master, he in reality costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the subject upon which his labor is bestowed" (Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, p. 330).

13 "The laborers … therefore, employed in agriculture, not only occasion, like the workmen in manufactures, the reproduction of a value equal to their own consumption, or to the capital that employs them, together with its owner's profit; but of a much greater value. Over and above the capital of the farmer and all its profits, they regularly occasion the reproduction of the rent of the landlord" (Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, pp. 363–4).

14 Ibid., p. 332. Yet in the following sentence Smith reduces capital to wages, that is to variable capital: "That part of the annual produce of the land and labor of any country that replaces a capital, never is immediately employed to maintain any but productive hands. It pays the wages of productive labor only. That which is immediately destined for constituting a revenue, either as profit or as rent, may maintain indifferently either productive or unproductive hands" (Ibid.).

15 Ibid., pp. 286–7.

16 Ibid., p. 287.

17 Ibid., p. 288.

18 Ibid.

19 Ibid.

20 Ibid., p. 287.

21 Karl Marx, *Theorien über den Mehrwert*, Vol. 1 (Stuttgart: J. H. W. Dietz, 1905), pp. 179–252; Karl Marx, *Theorien über den Mehrwert*, Erster Teil, in *Karl Marx/ Friedrich Engels Werke*, Band 26.1, pp. 78–121, 158–68, 190–1, and 202–22. [See Karl Marx, *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 30 (New York: International Publishers, 1988), pp. 411–51; Vol. 31, pp. 7–8, 13–14, 84–94, 113–14, 130–151. All subsequent references to *Theories of Surplus Value* will be to the current English-language edition as found in the *Marx and Engels Collected Works—the Editors*.]

22 *Capital*, Vol. 2, p. 451.

23 Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, pp. 363–4.

24 Ibid., p. 68.

25 Here the contrary conception is disregarded that also crops up intermittently in Smith, whereby the price of commodities cannot be resolved into $v + s$, and yet their value consists of $v + s$! This confusion is more important for Smith's theory of value than in the present context, where it is his formula, $v + s$, that is of interest.

26 For the sake of simplicity, general usage will be followed, with references both here and in what follows to *annual* production; in actual fact, this time frame applies in general only to agriculture. Industrial periods of production and the turnover of capital do not necessarily coincide with calendar years.

27 In a society regulated by planning and based on common ownership of the means of production, the division of labor between intellectual and material labor does not need to correspond to particular categories of the population. Although such a division of labor will always be expressed in the existence of a certain number of intellectually active people who must be materially provided for, these various functions may be carried out in rotation by different individuals.

28 "In speaking of the social point of view, i.e. in considering the total social product, which includes both the reproduction of the social capital and individual consumption, it is necessary to avoid

falling into the habits of bourgeois economists, as imitated by Proudhon, i.e. to avoid looking at things as if a society based on the capitalist mode of production lost its specific historical and economic character when considered en bloc, as a totality. This is not the case at all. What we have to deal with is the collective capitalist. The total capital appears as the share capital of all individual capitalists together. The joint-stock company has in common with many other joint-stock companies that everyone knows what they put into it, but *not* what they will get out of it" (Marx, *Capital*, Vol. 2, p. 509).

29 *Capital*, Vol. 2, p. 473.

30 Ibid., pp. 542–5. See p. 256 on the necessity of expanded reproduction from the point of view of the insurance fund in general.

31 *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32 (New York: International Publishers, 1989), p. 113.

32 In his seventh observation on the *Tableau économique*, after his polemic against the Mercantilist theory of money as identical with wealth, Quesnay states the following: "The bulk of money in a nation cannot increase unless this reproduction itself increases; otherwise, an increase in the bulk of money would inevitably be prejudicial to the annual production of wealth … Therefore we must not judge the opulence of states on the basis of a greater or smaller quantity of money: thus a stock of money, equal to the income of the landowners, is deemed much more than enough for an agricultural nation where the circulation proceeds in a regular manner, and where commerce takes place in confidence and full liberty." (Cf. Quesnay, *Analyse du Tableau Économique*, [in *Œuvres de F. Quesnay]*, edited by [Auguste] Oncken [Paris: Jules Peelman et Cie, 1888], pp. 324–5).

33 Marx (*Capital*, Vol. 2, p. 491) takes the money spent by the capitalists of Department II as the starting point of this exchange. As Engels rightly points out in his footnote, this does not affect the final result of circulation, but it is not correct to assume that this is a presupposition of social circulation. Marx himself gives a more correct exposition in *Capital*, Vol. 2, pp. 475–6.

34 *Capital*, Vol. 2, p. 546.

35 Ibid., pp. 547–8.

36 Ibid., p. 548.

37 Ibid., p. 566.

38 "The precondition for simple reproduction, that I ($v + s$) is equal to IIc, is incompatible with capitalist production from the start, although this does not rule out the possibility that in one year of the industrial cycle of ten to eleven years there may be a smaller total production than the preceding, i.e. that even simple reproduction fails to take place in relation to the previous year. Secondly, however, given the natural annual growth of the population, simple reproduction would mean that a proportionately greater number of unproductive servants had to share in the 1,500 that represents the total surplus value. Accumulation of capital, i.e. actual capitalist production, would be impossible in this way" (*Capital*, Vol. 2, p. 596).

39 [David] Ricardo, *Principles of Political Economy*, Chapter 7, *On Taxes*. [*The Works and Correspondence of David Ricardo*, Vol. 1, edited by Piero Sraffa with the collaboration of M. H. Dobb (Indianapolis, IN: Liberty Fund, 2005), p. 151.]

40 "The specifically capitalist mode of production, the development of the productive power of labor that corresponds to it, and the change in the organic composition of capital that results from it, are things that do not merely keep pace with the progress of accumulation, or the growth of social wealth. They develop at a much quicker rate, because simple accumulation, or the absolute expansion of the total social capital, is accompanied by the centralization of its individual elements, and because the change in the technological composition of the capital. With the progress of accumulation, therefore, the proportion of constant to variable capital changes. If it was originally say 1:1, it now becomes successively 2:1, 3:1, 4:1, 5:1, 7:1, etc., so that, as the capital grows, instead of ½ its total value, only ⅓, ¼, ⅕, ⅙, ⅛, etc., is turned into labor-power, and on the other hand, ⅔, ¾, ⅘, ⅚, ⅞, into means of production. Since the demand for labor is determined not by

the extent of the total capital but by its variable component alone, that demand falls progressively with the growth of the total capital, instead of rising in proportion to it, as was previously assumed. It falls relatively to the magnitude of the total capital, and at an accelerated rate, as this magnitude increases. With the growth of the total capital, its variable constituent, the labor incorporated in it, does admittedly increase, but in a constantly diminishing proportion. The intermediate pauses in which accumulation works as simple extension of production on a given technical basis are shortened. It is not merely that an accelerated accumulation of the total capital, accelerated in a constantly growing progression, is needed to absorb an additional number of workers, or even, on account of the constant metamorphosis of old capital, to keep employed those already performing their functions. This increasing accumulation and centralization also becomes in its turn a source of new changes in the composition of capital, or in other words of an accelerated diminution of its variable component, as compared with its constant one" (*Capital*, Vol. 1, pp. 781–2).

41 "The path characteristically described by modern industry, which takes the form of a decennial cycle (interrupted by smaller oscillations) of periods of average activity, production at high pressure, crises, and stagnation, depends on the constant formation of the industrial reserve army or surplus population. In their turn, the varying phases of the industrial cycle recruit the surplus population, and become one of the most energetic agents of its reproduction" (Ibid., p. 785).

42 *Capital*, Vol. 1, pp. 726–7.

43 Ibid., p. 727.

44 *Capital*, Vol. 2, pp. 586–90.

45 Ibid., pp. 587–8.

46 Ibid., p. 588.

47 Ibid., p. 590.

48 *Capital*, Vol. 2, pp. 448–9.

49 Ibid., p. 532.

50 *Capital*, Vol. 1, p. 727, Note 2.

51 Ibid., p. 727.

52 Those cases can be disregarded here in which a part of the product, e.g. coal in the coalmine, can reenter the production process directly without exchange. These are exceptional cases within capitalist production as a whole [See Marx, *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32, pp. 118–21].

53 *Capital*, Vol. 2, p. 509.

54 Ibid., p. 565 (my emphasis—*R. L.*)

55 Ibid., p. 566–7 (my emphasis—*R. L*).

56 Ibid., p. 568.

57 Ibid., pp. 568–9.

58 Ibid., pp. 572–3.

59 Ibid., p. 573.

60 Ibid., p. 575.

61 Ibid.

62 Ibid., p. 576.

63 Ibid., pp. 577–8.

64 Ibid., pp. 579–80.

65 Ibid., p. 581.

66 Ibid., p. 583.

67 Ibid., p. 584.

68 Ibid.

69 Ibid.

70 Ibid., pp. 584–5.

71 Ibid., p. 585.

72 Ibid.

73 Ibid., p. 585.

74 Ibid., p. 590.

75 Ibid., p. 598.

76 Ibid., p. 566.

77 Ibid., p. 405.

78 Ibid.

79 Ibid., pp. 405–7.

80 Ibid., p. 407.

81 Ibid., p. 408.

82 Ibid., p. 409.

83 Ibid., p. 410.

84 Ibid., p. 418.

85 Ibid., pp. 418–9.

86 Ibid., p. 419.

87 Ibid., p. 422.

88 Ibid.

89 Ibid., pp. 84–7.

90 See *Capital*, Vol. 2, pp. 449, 524, 530.

91 *Edinburgh Review*, Vol. LXVI, pp. 331 ff. The excerpt from this interesting document is to be found in a review of an essay entitled "Observations on the Injurious Consequences of the Restrictions upon Foreign Commerce. By a Member of the late Parliament, London, 1820." This essay, which has a Free Trade bias, paints a bleak portrait of the situation of the workers in the U.K. It cites the following facts: "The manufacturing classes in Great Britain … have been suddenly reduced from affluence and prosperity to the extreme of poverty and misery. In one of the debates in the late Session of Parliament, it was stated that the wages of weavers of Glasgow and its vicinity that, when highest, had averaged about 25s. or 27s. a week, had been reduced in 1816 to 10s.; and in 1819 to the wretched pittance of 5s. 6d. They have not since been materially augmented." In Lancashire, according to the same evidence, the weekly wage of the weavers varied between 6s. and 12s. a week for a 15-hour working day, while "half-starved" children worked 12 to 16 hours a day for 2s. or 3s. a week. Even greater hardship, if such were possible, was endured in Yorkshire. As to the address by the framework knitters of Nottingham, the author says that he himself had investigated conditions and had come to the conclusion that the declarations of the workers were not in the slightest exaggerated.

92 Ibid., p. 334.

93 Preface to the second edition. Translation by François-Auguste-Marie-Alexis Mignet, in *Political Economy and the Philosophy of Government* (London: John Chapman, 1847), pp. 114 ff.

94 [Jean-Charles-Léonard Simonde de Sismondi], *Nouveaux Principes* [*d'Economie Politique Ou De La Richesse Dans Ses Rapports Avec La Population* (Paris: Delaunay, 1819)], Vol. 1, p. 79. [*New Principles of Political Economy*, translated by Richard Hyse (New Brunswick, NJ: Transaction Publishers, 1991), p. 75.]

95 Ibid., p. xv. [*New Principles*, p. 13.]

96 Ibid., p. 92. [*New Principles*, p. 83.]

97 Ibid., pp. 111–12. [*New Principles*, p. 95.]

98 Ibid., p. 335. [*New Principles*, p. 565.]

99 Sismondi, *Nouveaux Principes*, Vol. 2, p. 435. [*New Principles*, p. 629.]

100 Ibid., p. 463. [*New Principles*, p. 647.]

101 Sismondi, *Nouveaux Principes*, Vol. 1, p. xiii (pp. 120–1 of Mignet's translation). [Sismondi, *Political Philosophy and the Philosophy of Government; New Principles*, pp. 11–12.]

102 *Nouveaux Principes*, Vol. 1, p. 84. [*New Principles*, pp. 79–80.]

103 Ibid., p. 85. [*New Principles*, p. 80.]

104 Ibid., p. 86. [*New Principles*, p. 80.]

105 Ibid., pp. 86–7. [*New Principles*, pp. 80–1.]

106 Ibid., p. 87. [*New Principles*, p. 81.]

107 Ibid., pp. 87–8. [*New Principles*, p. 81.]

108 Ibid., pp. 88–9. [*New Principles*, p. 81.]

109 Ibid., pp. 108–9. [*New Principles*, p. 94.]

110 Ibid., pp. 93–4. [*New Principles*, p. 94.]

111 Ibid., p. 95. [*New Principles*, p. 84.]

112 Ibid., pp. 95–6. [*New Principles*, pp. 84–5.]

113 Ibid., pp. 104–5. [*New Principles*, p. 92.]

114 Ibid., p. 105. [*New Principles*, p. 93.]

115 Ibid., pp. 105–6. [*New Principles*, p. 93.]

116 Ibid., pp. 113, 120. [*New Principles*, p. 104.]

117 Ibid., p. 121. [*New Principles*, p. 104.]

118 Vladimir Ilyich Lenin, *Economic Studies and Essays* (1899). [See V. I. Lenin, *Collected Works*, Vol. 2, edited by George Hanna (Moscow: Progress Publishers, 1963), pp. 133–265, 357–458, 461–89.]

119 The article in the *Edinburgh Review* was in fact directed against Owen. Over twenty-four printed pages, it sharply criticizes four texts by the latter: (1) "A New View of Society, or Essays on the Formation of Human Character," (2) "Observations on the Effects of the Manufacturing System," (3) "Two Memorials on Behalf of the Working Classes, Presented to the Governments of America and Europe," and finally (4) "Three Tracts" and "An Account of Public Proceedings Relative to the Employment of the Poor." "Anonymous" here attempts to demonstrate exhaustively that Owen's reformist ideas do not bear the slightest relation to the real causes of the misery of the English proletariat, these causes being the following: the transition to the cultivation of infertile land (Ricardo's theory of ground rent!); the corn laws; and high taxation pressing upon tenant farmers and manufacturers alike. Free trade and laissez-faire are thus his alpha and omega. Given unrestricted accumulation, each increase in production will engender a corresponding increase in demand. Owen is accused of "profound ignorance" in relation to Say and James Mill. "In his reasonings, as well as in his plans, Mr. Owen shows himself profoundly ignorant of all the laws that regulate the production and distribution of wealth." The author then proceeds to range Sismondi alongside Owen, and formulates the point of contention as follows: "He [Owen] conceives that when competition is unchecked by any artificial regulations, and industry permitted to flow in its natural channels, the use of machinery may increase the supply of the several articles of wealth beyond the demand for them, and by creating an excess of all commodities, throw the working classes out of employment. This is the position that we hold to be fundamentally erroneous; and as it is strongly insisted on by the celebrated M. de Sismondi in his *Nouveaux Principes d'Economic Politique*, we must entreat the indulgence of our readers while we endeavor to point out its fallacy, and to demonstrate, that the power of consuming necessarily increases with every increase in the power of producing" (*Edinburgh Review*, October 1819, p. 470).

120 *Annales de legislation et de jurisprudence* was edited by P. F. Bellot, Dumont, L. Meynier, P. Rossia, and Sismondi and appeared from 1820 to 1822.

121 The original title is: "Examen de cette question: Le pouvoir de consommer s'accroîtil toujours dans la société avec le pouvoir de produire?" It has not been possible to obtain a copy of Rossi's *Annales*, but the essay as a whole was reproduced by Sismondi in the second edition of his *Nouveaux Principes*.

122 At the time of writing, Sismondi was still in the dark as to the identity of "Anonymous" in the *Edinburgh Review*.

123 Sismondi, *Nouveaux Principes*, Vol. 2, pp. 376–8. [*New Principles*, p. 601.]

124 McCulloch, "On Mr. Owen's Plans for Relieving National Distress," p. 470.

125 Incidentally, Sismondi's Leipzig Book Fair has staged a comeback after fifty-five years as a microcosm of the capitalist world—in Eugen Dühring's "system." In his devastating criticism of the latter unfortunate "universal genius," Engels adduces this idea as proof that Dühring has shown himself to be a "real German literatus" by attempting to elucidate a real industrial crisis by means of an imaginary one at the Leipzig Book Fair—thus explicating a storm at sea by means of a storm in a teacup. Yet, as in many other instances exposed by Engels, the great thinker has simply plagiarized the ideas of others.

126 Sismondi, *Nouveaux Principes*, Vol. 2, pp. 381–2. [*New Principles*, pp. 602–3.]

127 McCulloch, "On Mr. Owen's Plans for Relieving National Distress," p. 470.

128 Sismondi, *Nouveaux Principes*, Vol. 2, p. 384. [*New Principles*, p. 604.]

129 McCulloch, "On Mr. Owen's Plans for Relieving National Distress," p. 471.

130 Sismondi, *Nouveaux Principes*, Vol. 2, pp. 394–5. [*New Principles*, p. 608.]

131 Ibid., pp. 396–7. [*New Principles*, p. 609.]

132 Ibid., pp. 397–8. [*New Principles*, p. 609.]

133 McCulloch, "On Mr. Owen's Plans for Relieving National Distress," pp. 471–2.

134 Sismondi, *Nouveaux Principes*, Vol. 2, pp. 400–1. [*New Principles*, pp. 610–11.]

135 Ibid., p. 401. [*New Principles*, p. 611.]

136 Ibid., pp. 405–6. [*New Principles*, p. 613.]

137 It is characteristic of Ricardo that, on his election to Parliament in 1819, when his economic writings had already earned him a great reputation, he wrote to a friend: "You will have seen that I have taken my seat in the House of Commons. I fear I shall be of little use there. I have twice attempted to speak but I proceeded in the most embarrassed manner, and I have no hope of conquering the alarm with which I am assailed the moment I hear the sound of my own voice" [*The Works and Correspondence of David Ricardo*, Vol. 7, edited by Piero Sraffa with the collaboration of M. H. Dobb (Indianapolis, IN Liberty Fund, 2005), p. 21.] Such diffidence was entirely foreign to the windbag McCulloch.

138 *Nouveaux Principes*, Book 4, Chapter 7.

139 Ibid., Book 7, Chapter 7.

140 This essay, "Sur la Balance des Consommations avec les Productions," is reprinted in the second edition of *Nouveaux Principes*, Vol. 2, pp. 408 ff; [cf. *New Principles*, p. 618]. Sismondi comments on these discussions as follows: "M. Ricardo, whose recent death has been a profound bereavement not only to his friends and family but to all those whom he enlightened by his brilliance, all those whom he inspired by his lofty sentiments, stayed for some days in Geneva in the last year of his life. We discussed in two or three sessions this fundamental question on which we disagreed. To this inquiry he brought the urbanity, the good faith, the love of truth that distinguished him, and a clarity that his disciples themselves had not heard, accustomed as they were to the efforts of abstract thought he demanded in the lecture room."

141 Ricardo had elaborated the theory of free trade. The representatives of this school called for so-called free foreign trade, unimpeded by any state policies.

142 Sismondi, *Nouveaux Principes*, Vol. 2, p. 361. [*New Principles*, p. 276.]

143 Sismondi, *Nouveaux Principes*, Book 4, Chapter 4: "Comment la Richesse commerciale suit l'Accroissement du Revenu" (Vol. 1, p. 355). [Cf. *New Principles*, p. 273.]

144 Sismondi, *Nouveaux Principes*, Vol. 2, p. 412. [*New Principles*, pp. 619–20.]

145 Ibid., p. 416. [*New Principles*, pp. 620–1.]

146 Ibid., p. 424. [*New Principles*, p. 624.]

147 Ibid., p. 417. [*New Principles*, p. 621.]

148 Ibid., pp. 425–6. [*New Principles*, pp. 624–5.]

149 Ibid., p. 429. [*New Principles*, p. 626.]

150 Ibid., pp. 434–5. [*New Principles*, pp. 628–9.]

151 In these circumstances, the account of the controversy between Sismondi and Ricardo given by that champion of the views of Say and Ricardo, Tugan-Baranovsky (*Theorie und Geschichte der Handelskrisen in England*, p. 176), displays a levity of judgment—to put it mildly—rarely seen in a work of serious scientific pretensions. Tugan-Baranovsky asserts that Sismondi was compelled "to acknowledge as correct the doctrine he had attacked and to concede his opponent all that is necessary"; he claims that Sismondi himself "had abandoned his own theory that still finds so many adherents"; and finally he declares that "the victory in this controversy lies with Ricardo."

152 "L'argent ne remplit qu'un office passager dans ce double échange. Les échanges terminés, il se trouve qu'on a payé des produits avec des produits. En conséquence, quand une nation a trop de produits dans un genre, le moyen de les écouler est d'en créer d'un autre genre" (J. B. Say, *Traité d'Économie Politique*, Vol. 1 [Paris: Deterville, 1803], p. 154).

153 In fact, all that Say accomplished here once again was to give a pretentious and dogmatic formulation to the thoughts that others had expressed before him. As [Eugene von] Bergmann points out, in his *Die Wirtschaftskrisen. Geschichte der nationalökonomischen Krisentheorien* (Economic Crises: A History of Economic Crisis Theories) (Stuttgart: Kolhammer, 1895), similar statements on the identity or natural balance between supply and demand are to be found in the work of Josiah Tucker [*Elements of Commerce and Theory of Taxes* (London: S. R. Publishers, 1755)], in [Anne-Robert-Jacques] Turgot's annotations to the French edition of Tucker's pamphlet, in the writings of Quesnay, [Pierre Samuel] Dupont de Nemours, [*Oeuvres de Turgot* (Paris: A. Belin, 1808–11)] and others. Yet the miserable Say, as Marx once called him, claims credit as the leading harmonist for the great discovery of the "théorie des débouches," modestly comparing his own work to the discovery of the principles of thermodynamics, of the lever, and of the inclined plane. In the preface and table of contents to the 6th edition of his *Traité* (1841, pp. 51, 616) he states: "The theory of exchange and of vents, such as it is developed in this work, will transform world politics." The same standpoint is also elaborated by James Mill in his *Commerce Defended* of 1808 [London: Simpkin, Marshall & Co.]; Marx refers to the latter as the true father of the theory of the natural equilibrium between production and markets.

154 Say, in *Revue Encyclopédique*, Vol. 23, July 1824, pp. 20 ff.

155 "Erkläre mir, Graf Oerindur, diesen Zwiespalt der Natur." Cf. Adolf Müllner, *Die Schuld: Trauerspiel in vier Akten* (Leipzig: Adolf Müllner, 1817).

156 Sismondi, *Nouveaux Principes*, Vol. 1, p. 117. [*New Principles*, p. 103.]

157 Say, in *Revue Encyclopédique*, Vol. 23, July 1824, p. 21.

158 Ibid., p. 29. Say indicts Sismondi as the arch-enemy of bourgeois society in the following impassioned diatribe: "It is against the modern organization of society, an organization that, by despoiling the working man of all property save his hands, gives him no security in the face of a competition directed toward his detriment. What! Society despoils the workingman because it ensures to every kind of entrepreneur free disposition over his capital, that is to say his property! I

repeat: there is nothing more dangerous than views conducive to a regulation of the employment of property [for] hands and faculties … are also property” (Ibid., p. 30).

159 Sismondi, *Nouveaux Principes*, Vol. 2, pp. 462–3. [*New Principles*, p. 646.]

160 Ibid., p. 331. [*New Principles*, p. 563.]

161 Ibid., pp. 432–3. [*New Principles*, pp. 627–8.]

162 Ibid., p. 449. [*New Principles*, p. 635.]

163 Ibid., p. 448. [*New Principles*, p. 634.]

164 Marx makes only passing references to Sismondi in his history of the opposition to Ricardo’s school and its dissolution. At one point, he states the following: “I exclude Sismondi from my historical survey here because a critique of his views belongs to a part of my work dealing with the real movement of capital (competition and credit) that I can only tackle after I have finished the book” [*Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32, p. 245]. Subsequently, however, in the context of a consideration of Malthus, Marx dedicates a passage to Sismondi that is in the main quite exhaustive: “*Sismondi* is profoundly conscious of the contradictions in capitalist production; he is aware that, on the one hand, its forms—its production relations—stimulate unrestrained development of the productive power and of wealth; and that, on the other hand, these relations are conditional, that their contradictions of use-value and exchange value, commodity and money, purchase and sale, production and consumption, capital and wage-labor, etc., assume ever-greater dimensions as productive power develops. He is particularly aware of the fundamental contradiction: on the one hand, unrestricted development of the productive power and increase of wealth that, at the same time, consists of commodities and must be turned into cash; on the other hand, the system is based on the fact that the mass of producers is restricted to the necessaries. Hence, according to Sismondi, crises are not accidental, as Ricardo maintains, but essential outbreaks—occurring on a large scale and at definite periods—of the immanent contradictions. He wavers constantly: should the State curb the productive forces to make them adequate to the production relations, or should the production relations be made adequate to the productive forces? He often retreats into the past, becomes a *laudator temporis acti*, or he seeks to exorcise the contradictions by a different adjustment of revenue in relation to capital, or of distribution in relation to production, not realizing that the relations of distribution are only the relations of production seen *sub alia specie*. He forcefully *criticizes* the contradictions of bourgeois production, but does not understand them, and consequently does not understand the process whereby they can be resolved. [How could he, given that this production was still in its formative stages?—*R. L.*] However, at the bottom of his argument is indeed the inkling that *new forms* of the appropriation of wealth must correspond to the productive forces and the material and social conditions for the production of wealth that have been developed within capitalist society; that the bourgeois forms are only transitory and contradictory forms, in which wealth attains only an antithetical existence and appears everywhere simultaneously as its opposite. It is wealth that always has poverty as its prerequisite and only develops by developing poverty as well” (Ibid., pp. 247–8).

In *The Poverty of Philosophy*, Marx cites Sismondi against Proudhon in several passages, but only in the following sentence does he make any comments relating directly to Sismondi’s position: “Those who, like Sismondi, wish to return to the correct proportion of production, while preserving the present basis of society, are reactionary, since, to be consistent, they must also wish to bring back all the other conditions of industry of former times” [*The Poverty of Philosophy* in *Marx and Engels Collected Works*, Vol. 6 (New York: International Publishers, 1976), p. 137]. There are two brief references to Sismondi in *A Contribution to the Critique of Political Economy:* in one place Marx ranks him as the last classical bourgeois economist in France, paralleling Ricardo in England; in another passage, Marx draws attention to the fact that, unlike Ricardo, Sismondi underlined the specifically social character of value-creating labor [See *Marx and Engels Collected Works*, Vol. 30 (New York: International Publishers, 1987), pp. 292 and 300–1]. Finally, in the *Communist Manifesto*, Sismondi is dubbed the head of petty-bourgeois socialism [See *Marx and Engels Collected Works*, Vol. 7, p. 509].

165 Sismondi, *Nouveaux Principes*, Vol. 2, p. 409. [*New Principles*, pp. 617–8.]

166 Cf. Marx, *Theories of Surplus Value* [in *Marx and Engels Collected Works*, Vol. 32, pp. 231–58] for an in-depth analysis of Malthus' theory of value and profits.

167 Thomas Malthus, *Definitions in Political Economy* (London: John Murray, 1827). [For a more recent edition of Malthus's work, see *Definitions in Political Economy* (New York: Kelley and Millman, Inc., 1954]).

168 James Mill, *Elements of Political Economy*, third edition (London: Baldwin Cradock, and Joy, 1826), pp. 239–40. [For a more recent edition of Mill's work, see *Elements of Political Economy* (New York: Augustus M. Kelley, 1963).]

169 Malthus, *Definitions in Political Economy*, p. 51.

170 Ibid., p. 64.

171 Ibid., pp. 53–4.

172 "I suppose they are afraid of the imputation of thinking that wealth consists in money. But though it is certainly true that wealth does not consist in money, it is equally true that money is a most powerful agent in the distribution of wealth, and those who, in a country where all exchanges are practically effected by money, continue the attempt to explain the principles of demand and supply, and the variations of wages and profits, by referring chiefly to hats, shoes, corn, suits of clothing, &c., must of necessity fail" (Ibid., p. 60).

173 Ibid., pp. 62–3.

174 Rodbertus, *Die Forderungen der arbeitenden Klassen* (The Demands of the Working Classes) [Frankfurt am Main: August Skalweit, 1946].

175 Rodbertus, *Die Handelskrisen und die Hypothekennot der Grundbesitzer* (On Commercial Crises and the Mortgage Problem of the Landowners) [Berlin: F. Schneider, 1858].

176 Ibid.

177 Rodbertus, *Zur Erkenntnis unserer staatswirtschaftlichen Zustände* (Toward the Understanding of Our Politico-Economic Conditions) (Neubrandenburg & Friedland: G. Barnovitz, 1842).

178 See von Kirchmann, "Über die Grundrente in socialer Beziehung" and *Die Tauschgesellschaft*, in *Demokratische Blätter*, No. 25 (April–July 1849).

179 Rodbertus, *Soziale Briefe an von Kirchmann* (Berlin: H. Barr, 1885 [orig. 1850–51]); cf. Rodbertus, *Overproduction and Crises* (London: S. Sonnenschein, 1898).

180 Rodbertus quotes verbatim von Kirchmann's arguments at great length. According to the former's editors, however, no complete copy of *Demokratische Blätter* with the original essay is available.

181 To von Kirchmann, in 1880.

182 *Schriften von Dr. Karl Rodbertus*, 4 Volumes (Berlin: Puttkammer and Mühlbrecht, 1899), Vol. 3, pp. 172–4, 184.

183 Rodbertus, *Schriften*, Vol. 2, pp. 104 f.

184 Rodbertus, *Schriften*, Vol. 1, p. 99.

185 Ibid., p. 173.

186 Ibid., p. 176.

187 Rodbertus, *Schriften*, Vol. 2, p. 65.

188 Rodbertus, *Schriften*, Vol. 1, pp. 182–4.

189 Ibid., p. 72.

190 Ibid.

191 Rodbertus, *Schriften*, Vol. 4, p. 225.

192 Rodbertus, *Schriften*, Vol. 3, pp. 110–11.

193 Ibid., p. 108.

194 Rodbertus, *Schriften*, Vol. 1, p. 62.

195 Rodbertus, *Schriften*, Vol. 4, p. 226.

196 In Rodbertus, *Zur Erkenntnis unserer staatswirtschaftlichen Zustände*, Part 2, note 1.

197 In Rodbertus, *Die Handelskrisen und die Hypothekennot der Grundbesitzer*, quoted above (Vol. 3, p. 186).

198 Rodbertus, *Schriften*, Vol. 4. p. 233. In this context it is interesting to see how Rodbertus, in spite of his ethical bluster over the lot of the unfortunate working class, appears as someone who is in practice able, with great sobriety and realistic thinking, to predict capitalist colonial policy in the sense and spirit of the present-day "Pan-Germans." In a footnote to the passage quoted above, he writes: "We can go on to glance briefly at the importance of the opening up of Asia, in particular of China and Japan, the richest markets in the world, and also of the maintenance of English rule in India. *It is to defer the solution of the social problem*." [The fulminating avenger of the exploited here ingenuously discloses to the beneficiaries of exploitation the means by which they can continue in "their foolish and criminal error," their "immoral" conception, and their "flagrant injustice" for as long as possible—*R. L.*] "For the present is characterised just as much by self-interest and a lack of ethical integrity as it is by a lack of insight." [Rodbertus's philosophical resignation is unparalleled!—*R. L.*] "Economic advantage cannot, admittedly, constitute a legal title to intervention by force, but on the other hand, a strict application of modern natural and international law to all the nations of the world, whatever their level of civilization, is quite impracticable." [The reader is inevitably reminded at this point of Dorine's words in Molière's *Tartuffe*: "*Le ciel défend, de vraie, certains contentements, mais il y a avec lui des accommodements*." "Heaven forbids, 'tis true, some satisfactions; But we find means to make things right with Heaven"—*R. L.*] "Our international law is the product of a Christian ethical culture, or civilization, and since all law is based upon reciprocity, it can only provide the standard for relations with nations belonging to the same civilization. Its application beyond these limits betrays a sentimentality in relation to natural and international law, and the Indian atrocities should have cured us of it. Christian Europe should rather partake of the spirit that made the Greeks and the Romans regard all the other peoples of the world as barbarians. The world-historical drive that impelled the Ancients to extend their native civilization over the surface of the globe would then be reawakened in the younger European nations. They would reconquer Asia for world history by *joint action*. Such *common purpose and action* would in turn foster the greatest social progress, a firm foundation for peace in Europe, a reduction of armies, the colonization of Asia in the ancient Roman style—in other words, a genuine solidarity of interests in all spheres of social life." This vision of capitalist colonial expansion causes the prophet of the exploited and oppressed to wax lyrical. Such lyricism is all the more exceptional in that it came at a time when "Christian ethical culture" covered itself in glory with exploits such as the Opium Wars against China and the "Indian atrocities"—that is to say, the atrocities committed by the British in their bloody suppression of the Indian (or Sepoy) Mutiny [in 1858]. In his second *Letter on Social Problems*, in 1850, Rodbertus had argued that if society lacked the "ethical fortitude" necessary to solve the social question, in other words, to alter the distribution of wealth, history would be compelled to "use the whip of revolution against it" (Rodbertus, *Schriften*, Vol. 2, p. 83). Eight years later, however, the good Prussian prefers to crack the whip of a Christian ethical colonial policy over the indigenous populations of the colonized countries. It is, of course, entirely consistent that the "actual founder of scientific socialism in Germany" should also be a keen supporter of militarism; his words on the "reduction of armies" are mere poetic license amid his bombast. In his essay *On the Understanding of the Social Question*, he explains that the "entire national tax burden is perpetually gravitating toward the bottom, sometimes in the form of higher prices for wage goods, and sometimes in the form of downward pressure on money wages," and that, in this regard, conscription is to be considered "under the aspect of a burden on the state," explaining that "as far as the working classes are concerned, it amounts not so much to a tax but rather a confiscation of their entire

revenue over many years." He immediately adds the following: "To avoid misunderstanding I would point out that I am a staunch supporter of our present military constitution [i.e. the military constitution of counter-revolutionary Prussia—*R. L.*]—although it may be oppressive to the working classes and demand great financial sacrifices from the propertied classes" (*Schriften*, Vol. 3, p. 34). Snug is no lion indeed!

199 Rodbertus, *Schriften*, Vol. 3, p. 182.

200 Rodbertus, *Schriften*, Vol. 4, p. 231.

201 Rodbertus, *Schriften*, Vol. 3, p. 176.

202 Rodbertus, *Schriften*, Vol. 1, pp. 53, 57.

203 Ibid., p. 206.

204 Ibid., p. 19.

205 Rodbertus, *Schriften*, Vol. 2, p. 110.

206 Ibid., p. 144.

207 Ibid., p. 146.

208 Ibid., p. 155.

209 Ibid., p. 223.

210 Ibid., p. 226.

211 Ibid., p. 156.

212 Rodbertus, *Schriften*, Vol. 1, p. 40.

213 Rodbertus, *Schriften*, Vol. 2, p. 25.

214 Rodbertus, *Schriften*, Vol. 1, p. 250.

215 Ibid., p. 295. This is another example of how Rodbertus spent his whole life rehashing the ideas he had expressed as early as 1842 in his *Zur Erkenntnis unserer staatswirtschaftlichen Zustände:* "However, some have gone so far, in relation to present conditions, as to ascribe the costs of the good not only to the wage of labor, but also to rents and capital profits. This view must therefore be comprehensively refuted. It has a twofold foundation: (a) an erroneous conception of capital that counts the wage of labor as capital in the same way it does materials and tools, whereas the wage in fact has the same status as rent and profit; (b) a confusion of the costs of the good and the outlays of the entrepreneur or the costs of the enterprise" (*Zur Erkenntnis unserer staatswirtschaftlichen Zustände*, p. 14).

216 Rodbertus, *Schriften*, Vol. 1, p. 304. Similarly, Rodbertus had already written the following: "We must distinguish between capital in its narrow or in its wider sense—i.e., the fund of enterprise. The former comprises the actual reserves in tools and materials, the latter the fund necessary for running an enterprise under present conditions of the division of labor. The former is capital absolutely necessary to production, and the latter achieves such relative necessity only by force of present conditions. Hence only the former is capital in the strict and proper meaning of the term; this alone is completely congruent with the concept of national capital" (Ibid., pp. 23–4).

217 Rodbertus, *Schriften*, Vol. 1, p. 292.

218 Rodbertus, *Schriften*, Vol. 2, p. 136.

219 Rodbertus, *Schriften*, Vol. 1, p. 61.

220 Incidentally, the worst memorial of all was bestowed upon Rodbertus by the editors who published his work after his death. These learned gentlemen, Professor [Adolph] Wagner, Dr. [Theophil] Kozak, Moritz Wirth, and various others, squabble in their respective prefaces to the volumes of his posthumous writings like a crowd of unruly servants in an antechamber, and use them to give vent to personal tittle-tattle and jealousies and to insult each other in public. They do not even bother to pay Rodbertus the most basic level of respect, omitting to establish the date of composition of the various individual manuscripts that he left. It fell to [Franz] Mehring, for example, to advise them that the oldest manuscript of Rodbertus that had been found did not date from 1837, as Professor

Wagner had arbitrarily decided, but from 1839 at the earliest, since its first few lines refer to events associated with the Chartist movement that took place in that year—something that a professor of political economy ought to know. Professor Wagner, who constantly annoys the reader of his prefaces to Rodbertus with his pomposity and harps on about the "excessive demands on his time," and who addresses himself solely to his learned colleagues over the heads of the masses of ordinary mortals, accepted Mehring's elegant correction before the assembled academics in silence, like the great man that he was. Professor Diehl likewise simply corrected the date from 1837 to 1839 in the *Handwörterbuch der Staatswissenschaften* without so much as a word to advise the reader when and by whom he had been thus enlightened.

Crowning it all is the "popular," "new and inexpensive edition" [of Rodbertus's *Zur Beleuchtung der socialen Frage*] by Puttkamer and Muehlbrecht in 1899, which some of the quarrelling editors peacefully collaborated to produce, except for the fact that they carried their squabbles over into their new prefaces. In this edition, the previous Volume 2 of the Wagnerian edition has now been made Volume 1, but Wagner himself is casually allowed to continue referring to "Volume 2" in the introduction to Volume 3; the first *Letter on Social Problems* has ended up in Volume 3, the second and third in Volume 2 and the fourth in Volume 1; the sequence of the *Letters on Social Problems*, of the *Controversies*, of the parts of *Zur Beleuchtung der socialen Frage* forms a chaos more impenetrable than the stratification of the Earth's crust after a series of volcanic eruptions, and the same can be said for the ordering of these volumes, the chronological and logical ordering in general, and the dates of publication and composition; finally, Rodbertus's earliest manuscript is dated 1837, probably in deference to Professor Wagner, despite the fact that Mehring had drawn attention to the error in 1894, five years before the publication of this new edition!! If a comparison is made with Mehring's and Kautsky's posthumous editions of Marx's writings, published by Dietz, it will be seen how such seemingly external details reflect deeper connections: the care and attention accorded to the scientific heritage of the doyens of the class-conscious proletariat contrasts with the manner in which the official scholars of the bourgeoisie squander the legacy of a man, who according to their own biased narrative was a first-rate genius! We might cite Rodbertus's own motto here: *suum cuique* ["to each his own" or "to each what he deserves"].

221 An essay in *Otechestvennye zapiski* (Jottings from Our Native Land), May 1883.

222 An essay in the review *Russkaya Mysl* (Russian Thought), September 1889.

223 Vorontsov, in *Otechestvennye zapiski*, Vol. 5: "A Contemporary Survey," p. 4.

224 Ibid., p. 10.

225 Ibid., p. 14.

226 Vorontsov, *Outlines of Economic Theory* (St. Petersburg: 1895), pp. 157 ff.

227 Vorontsov, "Militarism and Capitalism" in *Russkaya Mysl* (1889), Vol. 9, p. 78.

228 Ibid., p. 80.

229 Ibid., p. 83. Cf. Vorontsov, *Outlines of Economic Theory*, p. 196.

230 Cf. Danielson, *Ocherki nashego poreformmenogo obshchestvennogo khoziaistva* (Outlines of Our Post-Reform Social Economy) [first published in 1880 in the Russian magazine *Slovo* (Word)], in particular pp. 202–5, 338–41.

231 In his essay "On the Characteristics of Economic Romanticism" (1897), Vladimir Ilyich [Lenin] demonstrates in detail that there is a striking similarity between the position of the Russian "Populists" and Sismondi's conception. [See V. I. Lenin, *Collected Works*, Vol. 2, pp. 133–265.]

232 Danielson, *Ocherki nashego poreformmenogo obshchestvennogo khoziaistva*, p. 322. Frederick Engels appraises the situation in Russia differently. He repeatedly tries to explain to Danielson that Russia cannot avoid large-scale industrial development, and that its sufferings are merely the typical contradictions of capitalism. Thus he writes on September 22, 1892: "Now I maintain, that industrial production nowadays means *grande industrie*, steam, electricity, self-acting mules, power looms, finally machines that produce machinery. From the day Russia introduced railways,

the introduction of these modern means of production was a foregone conclusion. You must be able to repair your own locomotives, wagons, railways, and that can only be done cheaply if you are able to construct those things at home, that you intend to repair. From the moment warfare became a branch of the *grande industrie* (ironclad ships, rifled artillery, quickfiring and repeating cannons, repeating rifles, steel covered bullets, smokeless powder, etc.), *la grande industrie*, without which all these things cannot be made, became a political necessity. All these things cannot be had without a highly developed metal manufacture. And that manufacture cannot be had without a corresponding development in all other branches of manufacture, especially textiles." [See *Marx and Engels Collected Works*, Vol. 49 (New York: International Publishers, 2001), p. 535.] Subsequently in the same letter, Engels states: "So long as Russian manufacture is confined to the home market, its product can only cover home consumption. And that can only slowly increase, and, as it seems to me, ought even to decrease under present Russian conditions. For it is one of the necessary corollaries of *grande industrie* that it *destroys* its own home market by the very process by which it creates it. It creates it by destroying the basis of the domestic industry of the peasantry. But without domestic industry the peasantry cannot live. They are ruined *as peasants;* their purchasing power is reduced to a minimum; and until they, as *proletarians*, have settled down into new conditions of existence, they will furnish a very poor market for the newly arisen factories.

"Capitalist production being a transitory economical phase, is full of internal contradictions that develop and become evident in proportion as it develops. This tendency to destroy its own market at the same time it creates it, is one of them. Another one is the insoluble situation to which it leads, and that is developed sooner in a country *without* a foreign market, like Russia, than in countries that are more or less capable of competing on the open world market. This situation without an apparent issue finds its issue, for the latter countries, in commercial revulsions, in the forcible opening of new markets. But even then the cul-de-sac stares one in the face. Look at England. The last new market that could bring on a temporary revival of prosperity by its being thrown open to English commerce is China. Therefore English capital insists upon constructing Chinese railways. But Chinese railways mean the destruction of the whole basis of Chinese small agriculture and domestic industry, and as there will not even be the counterpoise of a Chinese *grande industrie*, hundreds of millions of people will be placed in the impossibility of living. The consequence will be a wholesale emigration such as the world has not yet seen, a flooding of America, Asia, and Europe by the hated Chinaman, a competition for work with the American, Australian, and European workman on the basis of the Chinese standard of life, the lowest of all—and if the system of production has not been changed in Europe before that time, it will have to be changed then" (Ibid., pp. 537–8).

Although he closely followed developments in Russia and showed a keen interest in them, Engels studiously declined to intervene in the Russian dispute. In his letter of November 24, 1894, i.e. shortly before his death, he gives the following explanation: "I am daily and weekly assailed by Russian friends to reply to Russian reviews and books in which the words of our author are not only misinterpreted but misquoted and where they say my interference would suffice to set the matter right. I have constantly declined doing so, because I cannot, without giving up real and serious work, be dragged into controversies going on in a faraway country, in a language that I do not yet read with as much ease as the better known Western languages, and in a literature whereof at best I but see occasional fragments and where it is utterly impossible for me to follow the debate closely and in all its phases and passages. There are people everywhere who, in order to defend a position once taken up by them, do not shrink from any distortion or unfair maneuver; and if this is the case with the writings of our author, I am afraid I should get no better treatment and be compelled, finally, to interfere in the debate, both for other people's sake and my own" (See *Marx and Engels Collected Works*, Vol. 50, p. 372).

233 Incidentally, the surviving advocates of "Populist" pessimism, and Vorontsov in particular, have remained loyal to their conception to the last, in spite of all that has happened in Russia in the meantime—a fact that says more for their character than for their intelligence. In 1902, Vorontsov

wrote the following in reference to the 1900–02 crisis: "The doctrinaire dogma of the Neo-Marxists rapidly loses its power over people's minds. That the newest successes of the individualists are ephemeral has obviously dawned even on their official advocates … In the first decade of the twentieth century, we come back to the same views about economic development in Russia that had been the legacy of the 1870s." (Cf. the review *Political Economics*, October 1902, quoted by A. Finn Yenotayevski in *The Contemporary Economy of Russia 1890–1910* [St. Petersburg: 1911], p. 2.) Even today, then, this last of the "Populist" Mohicans deduces the "ephemeral character" of economic reality rather than that of his own theory, and provides a living refutation of Barrère's dictum: "Il n'y a que les morts qui ne reviennent pas" [Only the dead do not return].

234 Published in *Sozialdemokratisches Zentralblatt*, Vol. 3, No. 1.

235 Peter Struve, *Kriticheskie zametki k voprosu ob ekonomicheskom razvitii Rossii* (Critical Comments on the Problem of Economic Development in Russia) [Moscow: 1894].

236 Peter Struve, "On Capitalist Development in Russia," in *Sozialdemokratisches Zentralblatt*, Vol. 3, No. 1, p. 251.

237 Ibid., p. 255.

238 Ibid., p. 252.

239 Ibid., p. 260. "Where [Struve] is decidedly wrong, is in comparing the present state of Russia with that of the United States, in order to refute what he calls your pessimistic views of the future. He says the evil consequences of modern capitalism in Russia will be as easily overcome as they are in the United States. There he quite forgets that the United States are modern, bourgeois, from the very origin; that they were founded by petty-bourgeois and peasants who ran away from European feudalism in order to establish a purely bourgeois society. Whereas in Russia, we have a groundwork of a primitive communistic character, a pre-civilization, a society of gentes, crumbling to ruins, it is true, but still serving as the groundwork, the material upon which the capitalistic revolution (for it is a real social revolution) acts and operates. In America, a monetary economy has been fully established for more than a century, in Russia, natural economy was all but exclusively the rule. Therefore it stands to reason that the change, in Russia, must be far more violent, far more incisive, and accompanied by immensely greater sufferings than it can be in America" (Engels to Danielson, October 17, 1893). [See *Marx and Engels Collected Works*, Vol. 50, p. 213.]

240 Struve, *Kriticheskie zametki k voprosu ob ekonomicheskom razvitii Rossii*, p. 284.

241 Professor Schmoller, among others, clearly demonstrates the reactionary dimension of the German professors' theory of "Three Empires" (viz. Great Britain, Russia, and the U.S.). In his secular treatment of trade policy, the venerable scholar wistfully shakes his head at the "neo-mercantilist" (he means imperialist) designs of the three arch-villains. "In the interests of a higher intellectual, moral, and aesthetic civilization," and of "social progress," he demands a strong German navy and a European Customs Union to stand up to England and the U.S. "Out of the economic tension of the world there arises the prime duty for Germany to create for herself a strong navy, so as to be prepared for battle in the case of need, and to be desirable as an ally to the World Powers." However, as Professor Schmoller says elsewhere, he does not wish to blame these powers for embarking on the path of large-scale colonial expansion once more. "She neither can nor ought to pursue a policy of conquest like the Three World Powers, but she must be able, if necessary, to break a foreign blockade of the North Sea in order to protect her own colonies and her vast commerce, and she must be able to offer the same security to the states with whom she forms an alliance. It is the task of the Three-Partite Union (Germany, Austro-Hungary, and Italy) to cooperate with France toward imposing some restraint, desirable for the preservation of all other states, on the overaggressive policy of the Three World Powers that constitutes a threat to all smaller states, and to ensure moderation in conquests, in colonial acquisitions, in the immoderate and unilateral policy of protective tariffs, in the exploitation and maltreatment of all weaker elements. The objectives of all higher intellectual, moral and aesthetic civilization and of social progress depend on the fact that the globe should not be divided up among Three World Empires in

the twentieth century, that these Three Empires should not establish a brutal neo-mercantilism" (*Die Wandlungen in der europäischen Handelspolitik des 19 Jahrhunderts: eine Säkularbetrachtung* [Changes in European Trade Policy During the 19th Century: A Secular Treatment], in *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*, Vol. 29, p. 381).

242 Sergei Bulgakov, *O rynkakh pri kapitalisticheskom proizvodstve* (On the Markets of Capitalist Production. A Study in Theory) (Moscow: A.G. Kolchugin, 1897), p. 15.

243 Ibid., p. 32, footnote.

244 Ibid., p. 27.

245 Ibid., pp. 2–3.

246 Ibid., pp. 50, 55.

247 Ibid., pp. 132 ff.

248 Ibid., p. 20.

249 Bulgakov's italics.

250 Bulgakov, *O rynkakh pri kapitalisticheskom proizvodstve*, p. 161.

251 Ibid., p. 167.

252 Ibid., p. 210 (my italics—*R. L.*).

253 Ibid., p. 238.

254 Ibid, p. 199.

255 Karl Bücher, *Die Entstehung der Volkswirtschaft*: [*Vörtrag und Versuche*] (The Emergence of Economies: Lectures and Investigations), fifth edition (Tübingen: H. Laupp, 1906), p. 147. The most recent contribution in this field is that of Professor [Werner] Sombart, according to whom we are not becoming more integrated into the world economy but quite the opposite—we are moving further and further away from it. "I maintain, on the contrary, that the civilized nations are not considerably more, but in fact less interconnected through commercial relations today in relation to their economy as a whole. Individual national economies are not more but rather less integrated into the world market than they were a hundred or fifty years ago. At least … it would be wrong to assume that international trade relations are increasing in relative importance for the modern national economy. The opposite is the case." Sombart scornfully rejects the assumption of an increasing international division of labor, of a growing need for external markets resulting from the internal market's inability to expand. For his part, Sombart is convinced that "the individual national economies will become ever more complete microcosms and that the importance of the internal market is increasingly surpassing that of the world market for all branches of industry" (*Die Deutsche Volkswirtschaft im Neunzehhte. Jahrhundert* [The German National Economy in the Nineteenth Century], second edition (Berlin: Georg Blondi Verlag, 1909), pp. 399–420]. This devastating discovery in fact presupposes an acceptance of the bizarre model that the professor has invented, which, for some unknown reason, considers "exporting countries" to be only those that pay for their imports with their surplus of agricultural products over and above their own needs—i.e. those that pay "with the soil." In this model, Russia, Romania, the U.S., and Argentina are "exporting countries," but Germany, the U.K., and Belgium are not. Since, with capitalist development, the surplus of agricultural products will sooner or later be absorbed by the needs of the internal market in Russia and the U.S., too, it is evident that there will be fewer and fewer "exporting countries" in the world, and thus that the international economy will disappear. Another of Sombart's discoveries is that the great capitalist countries, which are "non-exporting" ones, increasingly obtain "free" imports in the form of interest on exported capital. For Professor Sombart, however, neither capital exports nor exports of industrial commodities count: "In the course of time we shall probably get to a point where we import without exporting" (p. 422). How modern, sensational, and dandy!

256 Bulgakov, *O rynkakh pri kapitalisticheskom proizvodstve*, p. 236. The same view is formulated even more forcefully by Lenin: "The romanticists [as he calls the skeptics] argue as follows: the

capitalists cannot consume the surplus value; therefore they must dispose of it abroad. I ask: Do the capitalists perhaps give away their products to foreigners for nothing, throw it into the sea, maybe? If they sell it, it means that they obtain an equivalent. If they export certain goods, it means that they import others" (*Ökonomische Studien und Artikel*, p. 2). [See V. I. Lenin, *Collected Works*, Vol. 2, p. 134.] Incidentally, Lenin's explanation of the role of external trade in capitalist production is far more correct than that of Struve and Bulgakov.

257 *Theorie und Geschichte der Handelskrisen in England*, p. 23. [*Studies on the Theory and History of Commercial Crises in England*, in *Value, Capitalist Dynamics, and Money*, Vol. 18, p. 71.]

258 Ibid., p. 34. [*Studies on the Theory and History of Commercial Crises in England*, in *Value, Capitalist Dynamics, and Money*, Vol. 18, p. 78.]

259 Ibid., p. 333.

260 Ibid., p. 191.

261 Ibid., p. 231, italics in the original. [*Studies on the Theory and History of Commercial Crises in England*, in *Value, Capitalist Dynamics, and Money*, Vol. 18, p. 108.]

262 Ibid., p. 305. [*Studies on the Theory and History of Commercial Crises in England*, in *Value, Capitalist Dynamics, and Money*, Vol. 18, p. 78.]

263 Ibid., p. 191.

264 Ibid., p. 27. [*Studies on the Theory and History of Commercial Crises in England*, in *Value, Capitalist Dynamics, and Money*, Vol. 18, pp. 72–3.]

265 Ibid., p. 58.

266 V. I. Lenin, *Ökonomische Studien und Artikel: Zur Charakterisierung des ökonomischen Romantizismus* (St. Petersburg: 1899), p. 20 [my emphasis—*R. L.*]. [See V. I. Lenin, "A Characterization of Economic Romanticism (Sismondi and Our Native Sismondists)," in *Collected Works*, Vol. 2, pp. 133–265]. Incidentally, the same author asserts that expanded reproduction begins only with capitalism. He fails to realize that with simple reproduction, which he takes to be the rule for all precapitalist modes of production, we would probably not have advanced beyond the stage of the Paleolithic scraper even today.

267 Karl Kautsky, "Krisentheorien," *Die Neue Zeit*, Vol. 20, Part 2, p. 116. By extending the schema of expanded reproduction, Kautsky offers an arithmetic proof to Tugan-Baranovsky that consumption must grow, and more specifically "in the precise ratio as the bulk of producer goods in terms of value." Here two remarks are called for: firstly, like Marx, Kautsky disregards increases in the productivity of labor within the schema, such that consumption appears greater than it would in reality. Secondly, the increase in consumption to which Kautsky refers here is itself the consequence, the result of expanded reproduction, rather than its foundation or its purpose; it is mainly caused by the growth of variable capital, the increasing employment of additional workers. However, the maintenance of these workers cannot be considered to be the purpose or the task of the expansion of reproduction—any more, for that matter, than can the increasing personal consumption of the capitalist class. Kautsky's argument indeed demolishes Tugan-Baranovsky's particular caprice, his whim of devising expanded reproduction with an absolute decrease in consumption. By contrast, Kautsky does not engage with the fundamental problem of the relation between production and consumption from the standpoint of the process of reproduction, although he does state the following elsewhere in the same essay: "With the capitalists growing richer, and the workers they exploit increasing in numbers, they constitute between them a market for the consumer goods produced by capitalist big industry that expands continually, yet it does not grow as rapidly as the accumulation of capital and the productivity of labor, and must therefore remain inadequate. An additional market is required for these consumer goods, a market outside their own province among those occupational groups and nations whose mode of production is not yet capitalistic. This market is found and also widens increasingly, but the expansion is again too slow, since the additional market is not nearly so elastic and capable of expansion as the capitalist productive process. As soon as capitalist production has developed to the big industry stage, as in

England already in the first quarter of the nineteenth century, it is capable of expanding by leaps and bounds so as soon to out distance all expansions of the market. Every period of prosperity subsequent to a considerable extension of the market is thus from the outset doomed to an early end—the inevitable crisis. This, in brief, is the theory of crises established by Marx, and, as far as we can see, generally accepted by the 'orthodox' Marxists" (Ibid., p. 80). Kautsky, however, is not concerned to harmonize this conception of the realization of the total social product with Marx's schema of expanded reproduction, perhaps because, as the above quotation also shows, he deals with the problem solely from the standpoint of crises, i.e. from the standpoint of the total social product as an undifferentiated mass of commodities and not from the standpoint of its differentiation in the process of reproduction.

L. Boudin seems to come closer to this last question, giving the following formulation in his brilliant review of Tugan-Baranovsky: "With a single exception to be considered below, the existence of a surplus product in capitalist countries does not put a spoke in the wheel of production, not because production will be distributed more efficiently among the various spheres, or because the manufacture of machinery will replace that of cotton goods. The reason is rather that, capitalist development having begun sooner in some countries than in others, and because even today there are still some countries that have no developed capitalism, the capitalist countries in truth have at their disposal an outside market in which they can get rid of their products that they cannot consume themselves, no matter whether these are cotton or iron goods. We would by no means deny that it is significant if iron goods replace cotton goods as the main products of the principal capitalist countries. On the contrary, this change is of paramount importance, but its implications are rather different from those ascribed to it by Tugan-Baranovsky. It indicates the beginning of the end of capitalism. So long as the capitalist countries exported commodities for the purpose of consumption, there was still a hope for capitalism in these countries, and the question did not arise how much and how long the noncapitalist outside world would be able to absorb capitalist commodities. The growing share of machinery at the cost of consumer goods in what is exported from the main capitalist countries shows that areas that were formerly free of capitalism, and therefore served as a dumping-ground for its surplus products, are now drawn into the whirlpool of capitalism. It shows that, since they are developing a capitalism of their own, they can by themselves produce the consumer goods they need. At present they still require machinery produced by capitalist methods since they are only in the initial stages of capitalist development. But all too soon they will need them no longer. Just as they now make their own cotton and other consumer goods, they will in future produce their own ironware. Then they will not only cease to absorb the surplus produce of the essentially capitalist countries, but they will themselves produce surplus products that they can place only with difficulty" (Boudin, "Mathematische Formeln gegen Karl Marx," *Die Neue Zeit*, Vol. 25, Part 1, p. 604). Here, Boudin offers very important perspectives on the major interconnections in the development of international capitalism. Furthermore, in this context he is logically brought on to the question of imperialism. Unfortunately, as he brings his sharp analysis to a climax, he ends up taking a wrong turn by ranging the entire militaristic production and the system of international capital exports to noncapitalist countries under the concept of "reckless expenditure."—Incidentally, it is worth noting that, like Kautsky, Boudin considers that the law of the more rapid growth of the department of means of production relative to that of the department of means of consumption is a delusion of Tugan-Baranovsky's.

268 "Apart from natural conditions, such as the fertility of the soil, etc., and apart from the skill of independent and isolated producers (shown rather qualitatively in the high standard of their products than quantitatively in their mass), the level of the social productivity of labor is expressed in the relative extent of the means of production that one worker, during a given time, with the same degree of intensity of labor-power, turns into products. The mass of means of production with which he functions in this way increases with the productivity of his labor. But those means of production play a double role. The increase of some is a consequence, that of others is a condition,

of the increasing productivity of labor. For example, the consequence of the division of labor (under manufacture) and the application of machinery is that more raw material is worked up in the same time, and therefore a greater mass of raw material and auxiliary substances enters into the labor process. On the other hand, the mass of machinery, beasts of burden, mineral manures, drainpipes, etc., is a condition of the increasing productivity of labor. This is also true of the means of production concentrated in buildings, furnaces, means of transport, etc. But whether condition or consequence, the growing extent of the means of production, as compared with the labor-power incorporated with them, is an expression of the growing productivity of labor. The increase of the latter appears, therefore, in the diminution of the mass of labor in proportion to the mass of means of production moved by it, or in the diminution of the subjective factor of the labor process as compared with the objective factor" (*Capital*, Vol. 1, p. 773). In another passage: "We have seen above that as the productivity of labor develops, and thus with the development of the capitalist mode of production—which develops the social productivity of labor more than all previous modes of production—the mass of means of production that are incorporated once and for all in the process in the form of means of labor, and function repeatedly in it over a longer or shorter period (buildings, machines, etc.) constantly grows, and that its growth is both premise and effect of the development of the social productive power of labor. The growth of wealth in this form, which is not only absolute but also relative (cf. Volume 1, Chapter 25, 2), is particularly characteristic of the capitalist mode of production. The material forms of existence of the constant capital, however, the means of production, do not consist only of such means of labor, but also of material for labor at the most varied stages of elaboration, as well as ancillary materials. As the scale of production grows, and the productive power of labor grows through cooperation, division of labor, machinery, etc., so does the mass of raw material, ancillaries, etc., that go into the daily reproduction process" (*Capital*, Vol. 2, pp. 218–9).

269 In the preface to a collection of his Russian essays published in 1901, Struve states the following: "In 1894, when the author published his 'Critical Comments on the Problem of Economic Development in Russia,' he inclined in philosophy toward positivism, in sociology and economics toward outspoken, though by no means orthodox, Marxism. Since then, the author no longer sees the whole truth in the positivism and Marxism that is grounded in it [!], they no longer fully determine his view of the world. Malignant dogmatism that not only browbeats those who think differently, but spies upon their morals and psychology, regards such work as a mere 'Epicurean instability of mind.' It cannot understand that criticism in its own right is to the living and thinking individual one of the most valuable rights. The author does not intend to renounce this right, though he might constantly be in danger of being indicted for 'instability'" (Struve, *Miscellany* [St. Petersburg: 1901]).

270 Bulgakov, *O rynkakh pri kapitalisticheskom proizvodstve*, p. 252.

271 Tugan-Baranovsky, *Theorie und Geschichte der Handelskrisen in England*, p. 229. ["Studies on the Theory and the History of Business Crises in England," in *Value, Capitalist Dynamics, and Money*, Vol. 18, p. 106.]

272 *Capital*, Vol. 1, pp. 726–7.

273 Ibid., p. 727, Note 1.

274 *Capital*, Vol. 2, p. 408.

275 Ibid., p. 422.

276 Ibid., p. 497.

277 Marx, *Das Kapital*, Band 3, Teil 2 (Hamburg: Verlag von Otto Meissner, 1895), p. 21 [Karl Marx, *Capital*, Vol. 3, translated by David Fernbach (New York: Penguin, 1981), pp. 614–15. All further references to Vol. 3 of *Capital* are to this English-language edition—*the Editors*].

278 *Capital*, Vol. 2, p. 448.

279 *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 24, p. 124.

280 "It is never the original thinkers who draw the absurd conclusions. They rather leave that for the Says and McCullochs" (*Capital*, Vol. 2, p. 466). And—we might add—the Tugan-Baranovskys.

281 These figures result from the difference between the amounts of constant capital in Department I under our assumption of technical progress, and those given in Marx's schema.

282 *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32, p. 116.

283 *Capital*, Vol. 3, pp. 351–3.

284 *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32, p. 154.

285 *Capital*, Vol. 3, p. 420.

286 "The greater the capital, the more developed the productivity of labor in general, *the greater is also the volume of commodities found on the market, in circulation, in transition between production and consumption* (individual and general), and the greater the certainty that each particular capital will find its conditions for reproduction readily available on the market." *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32, pp. 115–16.

287 *Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32, p. 115–6. Marx's emphasis.

288 The importance of the cotton industry for English exports is apparent from the following figures:

In 1893, cotton exports worth £64 million made up 23%, and iron and other metal exports not quite 17%, of the total export of manufactured goods (£277 million).

In 1898, cotton exports worth £65 million made up 28%, and metal exports 22%, of the total export of manufactured goods (£233.4 million).

In comparison, the figures for the German Empire give the following result: In 1898, cotton exports worth £11.595 million made up 5.75% of the total exports (£200.5 million). 5.25 billion yards of cotton bales were exported in 1898, 2.25 billion of them to India (Edgar Jaffé, "Die englische Baumwollindustrie und die Organization des Exporthandels," *Schmoller's Jahrbücher*, Vol. XXIV, p. 1,033).

In 1908, British exports of cotton yarn alone amounted to £13.1 million (*Statististisches Jahrbuch für das Deutsche Reich*, 1910).

289 For example, one-fifth of German aniline dyes, and one-half of its indigo, goes to countries such as China, Japan, British India, Egypt, Asiatic Turkey, Brazil, and Mexico.

290 *Capital*, Vol. 1, pp. 751–2.

291 The recent revelations of the British Blue Book [i.e., official report of Parliament] on the practice of the Peruvian Amazon Company, Ltd. in Putumayo have shown that, on the territory of the free republic of Peru, i.e. even without the political form of colonial domination, international capital is able to bring the indigenous inhabitants into a relation bordering on slavery in order to seize means of production from primitive countries in the most predatory fashion. Since 1900, this company of English and foreign capitalists has deposited approximately 4,000 tons of Putumayo rubber on the London market. During this time, 30,000 indigenous inhabitants were killed and most of the 10,000 survivors were crippled by beatings.

292 *Capital*, Vol. 1, p. 727. Similarly in another passage: "To begin with, a portion of the surplus value (and the corresponding surplus produce in the form of means of subsistence) has to be transformed into variable capital, that is to say, new labor has to be bought with it. This is only possible if the number of laborers grows or if the labor time during which they work is prolonged … But that cannot be regarded as a method of accumulation that can be continuously used. The laboring population can increase, when previous unproductive workers are transformed into productive ones, or sections of the population who did not work previously, such as women and children, or paupers, are drawn into the production process. We leave this latter point out of account here. Finally, together with the growth of the population in general, the laboring population can grow absolutely. If accumulation is to be a steady, continuous process, then this absolute growth in population—although it may be decreasing in relation to the capital employed—is a necessary

condition. An increasing population appears to be the basis of accumulation as a continuous process. But this presupposes an average wage that permits not only reproduction of the laboring population but also its constant growth" (*Theories of Surplus Value*, in *Marx and Engels Collected Works*, Vol. 32, p. 109–10).

293 *Capital*, Vol. 1, pp. 794–9.

294 A table published in the United States shortly before the American Civil War contains the following data on the value of the annual production of the slave states and the number of slaves employed, of which the majority worked on cotton plantations:

Year	*Cotton: Dollars*	*Slaves*
1800	5,200,000	893,041
1810	15,100,000	1,191,364
1820	26,300,000	1,543,688
1830	34,100,000	2,009,053
1840	74,600,000	2,487,255
1850	101,800,000	3,197,509
1851	137,300,000	3,200,000

([Algie Martin] Simons, "Klassenkämpfe in der Geschichte Amerikas" [Class Struggles in American History], *Die Neue Zeit*, [Vol. 28,] No. 7 [1909], p. 39.)

295 [James] Bryce, a former English Minister, describes a typical example of such hybrid forms in the South African diamond mines: "The most striking sight at Kimberley, and one unique in the world, is furnished by the two so-called 'compounds' in which the natives who work in the mines are housed and confined. They are huge enclosures, unroofed, but covered with a wire netting to prevent anything from being thrown out of them over the walls, and with a subterranean entrance to the adjoining mine. The mine is worked on the system of three eight-hour shifts, so that the workman is never more than eight hours together underground. Round the interior of the wall are built sheds or huts in which the natives live and sleep when not working. A hospital is also provided within the inclosure, as well as a school where the work-people can spend their leisure in learning to read and write. No spirits are sold … Every entrance is strictly guarded, and no visitors, white or native, are permitted, all supplies being obtained from the store within, kept by the company. The De Beers mine compound contained at the time of my visit 2,600 natives, belonging to a great variety of tribes, so that here one could see specimens of the different native types from Natal and Pondoland, in the south, to the shores of Lake Tanganyika in the far north. They come from every quarter, attracted by the high wages, usually eighteen to thirty shillings a week, and remain for three months or more, and occasionally even for longer periods … In the vast oblong compound one sees Zulus from Natal, Fingos, Pondos, Tembus, Basutos, Bechuanas, Gungunhana's subjects from the Portuguese territories, some few Matabili and Makalaka; and plenty of Zambesi boys from the tribes on both sides of that great river, a living ethnological collection such as can be examined nowhere else in South Africa. Even Bushmen, or at least natives with some Bushman blood in them, are not wanting. They live peaceably together, and amuse themselves in their several ways during their leisure hours. Besides games of chance, we saw a game resembling 'fox and geese' played with pebbles on a board; and music was being discoursed on two rude native instruments, the so-called 'Kaffir piano' made of pieces of iron of unequal length fastened side by side in a frame, and a still ruder contrivance of hard bits of wood, also of unequal size, which when struck by a stick emit different notes, the first beginning of a tune. A very few were reading or writing letters, the rest busy with their cooking or talking to one another. Some tribes are incessant talkers, and in this strange mixing-pot of black men one may hear a dozen languages spoken as one passes from group to group" (James Bryce, *Impressions of South Africa* [London: Macmillan, 1897], pp. 242 ff.).

After several months of work, the Black workers generally leave the mine with the wages they have saved up; they return to their tribes, buy themselves a wife with their money, and resume their traditional way of life. See also in the same volume the most vivid description of the methods used in South Africa to solve the "labor problem." Here we learn that Black people are forced to work in the mines and plantations of Kimberley, Witwatersrand, Natal, and Matabeleland by stripping them of all land and cattle, i.e. by depriving them of their means of existence, proletarianizing them and also demoralizing them with alcohol. (Later, when they are already within the "enclosure" of capital, spirits, to which they have just become accustomed, are strictly prohibited—the object of exploitation must be kept fit for use.) Finally, they are simply press-ganged into the wage system of capital by means of violence, imprisonment, and the whip.

296 A typical example of such relations are those between Germany and Britain.

297 In his *History of British India*, Mill lumps together testimonies from the most varied of sources (Mungo Park, Herodotus, [Comte de] Volney, [José de] Acosta, Garcilasso de la Vega, Abbé Grosier, [Sir John] Barrow, Diodorus, Strabo, and others) in the most indiscriminate and uncritical fashion in order to formulate the proposition that, under primitive conditions, the land belongs always and everywhere to the sovereign. He then proceeds to infer the following for India by analogy: "From these facts only one conclusion can be drawn, that the property of the soil resided in the sovereign; for if it did not reside in him, it will be impossible to show to whom it belonged" (James Mill, *History of British India*, 4th edition [London: J. Madden, 1840], Vol. 1, p. 311). Mill's editor, H. H. Wilson who, as Professor of Sanskrit at Oxford University, had a precise knowledge of ancient Indian legal relations, provides an interesting commentary to this classical deduction by the bourgeois economist. Having characterized the author in his preface as a partisan who tailors the whole history of British India in order to justify the theories of [Jeremy] Bentham, and in so doing employs the most dubious means to give "a portrait of the Hindus that in no way resembles the original and almost outrages humanity," Wilson adds the following footnote: "The greater part of the text and of the notes here is wholly irrelevant. The illustrations drawn from the Mahometan practice, supposing them to be correct, have nothing to do with the laws and rights of the Hindus. They are not, however, even accurate and Mr. Mill's guides have misled him." Wilson then contests outright the theory of the sovereign's right of ownership in land, especially with reference to India (Ibid., p. 305, footnote). Henry Maine also considers that the British inherited their primary claim to ownership of all the land of India from their Muslim predecessors, although, to be sure, he recognizes that this claim is groundless: "The assumption that the English first made was one that they inherited from their Mahometan predecessors. It was that all the soil belonged in absolute property to the sovereign—and that all private property in land existed by his sufferance. The Mahometan theory and the corresponding Mahometan practice had put out of sight the ancient view of the sovereign's rights that, though it assigned to him a far larger share of the produce of the land than any Western ruler has ever claimed, yet in nowise denied the existence of private property in land" (*Village Communities in the East and West*, Vol. 2, fifth edition [1890], p. 104). Maksim Kovalevsky, on the other hand, has thoroughly demonstrated that this alleged "Mahometan theory and practice" is merely a myth fabricated by the British: see his excellent study, written in Russian, *Obshchinnoe zemlevladenie, prichiny, khod i posledstviia ego razlozheniia* (Communal Land Ownership: The Causes, the Process, and the Consequences of its Disintegration) (Moscow: 1879), Part 1. Currently British scholars and, incidentally, their French counterparts, cleave to an analogous legend about China, for example, claiming that all the land there was formerly the property of the Emperor. Cf. the refutation of this legend by Dr. O. Franke, *Die Rechtsverhältnisse am Grundeigentum in China* (Legalities Relating to Ownership of Land in China) (Leipzig: Dieterich, 1903).

298 "The partitions of inheritances and execution for debt levied on land are destroying the communities—this is the formula heard nowadays everywhere in India" (Maine, *Village Communities in the East and West*, p. 113).

299 An example of this typical presentation of British colonial policy is offered by Lord Roberts of Kandahar, for many years the representative of British power in India. He can give no other explanation for the Indian Mutiny [of 1858] than mere "misunderstandings" of the paternalistic intentions of the British rulers: "the alleged unfairness of what was known in India as the land settlement, under which system the right and title of each landholder to his property was examined, and the amount of revenue to be paid by him to the paramount Power, as owner of the soil, was regulated … as peace and order were established, the system of land revenue, which had been enforced in an extremely oppressive and corrupt manner under successive native rulers and dynasties, had to be investigated and revised. With this object in view, surveys were made, and inquiries instituted into the rights of ownership and occupancy, the result being that in many cases it was found that families of position and influence had either appropriated the property of their humbler neighbors, or evaded an assessment proportionate to the value of their estates. Although these inquiries were carried out with the best intentions, they were extremely distasteful to the higher classes, while they failed to conciliate the masses. The ruling families deeply resented our endeavors to introduce an equitable determination of rights and assessment of land revenue … On the other hand, although the agricultural population greatly benefited by our rule, they could not realize the benevolent intentions of a Government that tried to elevate their position and improve their prospects" (*Forty One Years in India* [London: Macmillan, 1901], p. 233).

300 In his *Maxims on Government* (translated from Persian into English in 1783), Timur states "And I commanded that they should build places of worship, and monasteries in every city; and that they should erect structures for the reception of travelers on the high roads, and that they should make bridges across the rivers. And I commanded that the ruined bridges should be repaired; and that bridges should be constructed over the rivulets, and over the rivers; and that on the roads, at the distance of one stage from each other, Kauruwansarai should be erected; and that guards and watchmen should be stationed on the road, and that in every Kauruwansarai people should be appointed to reside … And I ordained, whoever undertook the cultivation of waste lands, or built an aqueduct, or made a canal, or planted a grove, or restored to culture a deserted district, that in the first year nothing should be taken from him, and that in the second year, whatever the subject voluntarily offered should be received, and that in the third year, duties should be collected according to the regulation" (James Mill, *History of British India*, Vol. 2, fourth edition, pp. 493, 498).

301 Count Warren, *De l'État moral de la population indigène*. Quoted by Kovalevsky, *Obshchinnoe zemlevladenie, prichiny, khod i posledstviia ego razlozheniia* (Communal Land Ownership: The Causes, the Process, and the Consequences of its Disintegration), p. 164.

302 *Historical and Descriptive Account of British India from the Most Remote Period to the Conclusion of the Afghan War* by Hugh Murray, James Wilson, R. K. Gretille, Professor Jameson, William Wallace, and Captain [Clarence] Dalrymple (Edinburgh: Oliver & Boyd, 4th edition, 1843), Vol. 2, p. 427. Quoted by Kovalevsky, *Obshchinnoe zemlevladenie, prichiny, khod i posledstviia ego razlozheniia* (Communal Land Ownership: The Causes, the Process, and the Consequences of its Disintegration), p. 164.

303 Victor v. Leyden, "Agrarverfassung und Grundsteuer in Britisch-Ostindien" (Land Tenure and Land Tax in British East India), *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*, Vol. 36, No. 4, p. 1,855.

304 "When dying, the father of the family nearly always advises his children to live in unity, according to the example of their elders. This is his last exhortation, his dearest wish" (Adolphe Hanoteau and Aristide Letourneux, "La Kabylie et les Coûtumes Kabyles," *Droit Civil*, Vol. 2, 1873, pp. 468–73). Incidentally, the authors deem it appropriate to introduce this striking description of communism within the kinship group with the following remark: "Within the industrious fold of the family association, all are united in a common purpose, all work for the general interest—but no one gives up his freedom or renounces his hereditary rights. In no other nation does the organization approach so closely to equality, being yet so far removed from communism."

305 “We must lose no time in dissolving the family associations, since they are the lever of all opposition against our rule” (Deputy Didier in the National Assembly of 1851).

306 Quoted by Kovalevsky, *Obshchinnoe zemlevladenie, prichiny, khod i posledstviia ego razlozheniia* (Communal Land Ownership: The Causes, the Process, and the Consequences of its Disintegration), p. 217. As is well known, it has become the fashion in France since the Great Revolution to brand all opposition to the government an open or covert defense of feudalism.

307 G. Anton, “Neuere Agrarpolitik in Algerien und Tunesien,” *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft* (1900), pp. 1,341 ff.

308 In his speech to the French Chamber of Deputies of June 20, 1912, M. Albin Rozet, *rapporteur* for the Commission for the Reform of the “Indigenat” [the system of administrative justice] in Algeria, stated that thousands of Algerians were migrating from the Setif district, and that 1,200 indigenous inhabitants had emigrated from Tlemcen to Syria during the preceding year. One immigrant wrote the following from his new home: “I have now settled in Damascus and am perfectly happy. There are many Algerians here in Syria who, like me, have emigrated. The government has given us land and facilities to cultivate it.” The Algerian government is resisting this emigration by denying passports to prospective emigrants. (Cf. *Journal Officiel*, June 21, 1912, pp. 1,594 ff.)

309 77,379 chests were imported in 1854. There was a subsequent slight decline in imports owing to increased domestic production. Nevertheless, China remains the main purchaser from the Indian plantations. India produced just under 6,400 tons of opium in 1873–74, of which 6,100 tons were sold to the Chinese. India currently still exports 4,800 tons annually, worth some 150 million marks, almost exclusively to China and the Malay Archipelago.

310 Quoted by Justus Scheibert, *Der Krieg in China, 1900–1901* (Berlin: Weller, 1903), Vol. 2, p. 179.

311 Ibid., p. 207.

312 An Imperial Edict issued on the third day of the eighth moon in the tenth year of Xianfeng (September 6, 1860) contained the following declaration: “We have never forbidden England and France to trade with China, and for long years there has been peace between them and us. But three years ago the English, for no good cause, invaded our city of Canton, and carried off our officials into captivity. We refrained at that time from taking any retaliatory measures, because we were compelled to recognize that the obstinacy of the Viceroy Yeh had been in some measure a cause of the hostilities. Two years ago, the barbarian Commander [Lord] Elgin came north and we then commanded the Viceroy of Chihli, T’an Ting-hsiang, to look into matters preparatory to negotiations. But the barbarian took advantage of our unreadiness, attacking the Taku forts and pressing on to Tientsin. Being anxious to spare our people the horrors of war, we again refrained from retaliation and ordered Kuei Liang to discuss terms of peace. Notwithstanding the outrageous nature of the barbarians’ demands we subsequently ordered Kuei Liang to proceed to Shanghai in connection with the proposed Treaty of Commerce and even permitted its ratification as earnest of our good faith. In spite of all this, the barbarian leader [James] Bruce again displayed intractability of the most unreasonable kind, and once more appeared off Taku with a squadron of warships in the eighth Moon. Seng Ko Lin Ch’in thereupon attacked him fiercely and compelled him to make a rapid retreat. From all these facts it is clear that China has committed no breach of faith and that the barbarians have been in the wrong. During the present year the barbarian leaders Elgin and [Baptiste Louis] Gros have again appeared off our coasts, but China, unwilling to resort to extreme measures, agreed to their landing and permitted them to come to Peking for the ratification of the Treaty. Who could have believed that all this time the barbarians have been darkly plotting, and that they had brought with them an army of soldiers and artillery with which they attacked the Taku forts from the rear, and, having driven out our forces, advanced upon Tientsin!” Cf. J. O. Bland and E. T. Backhouse, *China under the Empress Dowager* (London: Hutchinson & Co., 1910), pp. 24–5. See also the chapter entitled “The Flight to Yehol” in the same work.

313 The following savory episode in China’s internal history also occurred in the context of these heroic operations by the Europeans to open up China to commodity trade: fresh from looting the

Manchu Emperor's Summer Palace, the "Gordon of China" began a campaign against the rebels of Taiping, and even assumed command of the Imperial armed forces in 1863. It was the British Army, however, that suppressed the uprising. Nonetheless, while a significant number of Europeans, among them a French admiral, gave their lives to preserve China for the Manchu dynasty, the representatives of European commerce seized this opportunity to make money out of these conflicts, supplying arms both to the forces fighting to open up China to trade and to the rebels on whom they waged war. "Moreover, lured by the opportunity for making some money, the worthy merchant supplied both armies with arms and munitions, and since the rebels had greater difficulties in obtaining supplies than the Emperor's forces and were therefore compelled and prepared to pay higher prices, transactions with them were given priority, thus permitting them to resist not only the troops of their own government, but also those of England and France" (Max von Brandt, *33 Jahre in Ostasien* [33 Years in East Asia] [Leipzig: G. Wigand, 1911], Vol. 3, p. 11).

314 Dr. O. Franke, *Die Rechtsverhältnisse am Grundeigentum in China*, p. 82.

315 Bland and Backhouse, *China under the Empress Dowager*, p. 338.

316 Ibid., p. 337.

317 In China, domestic production has to a great extent persisted until recently even among the bourgeoisie and even in such large and established commercial towns such as Ningbo with its population of 300,000. "Only a generation ago, the family's shoes, hats, shirts, etc., were made by the women themselves. At that time, it was practically unheard-of for a young woman to buy from a merchant what she could have made with the labor of her own hands" (Dr. Nyok-Ching Tsur, *Die gewerblichen Betriebsformen der Stadt Ningpo* [Forms of Industry in the Town of Ningpo] [Tübingen: H.. Laupp, 1909], p. 51.

318 In the final chapter of the history of the peasant economy, this relation is in fact overturned under the impact of capitalist production. Once the small peasants have been ruined, domestic production frequently becomes the main occupation of the men, who work for capitalists either under the putting-out system or as wage-laborers in the factory, while agricultural production devolves entirely on the women, old people, and children. A typical instance is the small peasant in Württemberg.

319 William A. Peffer, *The Farmer's Side. His Troubles and Their Remedy* (New York: D. Appleton & Co., 1891), Part 2, "How We Got Here," Chapter 1, "Changed Conditions of the Farmer," pp. 56–7. Cf. also A. M. Simmons, *The American Farmer*, 2nd edition (Chicago: Charles Kerr, 1906), pp. 74 ff.

320 "Report of the U.S. Commissioner of Agriculture for the year 1867" (Washington: 1868), quoted in Paul Lafargue, "Getreidebau und Getreidehandel in den Vereinigten Staaten" (Cereal Cultivation and the Grain Trade in the United States), *Die Neue Zeit*, Vol. 3, No. 12 (1885), p. 344. This essay on grain cultivation and the grain trade in the U.S. was first published in a Russian journal in 1883.

321 "The three Revenue Acts of June 30, 1864, practically formed one measure, and that probably the greatest measure of taxation that the world has seen … The Internal Revenue Act was arranged, as Mr. David A. Wells has said, on the principle of the Irishman at Donnybrook Fair: 'Whenever you see a head, hit it, whenever you see a commodity, tax it.'" F. W. Taussig, *The Tariff History of the United States* (New York and London: Putnam, 1888), pp. 163–4.

322 Taussig, *The Tariff History of the United States*, pp. 166–7.

323 "The necessity of the situation, the critical state of the country, the urgent need of revenue, may have justified this haste, which, it is safe to say, is unexampled in the history of civilized countries" (Taussig, *The Tariff History of the United States*, p. 168).

324 Peffer, *The Farmer's Side*, pp. 58 ff.

325 Ibid., p. 6. In the mid-1880s, [Max] Sering estimated the cash necessary for a "very modest beginning" of the smallest farm in the northwest at $1,200–1,400 (Sering, *Die landwirtschaftliche*

Konkurrenz Nordamerikas [Agricultural Competition in North America] [Leipzig: Danker und Humblot, 1887, p. 431].

326 Paul Lafargue, “Getreidebau und Getreidehandel in den Vereinigten Staaten” (Cereal Cultivation and the Grain Trade in the United States), *Die Neue Zeit*, Vol. 3, No. 12 (1885), p. 345.

327 The Thirteenth Annual Report of the U.S. Commissioner of Labor (Washington: 1899) compiles the following figures detailing the superiority of mechanized over manual labor:

Type of work	*Labor time per unit*			
	Machine		*Manual*	
	hours	*minutes*	*hours*	*minutes*
Planting small corn	—	32.7	10	55
Harvesting and threshing small corn	1	—	46	40
Planting corn	—	37.5	6	15
Cutting corn	3	4.5	5	—
Shelling corn	—	3.6	66	40
Planting cotton	1	3	8	48
Cultivating cotton	12	5	60	—
Mowing grass (scythe v. mower)	1	0.6	7	20
Harvesting and baling hay	11	3.4	35	30
Planting potatoes	1	2.5	15	—
Planting tomatoes	1	4	10	—
Cultivating and harvesting tomatoes	134	5.2	324	20

328 Wheat exports from the U.S. to Europe:

Year	*Million bushels*
1868–69	17.9
1874–75	71.8
1879–80	153.2
1885–86	57.7
1890–91	55.1
1890–1900	101.9

[Franz von] Juraschek, *Übersichten der Weltwirtschaft* (Berlin: Verlag für Sprach und Handelswissenschaft, 1896), Vol. 7, Part 1, p. 32.

Simultaneously, the price per bushel wheat *loco* farm (in cents) fell as follows:

1870–79	105
1880–89	83
1895	51
1896	73
1897	81
1898	58

After reaching a low point of 58 cents per bushel in 1898, the price of wheat subsequently began to rise again:

1900	62

1901	62
1902	63
1903	78
1904	92

Ibid., p. 18.

According to the "Monthly Returns on External Trade" (*Monatliche Nachweise über den Auswärtigen Handel*), in June 1912, the price of wheat (in marks) per 1,000 kg. was:

Berlin	227.82
New York	178.08
Mannheim	247.93
London	170.96
Odessa	173.94
Paris	243.69

329 Peffer, *The Farmer's Side*, Part 1, "Where We Are," Chapter 2, "Progress of Agriculture," pp. 30–1.

330 Ibid., p. 4.

331 Sering, *Die landwirtschaftliche Konkurrenz Nordamerikas*, p. 433.

332 Peffer, *The Farmer's Side*, pp. 34.

333 Ibid., pp. 35–6.

334 Quoted by Danielson, *Outlines of Our Social Economy*, p. 224.

335 In 1901, 49,199 people entered Canada as immigrants. In 1911, the number of immigrants was more than 300,000, of which 138,000 were British and 134,000 from the U.S. According to a report from Montreal at the end of May 1912, the influx of American farmers continued into the spring of the present year.

336 "Travelling in western Canada, I have visited only one farm of less than a thousand acres. According to the census of the Dominion of Canada, in 1881, when the census was taken, no more than 9,077 farmers occupied 2,384,337 acres of land between them; accordingly, the share of an individual (farmer) amounted to no less than 2,047 acres—in no state of the Union is the average anywhere near that" (Sering, *Die landwirtschaftliche Konkurrenz Nordamerikas*, p. 376). While large-scale farming was not very widespread in Canada in the early 1880s, Sering does describe the "Bell Farm," owned by a limited company, that comprised no fewer than 22,680 hectares, and was obviously modeled on the pattern of the Dalrymple farm. In the 1880s, Sering, who viewed the prospects of competition from Canada with some skepticism, estimated the "fertile belt" of western Canada at 311,000 square kilometers, or an area three-fifths the size of Germany: he reckoned that only 38.4 million acres of this area were arable land for extensive cultivation, and that, at the most, 15 million acres were prospective wheat land (Sering, *Die landwirtschaftliche Konkurrenz Nordamerikas*, pp. 337–8). According to the estimates of the *Manitoba Free Press* in mid-June 1912, 11.2 million acres were sown with spring wheat in Canada this year, compared to 19.2 million acres in the United States. (Cf. *Berliner Tageblatt und Handelszeitung*, No. 305, June 18, 1912.)

337 Sering, *Die landwirtschaftliche Konkurrenz Nordamerikas*, pp. 361 ff.

338 Ernst Schultze, "Das Wirtschaftsleben der Vereinigten Staaten," *Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft*, No. 17, 1912, p. 1,724.

339 Article 9.

340 "Moshesh, the great Basuto leader, to whose courage and statesmanship the Basutos owed their very existence as a people, was still alive at the time, but constant war with the Boers of the Orange

Free State had brought him and his followers to the last stage of distress. Two thousand Basuto warriors had been killed, cattle had been carried off, native homes had been broken up and crops destroyed. The tribe was reduced to the position of starving refugees, and nothing could save them but the protection of the British government that they had repeatedly implored" (C. P. Lucas, *A Historical Geography of the British Colonies*, Part 2, Vol. 4, *Geography of South and East Africa* (Oxford, UK: Clarendon Press, 1904, p. 39).

341 The eastern section of the territory is Mashonaland, where, with the permission of King Lobengula, who claimed it, the British South Africa Company first established themselves. (Lucas, p. 77).

342 The railway network (in kilometers).

Year	*Europe*	*America*	*Asia*	*Africa*	*Australia*
1840	2,925	4,754	—	—	—
1850	23,405	15,064	—	—	—
1860	51,862	53,935	1,393	455	367
1870	104,914	93,139	8,185	1,786	1,765
1880	168,983	174,666	16,287	4,646	7,847
1890	223,869	331,417	33,724	9,386	18,889
1900	283,878	402,171	60,301	20,114	24,014
1910	333,848	526,382	101,916	36,854	31,014

Accordingly, the increases were as follows (percentages):

Year	*Europe*	*America*	*Asia*	*Africa*	*Australia*
1840–50	710	215	—	—	—
1850–60	121	257	—	—	—
1860–70	102	73	486	350	350
1870–80	61	88	99	156	333
1880–90	32	89	107	104	142
1890–1900	27	21	79	114	27

343 Tugan-Baranovsky, *Theorie und Geschichte der Handelskrisen in England*, p. 74.

344 Sismondi, *Nouveaux Principes*, Vol. 1, Book 4, Chapter 4, "Commercial Wealth Follows the Growth of Income," pp. 368–70. [*New Principles*, pp. 596–7.]

345 A representative of the company producing Fowler's ploughs, an engineer named [Max] Eyth, gives the following account: "Now there was a feverish exchange of telegrams between Cairo, London, and Leeds.—'When can Fowler's deliver 150 steam ploughs?'—Answer: 'Working to capacity, within one year'—'Not good enough. Expect unloading Alexandria by spring 150 steam ploughs.'—A.: 'Impossible.'—The works at that time were barely big enough to turn out three steam ploughs per week. N.B. a machine of this type costs £2,500 so that the order involved £m. 3.75. Isma′il Pasha's next wire: 'Quote cost immediate factory expansion. Viceroy willing foot bill.'—You can imagine that Leeds made hay while the sun shone. And in addition, other factories in England and France as well were made to supply steam ploughs. The Alexandria warehouses, where goods destined for the viceregal estates were unloaded, were crammed to the roof with boilers, wheels, drums, wirerope, and all sorts of chests and boxes. The second-rate hostelries of Cairo swarmed with newly qualified steam ploughmen, promoted in a hurry from anvil or share-plough, young hopefuls, fit for anything and nothing, since every steam plough must be manned by at least one expert pioneer of civilization. Wagonloads of this assorted cargo were sent into the interior, just so that the next ship could unload. You cannot imagine in what condition they arrived at their destination, or rather anywhere but their destination. Ten boilers were lying on the banks of

the Nile, and the machine to which they belonged was ten miles further. Here was a little heap of wirerope, but you had to travel another twenty hours to find the appropriate pulleys. In one place an Englishman who was to set up the machines squatted desolate and hungry on a pile of French crates, and in another place his mate had taken to native liquor in his despair. Effendis and Katibs, invoking the help of Allah, rushed to and fro between Siut and Alexandria and compiled endless lists of items the names of which they did not even know. And yet, in the end, some of this apparatus was set in motion. In Upper Egypt, the ploughs belched steam—civilization and progress had made another step forward" (Max Eyth, *Lebendige Kräfte, 7 Vorträge aus dem Gebiete der Technik*, [Berlin: J. Springer, 1908], p. 21).

346 Evelyn Baring, Earl of Cromer, *Egypt Today* (London: Macmillan, 1908), Vol. 1, p. 11.

347 Incidentally, the money squeezed out of the Egyptian *fellah* also accrued to European capital via a diversion through Turkey. The Turkish loans of 1854, 1855, 1871, 1877, and 1886 were based on the Egyptian tribute, which was increased several times and was paid directly into the Bank of England.

348 *The Times* of March 31, 1879 carried the following report: "It is stated by residents in the Delta that the third quarter of the year's taxation is now collected, and the old methods of collection applied. This sounds strangely by the side of the news that people are starving by the roadside, that great tracts of country are uncultivated, because of the physical burdens, and that the farmers have sold their cattle, the women their finery, and that the usurers are filling the mortgage offices with their bonds, and the courts with their suits of foreclosure" (cited in Theodore Rothstein, *Egypt's Ruin* [London: Swan Sonnenschein, 1910], pp. 69–70).

349 The correspondent of *The Times* in Alexandria wrote the following: "This produce consists wholly of taxes paid by the peasants in kind, and when one thinks of the poverty-stricken, overdriven, underpaid fellaheen in their miserable hovels, working late and early to fill the pockets of the creditors, the punctual payment of the coupon ceases to be wholly a subject of gratification" (cited by Rothstein, *Egypt's Ruin*, p. 49).

350 [Max] Eyth, a prominent agent of capitalist civilization in primitive countries, tellingly concludes his masterly sketch of Egypt, from which the main data have been extracted here, with the following imperialist articles of faith: "What we have learnt from the past also holds true for the future. Europe must and will lay firm hands upon those countries that can no longer keep up with modern conditions on their own, though this will not be possible without all kinds of struggle, when the difference between right and wrong will become blurred, when political and historical justice will often enough mean disaster for millions and their salvation depend upon what is politically wrong. All the world over, the strongest hand will make an end to confusion, and so it will even on the banks of the Nile" (*Egypt's Ruin*, p. 247). Just what kind of "order" the British established "on the banks of the Nile" is made clear by Rothstein.

351 As early as the beginning of the 1830s, the British administration in India commissioned Colonel [Francis Rawdon] Chesney to investigate the navigability of the River Euphrates in order to establish the shortest possible connection between the Mediterranean and the Persian Gulf and India. After detailed preparations and a preliminary reconnaissance in winter 1831, the expedition proper lasted from 1835 to 1857. British officers and civil servants subsequently investigated and surveyed a wider area in Eastern Mesopotamia. These efforts extended until 1866 without yielding any practical results for the British government. The U.K. later resumed the plan of connecting the Mediterranean with India via the Persian Gulf, though in a different form, i.e. the Tigris railway project. In 1879, [Verney Lovett] Cameron traveled through Mesopotamia on behalf of the British government to study the projected route of the railway (Max Freiherr v. Oppenheim, *Vom Mittelmeer zum Persischen Golf durch den Hauran, die Syrische Wüste und Mesopotamien* [From the Mediterranean to the Persian Gulf through Hauren, the Syrian Desert and Mesopotamia], Vol. 2 [Berlin: D. Reimer, 1899], pp. 5 and 36).

352 Siegmund Schneider, *Die Deutsche Bagdadbahn und die projektierte Uberbruckung des Bosporus* (The Baghdad Railway amd the Project of Breaking Through to the Bosporus) (Leipzig: L. Weiss,

1900), p. 3.

353 Saling, *Börsen Jahrbuch: Ein Handbuch für Bankiers under Kapitalisten* (Exchanges Yearbook: A Handbook for Bankers and Capitalists), Part 20, 1911/12, p. 211.

354 Ibid., pp. 360–1. An engineer from Württemberg by the name of [Wilhelm von] Pressel, who was actively engaged in these transactions in European Turkey as an assistant to Baron von Hirsch, provides the following simple tally for the total subsidies paid by the Turkish government to international capital for the construction of railways in the country:

	Length (km)	*Subsidies paid (million francs)*
The three railway lines in European Turkey	1,889	33.1
Railway network completed in Anatolia by 1899	2,513	53.8
Commissions and other costs paid to the *Administration de la Dette Publique Ottomane* in order to service government guarantees		9.4
	Total	96.3

It should be noted that these figures refer to the period up to the end of 1899, and that some of the government subsidies were not paid until after this date. By this time, the tithes of no less than 28 of the 74 *sandshaks* had already been signed over to finance the railway subsidies. With all these subsidies, railways had been built over a grand total of 2,513 km in Anatolia between 1856 and 1900. Cf. W. V. Pressel, *Les Chemins de Fer en Turquie d'Asie* (Zurich: Institute Orell Fussli, 1900). Incidentally, Pressel, who is an expert in the matter, gives proof of manipulation by the railway companies at Turkey's expense. He states that the Anatolian Company had initially committed itself to building the Baghdad railway via Ankara under the terms of the 1893 concession. Subsequently, however, it declared that its own plans were impracticable, and it abandoned the government-subsidized Ankara line to its fate in order to initiate work on an alternative route via Konya: "No sooner have the companies succeeded in acquiring the Smyrna–Aydin–Diner line, than they will demand the extension of this line to Konya, and the moment these branch lines are completed, the companies will move heaven and earth to force the goods traffic to use these new routes for which there are no guarantees, and that, more important still, need never share their takings, whereas the other lines must pay part of their surplus to the government, once their gross revenue exceeds a certain amount. In consequence, the government will gain nothing by the Aydin line, and the companies will make millions. The government will foot the bill for practically the entire revenue guarantee for the Kassaba–Angora line, and can never hope to profit by its contracted 25 percent share in the surplus above £600 gross takings" (Ibid., p. 7).

355 Charles Moravitz, *Die Türkei im Spiegel ihrer Finanzen* (Turkey in the Financial Mirror) (Berlin: C. Heymann,1903), p. 84.

356 "Incidentally, in this country everything is difficult and complicated. If the government wishes to create a monopoly in cigarette paper or playing cards, France and Austro-Hungary immediately are on the spot to veto the project in the interest of their trade. If the issue is oil, Russia will raise objections, and even the Powers who are least concerned will make their agreement dependent on some other agreement. Turkey's fate is that of Sancho Panza and his dinner: as soon as the minister of finance wishes to take action on a particular matter, some diplomat gets up and stands in his way, holding up a veto" (Moravitz, *Die Türkei im Spiegel ihrer Finanzen*, p. 70).

357 Nor was this only in Britain. "Even in 1859, a pamphlet, ascribed to Diergardt of Viersen, a factory owner, was disseminated all over Germany, urging that country to secure the East Asian market in good time. It advocated the deployment of military force as the only means for getting commercial advantages from the Japanese and the East Asian nations in general. A German fleet, built with the people's small savings, had been a youthful dream, long since brought under the hammer by

Hannibal Fischer. Though Prussia had a few ships, her naval power was not impressive. But in order to enter into commercial negotiations with East Asia, it was decided to equip a fleet. [Botho] Graf zu Eulenburg, one of the ablest and most prudent Prussian statesmen, was appointed chief of this mission that also had scientific objects. Under most difficult conditions he carried out his commission with great skill, and though the plan to establish contractual relations simultaneously with the Hawaiian Islands had to be abandoned, the mission was otherwise successful. Though the Berlin press of that time knew better, declaring whenever a new difficulty was reported, that it was only to be expected, and denouncing all expenditure on naval demonstrations as a waste of the taxpayers' money, the ministry of the new era remained steadfast, and the harvest of success was reaped by the ministry that followed" (Walther Lotz, *Die Ideen der deutschen Handelspolitik* [Berlin: Julius Springer, 1892], p. 80).

358 "Official negotiations were shortly entered upon [following preliminary discussions between Michel Chevalier and Richard Cobden on behalf of the French and English governments—*R. L.*] and were conducted with the greatest secrecy. On January 1, 1860, Napoleon III announced his intentions in a memorandum addressed to M. Fould, the Minister of State. This declaration came like a bolt from the blue. After the events of the past year, the general belief was that no attempt would be made to modify the tariff system before 1861. Feelings ran high, but all the same the treaty was signed on January 23" (Auguste Devers, "La politique commerciale de la France depuis 1860," *Schriften des Vereins für Sozialpolitik*, Vol. 51, p. 136).

359 The liberalizing reforms of Russian tariffs policy between 1857 and 1868 that finally dismantled the absurd Kankrin system of protective tariffs were both a supplement to, and an expression of, the whole program of reforms that were made necessary by the Crimean War debacle. On an immediate level, however, the reduction in tariffs corresponded to the interests of the Russian landowning aristocracy: both as a consumer of foreign commodities and as a producer of grain for export, it had a vested interest in the lifting of restrictions on trade between Russia and Western Europe. The following is a statement by the champion of agrarian interests, the Free Economic Association: "During the last sixty years, between 1822 and 1882, agriculture, Russia's largest producer, was brought to a precarious position owing to four great setbacks. These could in every case be directly attributed to excessive tariffs. On the other hand, the thirty-two years between 1845 and 1877 when tariffs were moderate went by without any such emergency, in spite of three foreign wars and one civil war [i.e. the Polish insurrection of 1863—*R. L.*], every one of which proved a greater or less strain on the financial resources of the state" (*Petitions by the Imperial Free Economic Society concerning the Revision of Russia's Tariffs* [St. Petersburg: 1890], p. 148). That the Russian advocates of free trade, or of at least a reduction in protective tariffs, could hardly be considered representatives of the interests of industrial capital, at least until recently, is demonstrated by the fact that the scientific backers of the movement for trade liberalization, the above-mentioned Free Economic Association, was still agitating against protective tariffs in the 1890s on the basis that these constituted a means for the "artificial implantation" of capitalist industry in Russia. Echoing the reactionary "Populists," the Free Economic Association denounced capitalism as the breeding ground of the modern proletariat, "those masses of shiftless people without home or property who have nothing to lose and have long been in ill repute" (Ibid., p. 191). See also K. Lodyshenski, *Istoriia russkogo tamozhennogo tarifa* (The History of the Russian Tariff) (St. Petersburg: Balashev, 1886), pp. 239–58.

360 Such a conception was also shared by Frederick Engels. In his letter to Danielson dated June 18, 1892, he writes: "English interested writers cannot make it out that their own Free Trade example should be repudiated everywhere, and protective duties set up in return. Of course, they *dare* not see that this, now almost universal, protective system is a—more or less intelligent and in some cases absolutely stupid—means of self-defense against this very English Free Trade, which brought the English manufacturing monopoly to its greatest height. (Stupid for instance in the case of Germany, which had become a great industrial country under Free Trade and where protection is extended to agricultural produce and raw materials, thus raising the cost of industrial production!) I

do not consider this universal recurrence to protection as a mere accident, but as a reaction against the unbearable industrial monopoly of England; the *form* of this reaction as I said, may be inadequate and even worse, but the historical necessity of such a reaction seems to me clear and evident." [See *Marx and Engels Collected Works*, Vol. 49, pp. 441–2.]

361 *Capital*, Vol. 1, p. 926.

362 This assumption is in fact made by Dr. [Karl] Renner, for example, and it forms the basis of his treatise on taxation: "The entire value created in the course of one year is made up of these four parts: profit, interest, rent, and wages; and annual taxation, then, can only be levied upon these" (*Das arbeitende Volk und die Steuern* [Vienna: Brand, 1909]). Although Renner is subsequently reminded of the existence of peasants, he cursorily dismisses them in a single sentence: "A peasant e.g. is simultaneously entrepreneur, worker, and landowner, his agricultural proceeds yield him wage, profit, and rent, all in one." Obviously, it is an empty abstraction to divide the peasantry among all the categories of capitalist production, and to conceive of the peasant as entrepreneur, wage laborer, and landlord all in one person. The economic particularity of the peasantry—if it is to be treated as an undifferentiated category, as by Renner—consists precisely in the fact that it belongs neither to the class of capitalist entrepreneurs nor to that of the waged proletariat; it does not represent capitalist production at all, but rather simple commodity production.

363 It would go beyond the scope of the present study to deal with the question of cartels and trusts as a specific phenomenon of the imperialist phase that occurs on the basis of the internal competitive struggle between individual capitalist groups over the monopolization of the existing spheres of accumulation and the distribution of profit.

364 An example is Professor [A.] Manuilov's rejoinder to Vorontsov, which was much celebrated by his Russian Marxist contemporaries: "In this context, we must distinguish strictly between a group of entrepreneurs producing weapons of war and the capitalist class as a whole. For the manufacturers of guns, rifles, and other war materials, the existence of militarism is no doubt profitable and indispensable. It is indeed quite possible that the abolition of the system of armed peace would spell ruin for Krupp. The point at issue, however, is not a special group of entrepreneurs but the capitalists as a class, capitalist production as a whole." Manuilov argues that, from this latter standpoint, "if the burden of taxation falls chiefly on the working population, every increase of this burden diminishes the purchasing power of the population and hence the demand for commodities." This fact is taken as proof that "militarism, under the aspect of armament production, does indeed enrich one group of capitalists, but at the same time it injures all others, spelling gain on the one hand but loss on the other." See A. Manuilov, "Militarism and Capitalism," *Vesnik Prava* (Journal of the Law Society) (St. Petersburg: 1890), No. 1.

365 Ultimately, the degeneration of the normal conditions under which labor-power is reproduced will lead to the degeneration of labor-power itself, to the reduction of its average intensity and productivity, thus jeopardizing the very conditions of surplus value production. However, these further consequences, which only make themselves felt by capital after an extended period of time, do not initially carry any weight in its economic calculations; on the other hand, it is true that they give rise to a general intensification of the defensive action taken by wage laborers.

THE ACCUMULATION OF CAPITAL, OR WHAT THE EPIGONES HAVE MADE OUT OF MARX'S THEORY—AN ANTI-CRITIQUE

1 One may see an example of this kind of thing in the review of my book by G[ustav] Eckstein in *Vorwärts* (February 16, 1913). After pompous introductory promises to instruct and educate the reader on the subject of "social need," he turns out to be pretty much as helpless as a cat chasing its tail, not getting anywhere, and finally he explains that this problem is "by no means simple or easy." That's exactly right. A few snotty, derogatory phrases are much simpler and easier.

2 Likewise A. Pannekoek in the *Bremer Bürgerzeitung* of January 19, 1913, writes: "The schema itself gives the answer very simply, for all products find their market there (i.e. on the paper of the *Bremer Bürgerzeitung—R. L.*). The capitalists and the workers themselves are the consumers … There is, therefore, absolutely no problem to be solved" [cf. Pannekoek, in *Discovering Imperialism*, p. 683].

3 Eckstein states: "The schemas show precisely who buys the products," and "Comrade Luxemburg has misunderstood completely the nature, aim, and significance of Marx's models" [cf. Eckstein, in *Discovering Imperialism*, p. 710].

4 Or else we are left with the somewhat oblique [and dubious] consolation provided by the minor "expert" [reviewer of *Accumulation of Capital*] in the *Dresdener Volkszeitung*, who after thoroughly destroying my book, explains that capitalism will eventually collapse "because of the falling rate of profit." One is not too sure exactly how the dear man envisages this—whether the capitalist class will at a certain point commit suicide in despair at the low rate of profit, or whether it will somehow declare that business is so bad that it is simply not worth the trouble, whereupon it will hand the keys over to the proletariat. However that may be, this comfort is unfortunately dispelled by a single sentence of Marx's, namely the statement that "large capitals will compensate for the fall in the rate of profit by mass production." Thus there is still some time to pass before capitalism collapses because of the falling rate of profit, roughly until the sun burns out.

5 Karl Kautsky, *Krisentheorien* (Crisis Theory), *Die Neue Zeit*, Year 20, 1901–2, Vol. 2, No. 31, p. 140.

6 Ibid., No. 29, p. 80 (emphasis added—*R. L.*).

7 Ibid., No. 31, p. 141.

8 The reviewer in *Vorwärts*, Eckstein, among all the "experts" has the least understanding of what is actually under discussion. He belongs to that upstart variety (*aufgekommener Gattung*) of journalists whose rise has accompanied the growth of the working-class press. They can write about anything and everything at any time: Japanese family law, modern biology, the history of socialism, epistemology, ethnography, cultural history, political economy, tactical questions—whatever is needed at the moment. These "universal writers" move about through all the fields of knowledge with unscrupulous self-assurance, for which a serious researcher could frankly envy them. Where they lack understanding of a subject they have "taken over," they make up for it by becoming harsh and overbearing. Here are just two examples: Eckstein says at one point in his review: "If it is recognized here and now that the author has misunderstood the meaning and purpose of Marx's presentation, this recognition will be confirmed throughout by the further content of her book. Above all, the technical methodology of Marx's presentation has remained completely unclear to her. This is shown very plainly as early as page 72 of her book" [cf. Eckstein, *Discovering Imperialism*, pp. 706–7; see pp. 72–3 of this volume]. I discuss the fact that in his first "schematic presentation," Marx assigns the production of money to the department that produces means of production. I criticize this in my book and try to show that, since in itself money is *not* a means of production, this confusion must inevitably result in great difficulties for an exact and accurate presentation [of the process of economic reproduction]. Here Eckstein puts in his two cents' worth, as follows: "Comrade Luxemburg now complains about Marx including the production of money materials, i.e. gold and silver, in Department I and counting it together with the production of means of production. That is mistaken [she says]. *Therefore she adds a third column to those constructed by Marx, which is supposed to represent the production of money materials*. [Emphasis added—*R. L.*] That is certainly permissible. But one is eager to see how the corresponding rearrangement in three columns is going to work out." Now Eckstein finds himself bitterly disappointed! "In the schema constructed by Comrade Luxemburg the difficulty is—not just very great; it is insuperable … She does not make the slightest effort to clearly present these 'organic' entanglements. The very attempt would necessarily have shown her that her model was impossible," and he continues on, in his gracious manner. Meanwhile, the "model constructed by Comrade Luxemburg" on the indicated page was not "constructed" by me at all—but by Marx! I

simply wrote down the figures given in Volume 2 of *Capital*, p. 446 [of the fourth German edition; cf. *Capital*, Vol. 2, p. 546], in order to show that, *going by Marx's own data*, it is impossible to incorporate the production of money [into Department I], and I introduced the passage where I discussed this with the following explicit statement: "Moreover, a mere glance at the reproduction schema itself reveals the inconsistencies that necessarily follow from the confusion of means of exchange with means of production" [see p. 62 in this volume]. And along comes Eckstein, lays the blame at *my* door for the schema of Marx's that I had criticized, scolds me because of this schema, as though I were some stupid little girl, [and claims] that "the technical methodology of these 'schemata' (i.e. Marx's reproduction schemas)" have remained completely unclear to me.

Another example. Marx constructs his first schematic representation of accumulation in Volume 2 of *Capital* on page 487 [of the German edition used by Luxemburg; cf. *Capital*, Vol. 2, p. 586]. In that schematic model he (Marx) allows the capitalists of Department I to always capitalize 50 percent of their surplus, but [he allows] those of the other department to do so however God might choose, without any evident rules, but only on the basis of the demand from Department I. This is an assumption that I seek to criticize as an arbitrary one. And here comes Eckstein again with the following outpouring: "The mistake lies in the very calculations she herself makes, and this shows *that she has not grasped the essence of Marx's schemas*. [Emphasis added—*R. L.*] In particular she believes that the requirement for an equal rate of accumulation lies at the basis of Marx's schemas; that is, she assumes that, in the two main departments of social production being examined, accumulation always proceeds at an equal rate, that is, that an equal part of the surplus value is [always] turned into capital. But this is an entirely arbitrary assumption that contradicts the facts … In reality *there is no such thing as a universally existing rate of accumulation, and even theoretically that would be an impossibility*." [Emphasis is Luxemburg's; cf. *Discovering Imperialism*, p. 708.] Here before us (supposedly) there lies "a scarcely believable error by the author (Luxemburg), that shows again *that the essence of Marx's schemas* have remained a complete puzzle to her." (Emphasis added—*R. L.*) [Eckstein then asserts:] The real law of the equal rate of profit [is] "in total contradiction to the imagined law of equal [rate of] accumulation," [cf. *Discovering Imperialism*, p. 709], and thus Eckstein is able to simply demolish me with robust thoroughness, salt and pepper added. If it must be done, then do it all-out. However, *five pages later* [in Volume 2 of *Capital*] Marx constructs a second example of his accumulation schema, and indeed [this proved to be] the genuine, fundamental schema with which he then worked exclusively, right down to the end of Volume 2, whereas the first example had been merely a rough try, a preliminary draft [cf. *Capital*, Vol. 2, pp. 586 and 589]. And in this second, definitive example Marx assumes continually (*ständig*) *the same rate of accumulation*, that "imaginary law," *in both departments*! This "theoretical impossibility," this "complete contradiction of the real law of the equal rate of profit," this sum total of major crimes and offenses is found in Marx's reproduction schema on page 496 of [the fourth German edition of] Volume 2 of *Capital* [cf. *Capital*, Vol. 2, pp. 594–5]. And Marx persists in these sinful errors right down to the last line of Volume 2. Again the flood [of Eckstein's criticism] pours down the back of the unlucky Karl Marx, it being obvious that for the latter, the "essence" of his own reproduction schemas "remains a complete puzzle" to him. He shares this bad luck, incidentally, not only with me but also with Otto Bauer, who explicitly states the assumption in his schema (the one "totally free of imperfections") that "the rate of accumulation is equal in both spheres of production." (See Bauer, *Die Neue Zeit*, [Year 31, Vol. 1], p. 838 [cf. *Discovering Imperialism*, p. 723].) That's what Eckstein's style of criticism is like. And from a fellow like that, who has never properly read through all of Marx's *Capital*, must one allow all sorts of shameless insults to be heaped upon one's head?! That a "review" of this kind could appear in *Vorwärts* at all, is an indicative symptom of how greatly the "*Austro-Marxist*" school of epigonism dominates both central organs of Social Democracy. And I will not let the opportunity pass—if, God willing, I live to see a second edition of my book—to include an Appendix reprinting Eckstein's review in toto, to preserve this pearl for posterity!

9 Pannekoek says, after he has summed up the calculations in his Tables, which also have rapidly increasing constant capital, but an unchanging rate of surplus value: "In a fashion similar to the above, we should also allow for a gradual change in the rate of exploitation." (See *Bremer Bürger-Zeitung*, January 1913; [cf. Pannekoek, in *Discovering Imperialism*, p. 687]). But he, too, leaves to the reader the effort of doing this.

10 One minor "expert," writing in the *Dresdner Volkszeitung* (January 22, 1913), came up with a wonderful way of solving the problem of accumulation. "Every additional mark that the worker receives," he instructs me, "creates new capital investment of ten marks or more, so that the struggle of the workers [i.e. for higher wages] … creates a market for surplus value and makes capital accumulation possible in our own country." What a clever little fellow! (*Dieser kleine Gescheite!*) Next thing we know, when an "expert" like this gets the notion in his head to write "cockadoodledoo" in the middle of some observations about economics, it is dead certain that this, too, will be published without editorial review as a lead article in an official newspaper of the Social Democratic Party. Indeed, the gentlemen-editors, especially those with academic training, who have their hands full in the meeting rooms and lobbies of parliament, where they keep the wheel of world history turning, have long since come to regard it as an old-fashioned waste of time to settle down on the seat of their pants for a while and read some theoretical books, to help them form judgments of their own about newly arising problems. It is more convenient [*bequemer*] to shove things like that off onto the first and best scribbler of news items they can find, the kind who stitch together little economic surveys from English, American, and other statistical publications.

11 The idea of concluding treaties for international disarmament was included in the "super-imperialism" theory dreamed up by Karl Kautsky, according to which, [imperialism, when] unfolded to its fullest extent, would weaken the contradictions between individual capitalist states, and accordingly the causes of war would disappear, so that these states could peacefully reach agreement on disarmament and arrive at a lasting peace.

12 In his review of my book in *Vorwärts* in February 1913, Eckstein denounced me for advocating a "theory of catastrophes," simply borrowing his accusations from the verbal treasury of [Wilhelm] Kolb, [Wolfgang] Heine, and [Eduard] David. [Eckstein wrote:] "The practical conclusions fall in with the theoretical assumptions, *above all the catastrophe theory*, which Comrade Luxemburg has constructed on the basis of her teachings about the necessity [for the capitalists] to find non-capitalist consumers" [cf. Eckstein, in *Discovering Imperialism*, p. 712]. Now, when the theoreticians of the swamp have made a turn "toward the left," Eckstein accuses me of the opposite crime, of encouraging the right wing of Social Democracy. With heated zealotry he points out that Lensch, the same Lensch who after the outbreak of World War veered over to the Kolb-Heine-David group, allegedly had at one time taken pleasure in my book and reviewed it favorably in the *Leipziger Volkszeitung*. Is it not clear that there is a link? Suspicious, highly suspicious! It was "precisely for this reason" that he "allowed himself" to annihilate my book so "thoroughly" in *Vorwärts* in February 1913. Well now, it just so happens that before the war this same Lensch took even greater pleasure in Marx's *Capital*. And in fact, a certain Max Grunwald was for years an inspired interpreter of Marx's *Capital* at the Berlin school for workers' education. Is this not striking proof that Marx's *Capital* misleads people straight into raving for the destruction of England and writing birthday articles in honor of [Paul von] Hindenburg? But these clumsy oafs [*Boecke*] even go beyond Eckstein, laying it on so thick and in such crude fashion that they have ended up completely overdoing it. It is well known that Bismarck often complained about such blind zealotry on the part of his clique of journalistic reptiles.

A Glossary of Personal Names

Abbé Delamarre, see **Delamarre, Elzéar**.

Abbé Grosier, see **Grosier, Jean-Baptiste**.

Acosta, José de (1539–1600), Spanish Jesuit and traveler; arrived in Peru in 1571 and founded a number of colleges and universities in South America. He wrote an important study of the Native Americans of South America and Mexico, *Historia natural y moral de las Indias*, which is one of the most accurate depictions of the New World produced at the time.

Aiken, John (1747–1822), English historian and physician; founded *Monthly Magazine* in 1796, and shortly afterward left the medical profession to become a writer of historical works; author of *Description of the Country from Thirty to Forty Miles round Manchester*, which Marx cites in Volume 1 of *Capital*.

Alexander II (1818–1881), Tsar of Russia from 1855 to 1881; in response to Russia's defeat in the Crimean War, initiated a series of reforms, the most important being the abolition of serfdom, in 1861; also reorganized the military, state bureaucracy, and penal code. Brutally suppressed the Polish uprising of 1863 and banned the use of Polish, Lithuanian, and Ukrainian languages. He was assassinated by a revolutionary in 1881.

Anton, G. K. (dates of birth and death unknown), German political scientist; visited Java (in modern-day Indonesia) as part of inspection tour of Dutch colonial practices; wrote books on German colonial policy as well as French colonialism in Algeria and Tunisia; supported German-Dutch national unity.

Backhouse, Edmund Trelawny (1873–1944), British historian and linguist; made several major studies of the last years of the Qing Dynasty of China; from 1899 lived in Beijing, where he engaged in business and published, in 1910, *China Under the Empress Dowager*. He donated thousands of manuscripts on Chinese history and culture to Bodleian Library, which remains an important research source. In his *Memoirs* he recounted many of his experiences as a gay man living in Imperial China.

Baldwin, W. Spencer (1860–1929), English-Australian anthropologist; originally from England, moved to Australia in 1887; along with Francis James Gillen embarked on important studies of the Aborigines; coauthored with Gillen *The Native Tribes of Australia*, a largely sympathetic treatment of aboriginal culture and society; also author of *Northern Tribes of Australia* and numerous other books, monographs, and articles.

Baring, Evelyn, Earl of Cromer (1841–1917), British politician and colonial official; served as Controller-General of Egypt in 1879 and was instrumental in seizing control of Egypt's finances on behalf of British imperialism; when Egyptian ruler Isma′il Pasha refused to yield to British demands for debt payments, Baring had him removed from power; imposed upon Egypt the so-called Granville Doctrine, which enabled him to dismiss any Egyptian official who refused to follow British directives; he held that "subject races" like that of the Egyptians were incapable of self-rule. At the end of his life he was a leading opponent of women's suffrage in England.

Baron von Hirsch, see **Hirsch, Maurice von**.

Barrow, Sir John (1764–1848), English traveler, writer, and politician; lived in China from 1792–94, where he served in the first British embassy; later moved to South Africa, where he attempted to mediate the conflicts between the Boers and native Africans. He later promoted a number of British voyages to the Arctic region; the Barrow Straight in Canada and the city of Barrow, Alaska are named after him.

Bastiat, Frédéric (1801–1850), French economist; strong advocate of free trade and unregulated markets; author of *The Law, Economic Sophisms*, and other works; engaged in famous debate with Pierre-Joseph Proudhon, in which he defended interest. Argued that state taxation and interference in the market to be "organized plunder"; he is considered by many to be the forerunner of modern right-wing libertarian economics. Marx subjected his thought to detailed criticism in the *Grundrisse*.

Bauer, Otto (pseudonyms: Karl Mann, Friedrich Schulze, Heinrich Weber) (1881–1938), one of the leaders of Austrian Social Democracy and the Second International; founded the theoretical magazine *Der Kampf* in Vienna in 1907; theoretical spokesperson for Austro-Marxism; wrote important works on the National Question. Authored one of the most famous critiques of Luxemburg's *Accumulation of Capital*, which she responded to in her *Anti-Critique*. Adopted a disapproving attitude toward the Bolshevik Revolution in Russia in 1917; was Foreign Minister of Austria in 1918/19.

Bentham, Jeremy (1748–1832), English philosopher and economist; one of the leading figures in the development of modern utilitarianism; defended free trade, usury, and unrestricted free markets and formulated the first quantitative formulation of the classical theory of the wage fund; a liberal social reformer, he founded (along with James Mill) the *Westminister Review*, a leading journal of the "philosophical radicals."

Bischoffsheim, Jonathan-Raphaël (1808–1883), Belgian banker; in 1827 founded Bischoffsheim and Goldschmidt Bank, which played a critical role in Belgium's economy; it soon became one of the leading banks in Europe.

Bismarck, Otto von (1815–1898), Prussian-German statesman and first Chancellor of Germany from 1871 to 1890. A member of the Junker landowning class and extreme nationalist and authoritarian, he was instrumental in Prussia's (and later Germany's) military expansion. He imposed the Anti-Socialist Laws against the workers' movement while trying to buy off sections of it by providing some social welfare protections.

Blanc, Louis (1811–1882), French journalist, historian, and politician; reformist socialist who advocated national workshops, under government control, to ameliorate poverty and unemployment; in 1848, member of the Provisional Government; 1848–70, lived in England as an émigré; in 1871, elected to the French National Assembly; supported the reactionary regime of Thiers and took a position against the Paris Commune of 1871; in 1876, became a member of the Radical Party.

Bland, John Otway (1863–1945), British journalist who authored a number of books on Chinese history and politics, some of them with Edmund Trelawny Backhouse. He lived in China from 1883 to 1910, where he worked in minor positions with the British authorities before becoming a freelance journalist. He supported British plans to annex parts of China. After returning to Britain shortly before the Revolution of 1911, wrote several journalistic accounts as well as works of fiction on Chinese society.

Blanqui, Louis-Auguste (1805–1881), French revolutionary, joined the conspiratorial society, the Carbonari in 1824 and later other groups, including the League of the Just; devoted himself to various schemes for insurrection with the aim of liberating society from oppression by bringing to power a cadre of professional revolutionaries who would rule on behalf of the masses; spent the bulk of his life in prison; he was an uncompromising revolutionary who spent little time or effort on theory or in developing a conception of the future social relations that could replace capitalism.

Boudin, Louis B. (1874–1952), Marxist theoretician and lawyer; born in Russia and emigrated to the U.S. in 1891, where he worked in the garment industry; obtained a law degree and became leading member of the U.S. Socialist Labor Party; joined the Socialist Party in 1901, emerging as one of its major theoreticians; attended the 1907 Stuttgart Congress and 1910 Copenhagen Congresses of the Second International. Best known for his 1907 book, *The Theoretical System of*

Karl Marx in Light of Recent Criticism. Opposed World War I and was close to the U.S. Communist Party in 1920s, though not an active member; he later denounced Stalinism. Author of an important two-volume book, *Government by Judiciary*, criticizing the usurpation of democratic rights by the courts.

Bray, John Francis (1809–1897), English economist and utopian socialist, a follower of Robert Owen who developed the theory of "labor money"—the idea of replacing money with notes or chits denoting hours of labor that could be exchanged for commodities.

Bright, John (1811–1889), British politician and social reformer; strongly opposed protectionism, becoming one of the best-known opponents of the Corn Laws; a strong advocate of free trade, he opposed capital punishment, restrictions on religious and political liberty, and British colonial policy in Ireland, Egypt, and India. He became known as one of Britain's greatest orators.

Brissot, Jacques Pierre (1754–1793), French revolutionary, abolitionist, and political theorist; leading member of the Girondists during the French Revolution. He founded in 1790 the "Society of the Friends of the Blacks," an anti-slavery organization. During the Revolution he was elected member of the Legislative Assembly and National Convention; arguing for a constitutional monarchy and moderation of the Revolution's demands, he was arrested and executed during the Terror of 1793. Proudhon's famous phrase "property is theft" was first used by Brissot in his *Philosophical Inquiries on the Right of Property*.

Bryce, James (1838–1922), British politician and historian; elected to Parliament in 1880 as a Liberal; remained an MP until 1907. Closely associated with the government of Richard Gladstone, in which he served as Undersecretary of State for Foreign Affairs and member of the Privy Council. Traveled to South Africa in 1897 and published *Impressions*, a work that denounced Britain's repression of the civilian populace during the Boer War and documented the use of concentration camps by the British and called for their dismantling. In 1907 made British Ambassador to the U.S.; authored *The American Commonwealth*, a historical study of the U.S. In 1915 he condemned Turkey's genocide against the Armenians, becoming one of the first British figures to speak out against it.

Bruce, Thomas (Lord Elgin) (1766–1841), British politician and soldier; served as British Ambassador to Istanbul from 1799 to 1803; removed the ancient marble edifice from the Pantheon in Athens in 1803, sending one of the greatest artistic treasures of antiquity (often referred to today as the Elgin Marbles) to London; parts were also used to decorate his mansion in Scotland.

Bücher, Karl (1847–1930), member of the "Young German" historical school of economics that emphasized statistical and sociological analysis as against classical economists' emphasis on deductive reasoning. Criticized unregulated free markets and defended Germany's authoritarian welfare state.

Bulgakov, Sergei (1871–1944), Russian economist and philosopher; joined the Legal Marxists in the 1890s; in 1897 published *On Markets in Capitalist Conditions of Production*, which argued that Russia could achieve capitalist industrialization without having recourse to foreign markets; became foremost proponent of view that Russia had no choice but to endure a prolonged stage of capitalism before being ready for socialism. Studied in Germany in the late 1890s and made contact with such leading Marxists as Karl Kautsky and August Bebel. In 1900 experienced a spiritual crisis, leading him to break from Marxism and embrace Orthodox Christianity; elected to the Second Duma in 1907 as a Christian Socialist; ordained in the Orthodox priesthood in 1918; expelled from Russia in 1922, spent the rest of his life in Paris, writing numerous books on Christianity.

Bürger, Gottfried August (1747–1794), German poet and writer of love songs; influential on later German writers, such as Friedrich Schiller.

Cabet, Étienne (1788–1856), French lawyer; utopian communist; member of the Carbonari; took part in the July revolution of 1830 and until 1831 was attorney general on the island of Corsica;

1834–39, lived in exile in London; later founded utopian communities in the U.S.

Cameron, Verney Lovett (1844–1894), English explorer, traveler, and opponent of slavery who sought to suppress the East African slave trade; embarked on an expedition to East Africa in 1873 to assist the explorations of David Livingstone; traversed the Congo-Zambezi watershed, becoming the first European to cross equatorial Africa from coast to coast; his reports on his travels, first published in 1877, helped open up the African interior to European colonization.

Carey, Henry Charles (1793–1879), American economist; strong critic of laissez-faire and free market economics; he supported tariffs barriers and protectionism. He also served as chief economic advisor to President Abraham Lincoln.

Cave, Stephen (1820–1880), British politician; elected to Parliament as a Conservative in 1859; remained an MP until 1880. In 1875 sent to Egypt as part of a special commission to report on the country's financial condition; he argued that its bankruptcy was inevitable, which was used by Britain to extract important political and economic concessions from the Egyptians.

Cavour, Camillo Benso (1810–1861), Italian statesman; founded the newspaper *Il Risorgimento*; pursued a moderate liberal policy; helped achieve the unification of Italy in 1861. Served as first prime minister of Italy.

Chassebœuf, Constantin-Francois de, comte de Volney (1757–1820), French philosopher and orientalist who lived several years in Egypt, Palestine, and Syria; author of several books on the Middle East and the role of religion in society; he argued for the separation of church and state on the grounds that no religion is able to prove its veracity over any other. He was a friend of Thomas Jefferson, who translated parts of his book *The Ruins, or Meditation on the Revolutions of the Empires* into English.

Chernyshevsky, Nikolai (1828–1889), Russian revolutionary activist and writer; leader of the Russian democratic movement and socialist movement in the 1850s and 1860s and a founding figure of Populism. Inspired by the materialist philosophy of Ludwig Feuerbach, wrote numerous essays on philosophy and politics; arrested and imprisoned in the notorious Peter and Paul Fortress in 1862, where he wrote his famous novel *What Is to Be Done?* Dostoyevsky subjected the book to withering criticism in his *Notes from Underground*.

Chesney, Francis Rawdon (1789–1872), British militarist and explorer; as part of the British Army, made a tour of Egypt and Syria in 1829, during which he proposed the building of the Suez Canal; also commanded British forces in India and China. He made several trips to Mesopotamia (modern Iraq) with the aim of eventually bringing the area under British control; authored the book *Narrative of the Euphrates Expedition*.

Chevalier, Michel (1806–1879), French economist and politician; initially a follower of Saint-Simon. Traveled to the U.S. and Mexico in the 1830s, where he argued that the peoples of Mexico and South America were members of a "Latin race"; his claim became the basis of the later creation of the term "Latin America" by French intellectuals. Appointed a French Senator in 1860; in same year he signed (along with Richard Cobden and John Bright) a free trade agreement between France and England, known as the Cobden-Chevalier Treaty.

Cixi Taihou, see **Tzu Hsi, Empress Dowager**.

Cobden, Richard (1804–1865), British liberal politician who worked closely with John Bright in leading the Anti-Corn Law League. A firm supporter of free trade, he opposed both the conservative landlords and the radical Chartist movement. He was a sharp critic of British foreign policy, arguing against excessive military spending and colonial domination; he especially opposed Britain's role in the First Opium War against China.

Comte de Volney, see **Chassebœuf, Constantin-Francois de, comte de Volney**.

Conrad, Johannes (1839–1915), German political economist, cofounded Verein für Sozialpolitik with Gustav von Schmoller. Coedited the influential *Handwörterbuch der Staatswissenschaften* (Concise Dictionary of Political Sciences).

Cousin-Montauban, Charles, Comte de Palikao (1796–1878), French politician and militarist; commanded French forces in Algeria in the mid-1850s, which was responsible for numerous human rights abuses against the native populace; in 1859 led French and British troops in their attack on China, during which his troops desecrated the Summer Palace in Beijing. He was an unwavering supporter of the imperial policies of Napoleon III.

Danielson, Nikolai (1844–1918), Russian economist and Populist; carried on a lengthy correspondence with Marx and Engels; in 1873 published the first Russian translation of Volume 1 of Marx's *Capital*; translated volumes 2 and 3 of *Capital* in 1885 and 1896, respectively—the first translations of the volumes in a foreign language. Although Danielson held that capitalist industrialization had already begun in Russia, he argued, contrary to the leading Russian orthodox Marxists of the time, that the capitalist stage could be considerably shortened by making use of Western technology as well as Russia's indigenous communal formations of working the land.

David, Eduard (1863–1930), teacher and Social Democrat; in 1896, became a leading advocate of revisionism; 1896–97 edited *Plainzer Volkszeitung*; 1898–1908 member of the lower house of Hesse; member of the staff and regular contributor to the revisionist organ *Sozialistische Monatshefte*; member of the Reichstag in 1903–18; he was a fervent supporter of German expansionism and strongly supported World War I.

Delamarre, Elzéar (1854–1925), Catholic priest from Canada; in 1904, founded the Congregation of the Sisters of Saint Anthony of Padua.

Diehl, Karl (1864–1943), German economist; member and leading figure in the Society for Social Policy. Authored numerous books and articles on political economy, such as *Theoretical Political Economy* and *Socialism, Communism, and Anarchism*, as well as studies of Ricardo, Proudhon, and Rodbertus. He wrote extensively on the business cycle; considered a founder of the "social law" movement in modern economics.

Dietzel, Carl August (1829–1884), German economist; wrote several works on taxation and government bonds; best known for his book *The Economy and Its Relationship to Society and the State*.

Diodorus Siculus (c. 90–30 BC), ancient Greek historian, author of *Biblioteca historica*, a massive study of the ancient world, largely compiled from the work of numerous Greek writers and historians that preceded him; he provided the earliest known account of the working conditions in the gold mining region of Nubia.

du Pont de Nemours, Pierre Samuel (1739–1817), French economist and writer who wrote one of the earliest analyses of Quesnay's *Tableau économique*. An initial supporter of the French Revolution, he opposed its more radical elements and was arrested by Robespierre; after being freed from prison, emigrated to the U.S., where he became a successful businessman. A friend of Thomas Jefferson, he first proposed the idea of purchasing the Louisiana Territory from France.

Duke of Manchester, see **Montagu, William**.

Eckstein, Gustav (1875–1916), Austrian historian and economist; Social Democrat; 1910/11, instructor in the history of socialism at the SPD Central Party School in Berlin; beginning in 1910, editor of *Die Neue Zeit*. He authored an important review of Luxemburg's *Accumulation of Capital*, which she responded to in her *Anti-Critique*.

Eulenberg, Botho Graf zu (1831–1912), Conservative Prussian politician; served as Minister of the Interior under Bismarck in the late 1870s and early 1880s and enthusiastically administered the repressive Anti-Socialist Laws, for which he is most infamous. In 1892 he became prime minister of Prussia, but was dismissed by King Wilhelm II in 1894.

Eyth, Max (1836–1906), German engineer and artist; in 1861 to traveled to England, where he worked with John Fowler in developing steam-driven ploughs. From 1863 he traveled around the world selling Fowler's products, visiting Egypt, the U.S., Russia, and South America. Returned to

Germany in 1882, where he founded the German Agricultural Society. He also published several travelogues and novels.

Fould, M. (1800–1867), French conservative politician; elected to the French Chamber of Deputies in the 1840s, specializing in matters of finance and economy; an ally of Napoleon III, served as his Finance Minister on four separate occasions in the 1850s and 1860s; favored protectionism and defended the interests of French capitalists.

Fowler, John (1826–1864), English engineer who pioneered the use of stream engines for plowing; he initially used his plow to dig drainage canals, though he later adopted it for use for in plowing of crops. His inventions greatly reduced the cost of agricultural production.

Franke, O. (1863–1946), German sinologist and philologist; author of five-volume work *History of the Chinese Empire* and other books on Chinese civilization and society in which he rejected the view, widespread in Europe at the time, that China was a static and unchanging social entity; served in German embassy in Beijing from 1888 to 1901. Considered by many to have been the leading figure in early twentieth-century German sinology.

Gillen, Francis James (1855–1912), Australian anthropologist and ethnologist, explored central Australia and lived among the aborigines; wrote several books on aboriginal society and culture.

Goethe, Johann Wolfgang von (1749–1832), German poet, prose writer, dramatist, and naturalist; foremost representative of German classical literature, and one of Rosa Luxemburg's favorite writers; author of *Faust*.

Gray, John (1799–1883), British economist; a supporter of Ricardo's theory of the quantitative determination of value by labor time, he argued that the unequal distribution between the proceeds of labor and workers' wages should be redressed by eliminating the competitive free market and replacing it with cooperative communities run by the workers.

Gros, Jean-Baptiste Louis (1793–1870), French politician and traveler; on behalf of the French government, went to Athens, Colombia, China, and Japan in the late 1850s, where he became one of the first to use photography to document archaeological treasures; he also led French forces during the English and French invasion of China, from 1856 to 1860 and helped arrange the first commercial treaty between France and Japan in 1858, which opened diplomatic relations between the countries.

Grosier, Jean-Baptiste (1743–1823), French Abbé and sinologist who published numerous articles and books on China, most famously his *General Description of China: Containing the Topography of the Fifteen Provinces Which Compose this Vast Empire* (1788), a compilation of much of what was known about China by Europeans at the end of the eighteenth century.

Gwinner, Arthur von (1856–1931), German banker and politician; became a leading figure in the Deutsche Bank, one of the largest in Europe. He was directly involved in financing the construction of the Baghdad Railway, with the aim of connecting the Middle East and Central Europe.

Heine, Wolfgang (1861–1944), German Social Democrat from 1887 and member of the Reichstag from 1898 to 1918. A leader of the revisionist right-wing of the party, he often clashed with Luxemburg and other leftists; he supported Germany's entry into World War I and strongly opposed the Workers' and Soldiers' Councils that emerged in the aftermath of the November 1918 German Revolution. He served as Prussian Minister of Justice from late 1918 to March 1919, during which time he helped suppress the Spartakusbund Uprising. Fled to Switzerland when the Nazis came to power.

Herod (also known as Herod the Great and Herod I) (73 BC–4 AD), King of Judea from 37 BC to 4 AD; ruled as a client of the Roman Empire; a brutal and tyrannical ruler, he is also known for initiating massive building construction, which included building the Masada and expanding the Second Temple in Jerusalem.

Herodotus (484–425 BC), Greek historian; he was the first to systematically undertake the study of history. Author of *The Histories*, one of the greatest works of the ancient world; while parts are considered fanciful, it is nevertheless a vitally important source for knowledge of the ancient Greek and Persian world.

Herzen, Alexander (1812–1870), Russian writer, novelist, and political theorist; leading figure of early Russian socialism; his writings helped inspire the Populist movement. After briefly serving in minor positions in the Russian bureaucracy during the 1840s, left for Western Europe, where he participated in the 1848 revolutions; lived in England for many years. Published the journals *The Polar Star* and *The Bell*, which had a powerful impact on the Russian intelligentsia; member of the International Workingmen's Association in the 1860s. He viewed the peasantry and its communal forms of association as the key to Russia's regeneration and the creation of a socialist society; opposed radical revolution in favor of popular education and liberal reforms.

Hilferding, Rudolf (1877–1941), Austrian children's doctor in Vienna; Social Democrat; 1904–23, coeditor of a journal published in Vienna, entitled *Marx-Studien: Blätter zur Theorie und Politik des wissenschaftlichen Sozialismus*; author of *Finance Capital*; 1907–15, editor of *Vorwärts* in Berlin; 1907, lecturer on political economy and economic history at the SPD's Central Party School in Berlin; supported World War I; from the end of 1915 until November 1918 an army doctor in the Austro-Hungarian military service; in 1917, became a member of the USPD and, in 1918, chief editor of its central organ, *Freiheit*; in 1918, became member of the Socialization Commission. Rejoined SPD and served in several SPD governments in 1920s; murdered by the Nazis.

Hindenburg, Paul von (1847–1934), German General and militarist; led German forces in the Battle of Tannenberg in 1914 and became Germany's Chief of Staff in 1916; from 1925 to his death served as President of Germany. Appointed Adolf Hitler as Chancellor of Germany in 1933 and signed the Enabling Act of 1933, which enabled Hitler to consolidate dictatorial power.

Hirsch, Maurice Baron von (1831–1896), German-Jewish banker and financier; in 1855 became part of the Belgium banking house Bischoffsheim & Goldschmidt; later became a major investor in railroad construction in Turkey and the Balkans. Founded the Jewish Colonization Association in the 1880s, which sought to relocate Russian and East European Jews to Argentina, Canada, and Palestine.

Hobson, J. A. (1858–1940), English economist and political scientist; a reformist socialist who was close to the Fabians, he developed an influential theory of underconsumption that held that capitalist crises could be avoided by paying workers higher wages. He is best known for his pioneering work of 1902, *Imperialism*, which argued that imperial expansion was driven by capitalism's need for new markets.

Humbert, Gustave Amédee (1822–1894), French politician and jurist; served in the French National Assembly in the 1870s and made several speeches on France's efforts to destroy communal property relations among the peoples of Algeria.

Kablukov, N. A. (1849–1919), Russian economist and a proponent of the Populist movement; from 1874 to 1879 he worked as a statistician for the *zemstvo* board, rural bodies of self-governance; he argued that Russia's communal agrarian relations could serve as a foundation for a socialist society. In 1879 traveled to London, where he met with Marx and Engels. Contributed to such journals as *Iuridicheskii vestnik* (Juridical Herald) and *Russkaia mysl'* (Russian Thought); from 1894 to 1919 taught statistics at Moscow University. In 1918 elected chairman of the Executive Commission of the All-Russian Congresses of Statisticians.

Kankrin, Yegor Frantsevich (1774–1845), Russia's finance minister from 1823 to 1844. He stood for protectionism in tariff policy, in part to cover the chronic budget deficit experienced by Russia but also because he wished to counteract the development of capitalist industry in the country.

Kant, Immanuel (1724–1804), major European philosopher, wrote extensively on epistemology, ethics, logic, anthropology, and politics; leading representative of German transcendental idealism.

Kareyev, Nikolai (1850–1931), Russian historian; an empiricist who denied the existence of a specific pattern to history, he strongly opposed the Hegelian view of historical development. Author of *Fundamental Problems of the Philosophy of History* and *The Role of the Individual in History*.

Karski, S., *see* **Julian Marchlewski**.

Kautsky, Karl (1854–1938), German Marxist theoretician and the leading figure from the 1890s to World War I of German Social Democracy and the Second International. In 1882 cofounded the journal *Die Neue Zeit* and was its chief editor until 1917. An ally of Rosa Luxemburg in the revisionist debate of 1898, she broke with him in 1910 as he moved closer to reformism with his "strategy of attrition"; in 1917 cofounded the USPD; became a fierce critic of the Bolshevik Revolution after 1917; returned to the SPD in 1920 when much of the USPD's membership joined the German Communist Party.

Huei Liang (1785–1862), Chinese official and diplomat during the Manchu Dynasty; served as Financial Commissioner in Szechwan, Kwangtung, and Kiangsi in the 1830s; later became Governor-General of Fukien and Chekiang; in 1852 led the defense of the city of Paoting against revolutionaries during the Taiping Rebellion; several years later British and French troops forced him to allow them access to parts of China. He sought without success to block British access to the Yangtze River in a series of lengthy negotiations with the Western powers; made a Grand Councilor near the end of his life.

Kirchmann, Julius von (1802–1884), German philosopher and politician; in 1848 elected to the Prussian National Assembly, from 1871 to 1876 a member of the German Reichstag as a member of the left-of-center Progressive Party. Close to the thought of Rodbertus, who devoted much of his *Social Letters* to a discussion of his ideas. He authored several books on jurisprudence and political philosophy, and translated works by Aristotle, Hume, Leibniz, and Spinoza into German.

Kolb, Wilhelm (1870–1918), German Social Democratic, leading member of the revisionist or right-wing section of the party; originally a shoemaker, he became a Social Democratic journalist in the 1890s; close to Eduard Bernstein, he strongly opposed Marxist theory and revolutionary agitation. He supported Germany's role in World War I, dying shortly before the Revolution of November 1918.

Kovalevsky, Maksim Maksimovich (1851–1916), Russian historian, sociologist, and anthropologist, author of *Communal Ownership of Land: The Causes, Process and Consequences of its Dissolution*, a study of precapitalist communal formations in India, the Middle East, North Africa, and Latin America. Marx made detailed notes on this work shortly after its appearance, in 1879. Marx held numerous in-person discussions with Kovalevsky, beginning in the summer of 1875; subsequently, Kovalevsky became a regular visitor to Marx's household. Luxemburg closely studied and commented on Kovalevsky's work, especially in her *Introduction to Political Economy* and *The Accumulation of Capital*.

Kozak, Theophil (1835–1917), German economist; publisher and author of the introduction to Rodbertus's *Social Letters to von Kirchmann*.

Lafargue, Paul (1842–1911), French physician; Socialist; member of the First International; together with Jules Guesde, leader of the French Workers' Party; leading propagandist of Marxism in the French and international workers' movements; son-in-law of Karl Marx, married to Marx's daughter Laura.

Lange, Friedrich Albert (1828–1875), German philosopher, social theorist, and political journalist; liberal democrat; author of *History of Materialism*.

Lavrov, Pyotr L. (1823–1900), Russian sociologist and political journalist; theoretician of Narodnik (Populist) movement and reformist socialism; belonged to the organizations Zemlya i Volya (Land and Freedom) and Narodnaya Volya (People's Will; also called, People's Freedom); member of the First International.

Lenin, Vladimir Ilyich (real last name, Ulyanov) (1870–1924), Russian revolutionary; from 1903 on, leader of the Bolsheviks; worked closely with Luxemburg, especially immediately after 1905 Revolution, though differing with her on many issues; after Bolshevik Revolution of 1917, leader of the revolutionary government of Soviet Russia.

Lessing, Gotthold Ephraim (1729–1781), German poet, philosopher, and dramatist; one of the foremost representatives of the European Enlightenment. Firm advocate of freedom of thought and conscience and defender of the idea of freedom as the most important of human values; critic of established Christianity and other forms of religious dogmatism. Best known for his poem *Nathan the Wise*, as well as *The Education of the Human Race*, and *Laocoön*.

Lexis, Wilhelm Hector Richard Albrecht (1837–1914), German academic economist, wrote one of the first reviews (in 1885) of Volume 2 of Marx's *Capital*. He rejected the labor theory of value and the distinction between value and price. Engels responded to Lexis's critique of Marx in his preface to Volume 3 of *Capital*.

Leyden, Viktor von (1832–1910), German physician; professor of medicine at Königsberg, Strassburg, and Berlin; his specialization was in neurological diseases. He was also the physician to the Czar Alexander III of Russia.

List, Friedrich (1789–1846), German economist, forerunner of the historical school of economics that dominated German academic circles for much of the nineteenth century; moved to the U.S. in the 1820s, where under the influence of Alexander Hamilton's writings became a firm advocate of protectionism; served as U.S. consul to several European countries, including France and Germany; author of *The National System of Political Economy*, which argued for promoting capitalist development through national protection of domestic industries; an advocate of a strong national state, he denied that the pursuit of private interest necessarily promotes public good.

Livingstone, David (1813–1873), Scottish physician, missionary, and explorer; moved to South Africa as a missionary in 1840; traveled extensively in Africa from the 1850s onward; first European to see Victoria Falls; navigated the Zambezi River and engaged in an ultimately unsuccessful search for the origin of the Nile River. His letters and writings denouncing the slave trade had an important impact on pubic opinion in Britain and elsewhere, though he often relied on slave traders for supplies in his travels; his explorations and missionary work had the result of opening up much of the interior of Africa to the ravages of European colonization and domination.

Lobengula Khumalo (1845–1894), last king (beginning in 1868) of the Nedebele (or Matabele) people of southern Africa. Although initially tolerant of white hunters entering Matabeleland, he was attacked by the British under Cecil Rhodes, who sought to colonize his homeland; fought First Matabele War against British in 1893, in which the British prevailed through use of the Maxim machine gun. He died of a European-introduced disease; three years later, Matabeleland was incorporated into the British Empire as Rhodesia.

Lord Elgin, see **Bruce, Thomas**.

Lord Roberts of Kandahar, see **Roberts, Frederick Sleigh**.

Lotz, Walther (1865–1941), German economist; member of the Society for Social Policy who specialized in studies of the banking industry. A colleague of Wilhelm Roscher and Lujo Brentano, he was associated with the Younger Historical School of Economics; his most important work was *Public Finance* (1917), a largely empirical study.

Louis-Philippe (1773–1850), King of France from 1830 to 1848. Proclaimed king after the 1830 Revolution, he was forced from power by the Revolution of 1848 and spent the rest of his life in England. He was the last king of France.

McCulloch, John Ramsay (1789–1864), Scottish economist, leading figure of the Ricardian school of classical political economy; sought to "defend" the labor theory of value by arguing that nature and machinery are also sources of value. His work was strongly criticized by Marx, who considered his contribution a pale reflection of the accomplishments of Smith and Ricardo.

Maine, Henry James Sumner (1822–1888), English historian and jurist, author of a number of works on ancient society; his work highlighted the difference between the contractual nature of social relations of modernity versus status-based social relations of antiquity. An advisor to the British government in India, he wrote an influential work on communal village communities in precapitalist societies that was read and studied by Marx and Luxemburg.

Malthus, Thomas Robert (1766–1834), English demographer and economist, popularized the theory that population growth increases faster than the rate of economic growth and availability of resources, thereby precluding the possibility of the progressive improvement of society; supported legislation that would prevent the poor and indignant from having children and large families.

Manteuffel, Otto Theodor von (1805–1882), Prussian conservative politician; became Prussian Minister of the Interior following the defeat of the 1848 revolutions and served as prime minister from 1850 to 1858; he initiated a series of economic reforms, mainly aimed at limiting state intervention in the economy.

Manuilov, Aleksander (1861–1929), Russian economist and politician; began his career as a Populist; later became a founding member of the Constitutional Democratic Party (the Kadets); in 1905 drafted the Kadets' agrarian program. In 1896 translated Marx's *Contribution to the Critique of Political Economy* into Russian. Served as Minister of Education in Kerensky's provisional government of 1917. From 1924 to his death he served as administrator of Gosbank, the Soviet state bank.

Marchlewski, Julian (nicknames: Julek, Juleczek) (pseudonyms: J. Karski, Johannes Kämpfer) (1866–1925), Polish Social Democrat; 1889, cofounder of the Union of Polish Workers (ZRP); emigrated to Switzerland in 1893; helped produce the Social Democratic newspaper *Sprawa Robotnicza* together with Rosa Luxemburg, Leo Jogiches, and Adolf Warski; 1893, a cofounder of the SDKP (which in 1900 became the SDKPiL); in 1896, moved to Germany; in 1898, became a contributor to *Sächsische Arbeiter-Zeitung* in Dresden and to *Neue Zeit*; undertook the editorship of *Przegląd Robotnyczy* in 1900; in 1902, together with Alexander Helphand founded, in Munich, a publishing house for progressive international literature; also in 1902, member of the staff of the *Leipziger Volkszeitung*, where until 1913 he was at times the editor; belonged to the German Left; in 1913/14, together with Luxemburg and Franz Mehring, edited *Sozialdemokratische Korrespondenz*; in 1915, editor of *Wirtschaftliche Rundschau*; co-founder of the Spartacus group; 1916–1918, interned in Havelberg; succeeded in reaching Moscow by way of Petrograd; returned to Berlin in January 1919.

Mehring, Franz (1846–1919), German historian, literary scholar, and political journalist, and leading German socialist; 1891–1913, contributor to *Neue Zeit*; from 1892 until 1895 was head of the association Freie Volksbühne; 1902–07, chief editor of *Leipziger Volkszeitung*; 1906–11, instructor in history at the SPD's Central Party School in Berlin; a leading representative of the German Left; in 1913/14, together with Luxemburg and Julian Marchlewski, edited *Sozialdemokratische Korrespondenz*, and in April 1915, together with Luxemburg, the first issue of the journal *Die Internationale*; belonged to the International Group (Spartacus Group); 1917, member of the Prussian House of Deputies; co-founder of the Spartacus League and the German Communist Party.

Michelangelo di Lodovico Buonarroti Simoni (1475–1564), Italian sculptor, painter, architect, poet, and engineer; one of the leading figures of the Italian Renaissance who sculpted the *Pietà* and *David* and served as an architect of St. Peter's Basilica, among many other works.

Mignet, François-Auguste-Marie (1796–1884), French historian and politician. Author of influential *History of the French Revolution* as well as many other historical works on the Middle Ages and early modern European history. A political liberal, he served for many years as a minor official in the government of Louis-Phillipe. He edited a selection of Sismondi's writings, entitled *Political Economy and the Philosophy of Government*.

Mikhailovsky, Nikolai (1842–1904), Russian sociologist and Populist; editor of the publication *Otechestvennye Zapiski* (Jottings from Our Native Land), in which he argued that Marx's *Capital* stipulates that countries such as Russia needed to endure an extended period of capitalist development before being ready for socialism—a claim that Marx rejected in a famous letter to the publication. Mikhailovsky rejected the application of Darwinian principles of evolution to society and argued that the social organization of the Russian peasantry was in advance of those of Western Europe.

Mill, James (1773–1836), Scottish historian, economist, and political theorist; a major figure of classical political economy. Marx subjected his economic writings to careful scrutiny in the 1840s. His historical works include *The History of British India*, which has been widely criticized for helping to originate the theory of "oriental despotism." Mill also wrote extensively on issues of ethics and psychology from a utilitarian perspective.

Mirabeau, Victor de Riqueti, Marquis de (1715–1789), French economist and leading Physiocrat. He edited the main organ of the Physiocrats, *Journal de l'agriculture, du commerce, et des finances* and wrote one of the earliest commentaries on Quesnay's *Tableau économique*.

Molière, Jean-Baptiste (1622–1673), French playwright and actor, considered one of the greatest composers of comedies in the Western tradition; Luxemburg refers to his famous play *Tartuffe, or, the Hypocrite* in her *Accumulation of Capital*.

Monroe, James (1758–1831), U.S. politician and writer; studied law under Thomas Jefferson in the 1780s and became a member of the Continental Congress; opposed ratification of the U.S. Constitution on the grounds that it conferred too much power to the executive branch of government. Served as Congressman, Secretary of War, Secretary of State, and U.S. President from 1817 to 1825; formulated the "Monroe Doctrine" in 1823, which opposed any European intervention in the Americas.

Montagu, William (1823–1890), British Conservative politician; served as Member of Parliament from 1848 to 1855; Duke of Manchester from 1855 until his death. In the 1880s he traveled to Canada, where he served as director of the Canada North-West Land Company, which engaged in real estate speculation and land purchases, often to the detriment of the Native American inhabitants and earlier European settlers.

Moravitz, Charles (1846–1914), German economist; wrote a study on the finances of the Ottoman Empire.

Morrill, Justin Smith (1810–1898), American politician; One of the founders of the U.S. Republican Party; served as U.S. Senator from Vermont from 1867 until his death. Sponsored the Morrill Act of 1862, which established federal funding for education throughout the U.S., and the Morrill Tariff Act (of 1861), which imposed a protective tariff and restricted free trade. The Act was amended several times during the Civil War in order to increase the amount of revenue flowing to the North.

Moshesh (also spelled Moshoeshoe and Mshweshwe) (1786–1870), founder and leader of the Sotho nation (called Basutoland by the whites) of South Africa. Under his leadership Sotho became a large and powerful state that fended off encroachments from both Boers and British imperialists. He successfully fought the Boers for control of the Caledon Valley and defeated two British armies in 1851 and 1852. He was ultimately defeated by the Boers in 1867; shortly thereafter, his territory was taken over by the British and annointed as the territory of Basutoland.

Müllner, Amandus Gottfried Adolf (1774–1829), German dramatic poet and playwright, author of the tragic drama *Die Schuld*, in which a man kills a man who is in love with his wife, only to find out he is his brother. Hegel cites the play in his *Philosophy of Right*, as does Marx in his correspondence.

Napoleon I (1769–1821), Emperor of France from 1804 to 1815. Rising through the ranks of the military during the French Revolution, he seized control of France and initiated a series of wars against reactionary European powers, known as the Napoleonic Wars. Initiated a series of legal reforms that laid the foundation of modern-day France, the Napoleonic Code. Died in exile in St. Helena.

Napoleon III (1808–1873), first President of France from 1848 to 1851 and Emperor of France from 1851 to 1870; presided over the extension of French control of Algeria, the building of the Suez Canal, and France's seizure of Senegal and parts of Indo-China; decisively defeated in Franco-Prussian War of 1870, he was captured and later retired in England.

Oncken, Auguste (1844–1911), German economist, editor of the *Complete Works of François Quesnay*, published in 1888. His most famous book is a study of the impact of Adam Smith's thought on the work of Immanuel Kant.

Oppenheim, Max Freiherr von (1860–1946), German historian and archaeologist; joined the German Foreign Office as an official in Cairo in the 1896 and authored numerous reports and essays on the politics and culture of the Arab world; a strong supporter of German imperialist policies, he sought close alliances with the Ottoman Empire while encouraging Arab revolts against British rule in India and other parts of the Middle East. He spent his last years as an archaeologist, at which time he was close to the Nazi regime.

Owen, Robert (1771–1858), Welsh social reformer, leading figure in utopian socialism; manager of a textile mill, he became a sharp critic of the inhumanity of capitalist industrialization and a leading figure in the cooperative movement. Although initially a follower of English liberals like Jeremy Bentham, he embraced socialism and became a firm critic of the free market; argued for the creation of freely-associated townships based on common ownership, which he applied in creating New Harmony, Indiana; also established an equitable labor exchange, in which distribution of the products of labor was effected by use of labor notes instead of money.

Pannekoek, Anton (1873–1960), Dutch astronomer and leading Social Democrat from the 1890s; one of the first to attack Bernstein for revisionism, in 1898; in 1907, one of the founders of the newspaper *De Tribune*, organ of the left wing of the Dutch Social Democratic Workers Party; leading figure in Second International; a sharp critic of imperialism and Kautsky's reluctance to forcefully oppose it, in 1910; beginning in 1910, active with the German Left. Wrote one of the first reviews of Luxemburg's *Accumulation of Capital*. During World War I, which he strongly opposed, took part in editing *Vorbote* (Herald), publication of the Zimmerwald Left; from 1920s onward, important left-wing critic of Bolsheviks, advocated "council communism" based on direct rule by workers' councils.

Park, Mungo (1771–1806), Scottish explorer of west and central Africa, the first Westerner to navigate the course of the Niger River; his *Travels in the Interior Districts of Africa*, one of the first detailed accounts of the interior of West Africa, was a highly influential work; died while leading a second expedition to the Niger River.

Pasha, Isma'il (1830–1895), Viceroy of Egypt from 1863, he helped introduce large-scale cotton cultivation to Egypt in response to the U.S. Civil War; in 1866 became Khedive, making Egypt largely independent of Ottoman rule. He initiated a series of social and political reforms aimed at modernizing Egypt but was widely criticized for granting major economic concessions to a number of European powers.

Peel, Robert (1788–1850), British Conservative politician; served as prime minister in the mid-1830s and mid-1840s; sponsored the Factory Act of 1844, which placed modest restrictions on the working day for women and children; served as prime minister during the Great Irish Famine, which he did little to prevent. In 1846 he worked to repeal the Corn Laws, breaking with the protectionist stance that had long defined the Tories.

Peffer, William A. (1831–1912), U.S. Populist politician; initially a Republican, he edited the *Kansas Farmer* in the early 1880s. Served in the U.S. Senate as a Populist from 1891 to 1897; after leaving political office, he wrote a number of works detailing the plight of farmers.

Petty, William (1623–1687), English economist; a forerunner of classical political economy, he was one of the first thinkers to formulate, as part of the field of study termed by him "political arithmetic," a labor theory of value; he was also a forerunner of the theory of free market economics. Served as a secretary of Thomas Hobbes and worked as an official in Oliver Cromwell's administration of Ireland.

Plekhanov, Georgi (1856–1918), Russian revolutionary and Marxist theoretician; originally a Populist, he became an avowed Marxist in the early 1880s and established, in 1883, the Emancipation of Labor Group; author of many books on politics, economics, and philosophy, he coined the term "dialectical materialism"; leader of the Menshevik faction of the RSDLP from 1903; one of the only party leaders not to return to Russia during the 1905 Revolution, he sharply opposed the Bolsheviks on the basis of an economic determinist and unilinear evolutionist understanding of historical development; a strong supporter of World War I, he sharply opposed the Bolshevik seizure of power as well as left-wing Mensheviks such as Martov; left Russia following the October Revolution.

Pressel, Wilhelm von (1821–1902), German engineer and politician; helped secure funding for the construction of the Baghdad Railway, with the aim of linking Central Europe with the Middle East; in 1871 he became director of the Asian Ottoman Railway Company. Although the Baghdad Railway was not completed in his lifetime, he was instrumental in providing Turkey with its first internal railway.

Proudhon, Pierre-Joseph (1809–1865), French political theorist and economist, the first person to term himself as anarchist. His early work, such as *What Is Property?*, influenced a wide number of radical nineteenth century thinkers, including Marx; his effort to utilize neo-Ricardian principles to organize exchange on the basis of commodity production led Marx to sharply criticize his ideas in the *Poverty of Philosophy*. Advocated workers' cooperatives and private property as well as the formation of a national bank to help redistribute wealth from capital to labor; his ideas had enormous impact on the workers' movements in nineteenth-century France.

Qin Shi Huang (260–210 BC), first emperor of China; leader of Qin from 246 BC during the Warring States period, became the leader of a unified Chinese empire in 221 BC after a series of protracted military conquests; he standardized units of measurement, Chinese writing, and currency while also developing an extensive series of roads and fortifications, including the northern fortifications known as the Great Wall as well as the Lingqu Canal; harshly repressed Confucianism and other independent schools of thought in favor of Legalism; his mausoleum in Xian, with its terracotta warriors, is one of the largest tombs ever constructed.

Quesnay, François (1694–1774), French economist and leading figure of the Physiocratic school; best known for his *Tableau Économique*, the first effort to work out a systematic model of social reproduction; he coined the term laissez-faire.

Ramsay, George (1800–1871), English political economist; a critic of Adam Smith, authored *An Essay on the Distribution of Wealth* (1836), in which he distinguished between variable and constant capital; he is considered one of the last of the classical political economists.

Reimarus, Johann Albert Heinrich (1729–1814), German economist and natural historian; introduced smallpox vaccination to Germany and wrote several works on the nature of lightning.

Renner, Karl (1870–1950), Austrian Social Democrat; member of the "Austro-Marxist" school; joined Austrian Social Democratic Workers' Party in 1896 and represented the party in parliament from 1907 to 1918; wrote extensively on law as well as the national question, arguing for the autonomy of ethnic minorities within an Austro-Hungarian federation. Served as Chancellor of Austria from 1918 to 1920 and later President of Parliament; initially supported the *Anschluss* with Hitler's Germany in 1938 on the grounds that Hitler's rule would prove temporary; in 1945 served as the first chancellor of post-war Austria.

Rhodes, Cecil (1853–1902), British businessman and imperialist; moved to South Africa in 1870; became chairman of De Beers Mining Company in the 1880s, from which he amassed a huge fortune. He entered politics in 1880 and became Prime Minister of Cape Colony, in 1890; a fervent support of British colonialism, he founded the territory of Rhodesia after waging a series of bloody wars against the Ndebele and Shona peoples. An uncompromising racist, he insisted on the “superiority” of the Anglo-Saxon “race.”

Ricardo, David (1772–1823), English political economist; a central figure in classical political economy, he extended its discoveries with his writings on the labor theory of value, the theory of comparative advantage, and the theory of rent. His ideas proved highly influential among free market economists as well as radical critics of capitalism who sought to address the unequal distribution of the proceeds of labor in capitalism.

Rinaldo, Geovanni (1720–1795), Italian economist and politician; wrote several influential works on the nature of money and the balance of trade; served as head of the Council of Political Economy in Tuscany during the 1760s.

Roberts, Frederick Sleigh (Lord Roberts of Kandahar) (1832–1914), British soldier and imperialist; helped suppress the Sepoy Rebellion in India in 1857–58; later led British forces in the Second Anglo-Afghan War of 1879–80, where he defeated Afghan leader Ayub Khan at the Battle of Kandahar; served as Governor of Natal in South Africa and later returned to South Africa (after serving in Ireland) to command forces in the Second Boer War; in 1885 became Commander in Chief of British forces in India. An unrelenting militarist, he argued for an armed response to German military growth in the years preceding World War I.

Rodbertus, Johann Karl (1805–1875), German economist who advocated a conservative version of socialism based on state ownership of the economy; on the basis of the labor theory of value, he argued that workers’ share in social wealth becomes progressively reduced with the development of capitalism, leading to the overproduction of commodities; favored state intervention in the economy to impose an equilibrium of production and consumption.

Rossi, Pellegrino (1787–1848), Italian economist and conservative politician; lived in France from 1833 to 1848, where he became a professor of political economy; returned to Italy after the 1848 Revolution and served as an ambassador for the Papal States.

Rothstein, Theodore (1871–1953), socialist and communist activist and writer; born in Russia but moved to Britain in 1890, where he became a journalist and joined (in 1895) the Social Democratic Federation; in 1900 became leading activist in British Socialist Party; opposed World War I and played important role in founding Community Party of Great Britain. He was a member of the Russian Social Democratic Labor Party from 1901, siding with the Bolsheviks; Lenin often stayed at his house during trips to London. In 1910 published *Egypt’s Ruin*, a condemnation of British policies in Egypt. Moved to Russia in 1920 and lived there until his death; from 1922 worked in the People’s Commissariat for Foreign Affairs.

Rusk, Jeremiah McLain (1830–1893), American politician and farmer; member of the U.S. House of Representatives from Wisconsin from 1871–77 and U.S. Secretary of Agriculture from 1889 to 1993.

Sa’id Pasha, Muhammad (1822–1863), Egyptian politician; *Walid* (or leader) of Egypt and Sudan from 1854 to 1863; although officially a surrogate of the Ottoman Empire, Egypt became effectively independent during his rule. In 1854 he granted the Frenchman Ferdinand de Lesseps the concession to build the Suez Canal. During his reign the first railroads were constructed in Egypt.

Saint-Simon, Claude Henri de Rouroy, comte de (1760–1825), French political theorist and philosopher; advocated a form of statist socialism based on utilizing the power of modern industry; his advocacy of science as the key to progress helped pave the way for positivism. He was not a revolutionary, appealing instead to the agents of existing society to implement such ideals as full employment, social equality, and meritocracy.

Say, Jean-Baptiste (1767–1832), French political economist, defended classical liberal views of free competition, free trade, and lifting governmental restraints on the activities of businesses; formulated Say’s Law, which claims that aggregate supply creates its own aggregate demand. His work was highly influential among such figures as James Mill and John Stuart Mill, as well as later neo-liberal economists.

Schäffle, Albert (1831–1903), German sociologist and political economist, supporter of capitalism but argued (especially in the last decades of his life) for collective ownership of property and planned organization of production; also wrote on ways to replace the existing monetary system through the use of labor-based time chits or vouchers; Marx read and criticized his work, in 1881.

Scheibert, Justus (1831–1903), German soldier; served in Prussian army as an officer in the 1850s and 1860s; sent by the Prussian government to observe the U.S. Civil War. He later taught military strategy in Germany.

Schiller, Johann Christoph Friedrich von (1759–1805), German poet, historian, playwright, and philosopher. One of the most outstanding representatives of the German enlightenment, he made important contributions on aesthetics, ethics, and the meaning of human emancipation. His distinction between overcoming the divide between "formal drive" and "sensuous drive" through the realization of the "play drive" anticipates later utopian thinkers and had an especially important impact on the thought of such twentieth-century critical theorists as Herbert Marcuse.

Schippel, Max (1859–1928), German Social Democrat and journalist; originally a follower of Rodbertus and Albert Schäffle, he was a long-time leader of the revisionist wing of the SPD. He supported German imperialism and militarism and was a strong supporter of World War I.

Schmoller, Gustav von (1838–1917), leading Kathedersozialist, or "Socialist of the Chair." Leading member of the inductive historical school of economics that opposed both classical political economy and marginal utility theory. Advocated social reforms along the lines of a corporativist union of labor and industry. He was an outspoken supporter of German militarism and imperialism; strong supporter of Bismarck's policies.

Schulze-Delitzsch, Franz Hermann (1808–1883), German left-of-center economist who organized some of the world's first credit unions and worked to create "people's banks" to make capital more readily available to small businessmen and traders. Ferdinand Lassalle sharply critiqued him (in *Herr Bastiat—Schulze von Delitzsch, der ökonomische Julian, oder Kapital und Arbeit*) for promoting policies that were not conducive to the struggles and aims of the working class.

Seng Ko Lin Ch'in (birth date unknown; died 1865), soldier and general; of Mongol origin, he was appointed a chamberlain of the Imperial Guard of the Manchus in 1834; in 1853, led military forces against revolutionaries in the Taiping Rebellion; for several years commanded Manchu forces against British and French troops during their invasion of China in 1858–60; in the 1860s helped suppress a series of domestic uprisings against the Manchus.

Sering, Max (1857–1939), German economist; traveled to Argentina in the 1880s to study agricultural techniques; specialized in agricultural economics upon becoming professor of economics at the University of Berlin in the 1890s, and soon became known as one of the most important figures in the field at the time in Europe. Authored several works on agriculture in North America and workers' committees in German industry.

Siemens, Georg (1839–1901), German financier and politician; served on the board of the Deutsche Bank, one of the largest in Europe, from 1870 to 1900. He helped finance numerous railroad projects, including the Northern Pacific and the planned Baghdad Railroad; served in the Reichstag as a Liberal from 1874 until his death.

Simons, Algie Martin (1870–1950), American socialist and journalist; founding member of the Socialist Party of America and editor of *The International Socialist Review* from 1900 to 1908; author of the book *Social Forces in U.S. History* and numerous articles, some of which were cited by Luxemburg. He moved to the right during World War I, breaking from the SP and heading a delegation in support of Kerensky's Provisional Government; he became a conservative in his later years.

Sismondi, Jean Charles Léonard Simonde de (1773–1842), Swiss economist and historian; denied capitalism tended toward conditions of equilibrium and full employment, arguing that a lack of aggregate demand led to persistent economic crises. Although a critic of classical political economy's emphasis on an unrestricted free market, he was not a socialist but rather called upon the existing state to regulate the distribution of social wealth. His work represents a forerunner of the theory of underconsumptionism.

Škoda, Emil von (1839–1900), Czech engineer and industrialist; built a series of armament plants that was the largest industrial enterprise in Austro-Hungarian Empire and became known as the Škoda Works. It played a pivotal role in arms manufacturing during both World War I and World War II.

Skvortsov-Stepanov, Ivan (1870–1928), Russian revolutionary; joined radical movement in 1892 and became member of Bolshevik faction of the Russian Social Democratic Labor Party in 1904; served on the editorial board of *Borba*; from 1907 to 1910 supported Trotsky's Mezhraiontsky faction; close to Lenin after 1917, he served as People's Commissar for Finance in the Bolshevik government.

Smith, Adam (1723–1790), Scottish philosopher and economist, leading figure of classical political economy. Popularized the labor theory of value in his major and path-breaking work, *The Wealth of Nations* (1776). Although often considered a leading proponent of *laissez-faire* capitalism, he supported government intervention in the economy to mitigate against monopolies and help ameliorate severe poverty and inequality.

Sombart, Werner (1863–1941), German economist and sociologist, leading figure in the "Young Historical School" of empirical-based social theory. Studied under Gustav von Schmoller and later befriended such figures as Max Weber and Carl Schmitt. An avowed Marxist in his early years, his major works are *Der modern Kapitalismus* (Modern Capitalism) (1902) and *Why There Is No Socialism in the United States* (1906), a highly influential work that promoted the myth of American exceptionalism. By the 1930s he moved to the right and supported a corporativist fusion of state power and economic development.

Stokes, John (1825–1902), English general and politician; served in South Africa, where he participated in the "War of the Axe" in the 1840s (also known as the Frontier Wars); in the 1850s he was a commander in the Crimean War. A member of Parliament in the 1870s, he was sent to Egypt to report on its financial condition for the British government; during his stay in Egypt, the British government obtained a 40 percent share in the Suez Canal. He later served as Vice President of the Suez Canal Company.

Strabo (64 BC–24 AD), Greek historian and geographer, author of *Geography*, the most comprehensive study of the history and terrain of the world known to Greeks and Romans of the time; lived much of his life in Rome, though he traveled to Egypt, Ethiopia, Asia Minor, and the Middle East. The rediscovery of his work during the Renaissance provided invaluable information about the ancient world.

Stevens, Thaddeus (1792–1868), U.S. politician, writer, and Abolitionist; leader of the Radical Republicans during the 1860s; elected to the Pennsylvania House of Representatives in the 1840s, where he became a major advocate of public education; elected to Congress in 1848 and became leading congressional voice against slavery; argued during and after the Civil War that freed slaves should be provided with land confiscated from white slaveholders; a pivotal figure in passage of the Thirteenth Amendment abolishing slavery, he led the campaign to impeach Andrew Johnson.

Struve, Peter Berngardovich (1870–1944), Russian political economist and writer; became a leading figure among the Legal Marxists in the 1890s; argued that Russia could and should endure an extended period of capitalist industrialization before being ready for socialism; as he later admitted, "socialism never roused the slightest emotion in me"; by 1900 he moved to the right and made a transition to liberalism; in 1905 became founder of the liberal Constitutional Democratic Party; supported Russia's entry into World War I and moved further to the right, becoming a severe critic of the Russian Revolution in 1917 and supporter of the White counterrevolutionary armies.

T'an Ting-hsiang (birth and death dates unknown), Chinese administrator; served as Viceroy of Chihli Province during the Qing (or Manchu) Dynasty in the 1850s; led Chinese forces against British and French troops during their invasion of China.

Taussig, Frank William (1859–1940), American economist who made important empirical and theoretical studies on tariffs and customs duties; favored free trade and opposed government intervention in the economy; although close to neoclassical economists, he opposed the subjectivist turn in economic theory of the Austrian School in favor of greater emphasis on the social and historical context of economic behavior. Author of *The Tariff History of the United States* (1888) and *Principles of Economics* (1911) and other works. Served as President of American Economic Association from 1904 to 1905 and headed the U.S. Tariff Commission from 1917 to 1919. He taught for many years at Harvard University.

Thompson, William (1775–1833), Irish economist and social reformer; used Smith and Ricardo's labor theory of value to critique capitalist exploitation by attacking the discrepancy between the value of the product and the value of workers' wages. He advocated a cooperative form of communism based on the independent resources of the working class.

Timur (1336–1405), Mongol-Turkic conqueror and founder of the Timurid dynasty; also known as Tamerlane; originally from modern Uzbekistan, he conquered an enormous area, including the Middle East, southern Russia, Persia, and northern India; died while en route to conquer China. Though known as one of the most brutal conquerors in history, he was also a patron of the arts and sciences and helped make his capital Samarkand one of the most splendid cities of the medieval world.

Tooke, Thomas (1774–1858), English economist; his work centered on the theory of money and economic statistics. A supporter of free trade, he helped found, along with David Ricardo, Thomas Malthus, and James Mill, the Political Economy Club in 1821. He was author of the six-volume *History of Prices*, an exhaustive study of financial and commercial history from the 1790s to the 1840s.

Tucker, Josiah (1713–1799), Welsh economist and writer; his writings on free trade were influential upon the Physiocrats as well as Adam Smith; a firm critic of monopolies and protectionist measures, he also opposed social contract theory. He argued as early as 1749 that the American colonies would seek independence from Britain, a cause he later supported.

Tugan-Baranovsky, Mikhail (1865–1919), Ukrainian economist and politician, a representative of "Legal Marxism"; helped develop the theory of long waves of capitalist development, later taken up by thinkers such as N. Kondratiev; critical of both the labor theory of value and neoclassical marginal utility theory, he moved away from Marxism after the turn of the century toward neo-Kantianism; criticized extensively in Luxemburg's *Accumulation of Capital*. He became a leading opponent of the Bolsheviks after the Russian Revolution of 1917 and was active in the Ukrainian Party of Socialist-Federalists.

Turgot, Anne-Robert-Jacques, Baron de Laune (1727–1781), French economist and politician, a leading figure of the Physiocrats; supported free trade and economic liberalism. Served in several posts in the French government in the 1770s, including Controller-General; sought to reduce France's budget deficit while resisting efforts to increase taxes on land. He supported "enlightened" monarchical rule.

Thyssen, August (1842–1926), German industrialist; in 1867 founded the Thyssen-Foussol iron works in Duisburg, which over time became the basis of one the largest industrial conglomerates in Europe, Vereinigte Strahlwerke AG.

Tzu Hsi, Empress Dowager (also known as **Cixi**) (1835–1908), the leader of the Manchu Dynasty from 1861 to 1908. An imperial concubine of the Xianfeng Emperor in the 1850s, she became Empress Dowager upon his death in 1861; consolidated power in her own hands and emerged as the effective ruler of China; strongly opposed westernization and needed political reforms, although she strengthened the military forces of the Manchus.

Vaihinger, Hans (1852–1933), German philosopher; a scholar of Immanuel Kant and author of *The Philosophy of the "As If";* basing himself on Kant's notion of the unknowability of things-in-themselves, it argued that humans act as if their constructs of thought correspond to reality; he is viewed by many as a precursor of the theory of paradigms.

Vaucanson, Jacques de (1709–1782), French inventor and artist; created one of the first automatic looms; served for a time as Inspector of Manufacture under King Louis XV. He also invented a number of machine tools, such as the slide rest lathe.

Viceroy Yeh, see **Ye Mingchen**.

Victoria, Queen (1819–1901), Queen of Great Britain from 1837 to her death; presided over the British Empire at the zenith of its power.

Vorländer, Karl (1860–1928), German neo-Kantian philosopher who explored the ramifications of Kant's philosophy for socialist thought; wrote a widely acclaimed biography of Kant as well as a history of philosophy; author of *Kant, Hegel, and Socialism* (1920).

Vorontsov, Vasily Pavlovich (1847–1918), Russian sociologist and Populist; favored measures to protect the indigenous communal formations of the Russian peasantry as a basis for a socialist transformation of society; argued that the lack of markets meant that Russia did not possess the economic and social conditions required for capitalistic industrialization; one of the first Russians to study Marx's writings, whose work he held in high regard; sharply opposed the economic determinism of the orthodox Marxists who held that a capitalist stage was inevitable and necessary in Russia.

Wagner, Adolph (1835–1917), German economist and statist socialist. A political conservative, he opposed the aims of the workers' movement in favor of supporting Bismarck and German imperial expansion; in 1878 he joined the anti–Semitic Christian Social Party. Author of one of the first critical discussions of Marx's *Capital* in Germany, which Marx responded to at length.

Wilson, Charles Rivers (1831–1916), British financier and imperialist politician; in 1876 went to Egypt and became a director of the Suez Canal Company; shortly thereafter, was appointed the Financial Minister of Egypt; in 1880 became President of the Commission for the Liquidation of the Egyptian Debt, which imposed harsh austerity upon Egypt as part of an effort to compel its government to pay its foreign debt. During this period he effectively controlled Egypt's finances to the benefit of the British authorities.

Wilson, Horace Hayman (1786–1860), English orientalist who lived and worked for many years in India; he promoted the study of Sanskrit, published the first English-Sanskrit dictionary, and translated numerous works of Indian drama and literature into English. He fiercely opposed the British colonial effort to make English the sole language of instruction in Indian schools. Initially trained in medicine, he took a keen interest in Indian medical and surgical practices.

Wilson, James (1805–1860), English political economist and politician; became a spokesman for the Anti-Corn Law League in the 1840s; in 1847 became a member of Parliament; in 1859, moved to India and became Finance Member of the Viceroy of India Council, where he was largely responsible for the state of India's finances. Along with several others, wrote *Historical and Descriptive Account of British India* in the 1840s.

Wirth, Max (1822–1900), German economist and journalist, primarily known for his studies of the labor market. Most important work was *Geschichte der Handelskrisen*, a study of the history of economic crises.

Wirth, Moritz (1849–1917), German economist; edited and published the works of Rodbertus after his death. Engels, who took issue with Moritz's claim that Marx had copied some of his ideas from Rodbertus, critically discusses his work in a letter to Conrad Schmidt of 1890.

Witte, Johannes Heinrich H. (1846–1908), German philosopher and philologist; Professor of Philosophy at the University of Bonn in 1880s and 1890s; authored numerous books and articles on Kant’s epistemology and ethics as well as studies of Lessing, Herder, and Salomon Maimon.

Ye Mingchen (birth date unknown; died 1858); Chinese official of Manchu Dynasty; became Governor of Guangdong Province in 1848 and resisted efforts by Britain to gain control of Guangzhou during the Opium Wars; later appointed Viceroy of Liangguang and Imperial Commissioner; captured by the British during the Second Opium War, he died in captivity.

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