Henryk Grossmann, *Fünfzig Jahre Kampf um den Marxismus 1883-1932*, Fischer, Jena, 1932, and as Part 7, 'The further development of Marxism to the present', of the essay *Sozialistische Ideen und Lehren I* in Ludwig Elster (ed.), *Wörterbuch der Volkswirtschaft. Band 3*, 4th edition, Fischer, Jena 1933, pp. 272-341.

Fifty years of struggle over Marxism 1883-1932

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Translated from German by Rick Kuhn and Einde O'Callaghan

A Marxists of the early period

Until the end of the seventies of the last century, circumstances for the understanding of Marx's ideas were not particularly favourable, even within the socialist camp. A particular difficulty was that initially *Capital* was only available as a torso, as only one of several volumes. Almost another three decades passed before the volumes completing the system appeared (volume 2 in 1885, volume 3 in 1895). And a further fifteen years passed before Karl Kautsky brought out the last volume of *Theories of surplus value* (1910). These, intended by Marx as the fourth part of *Capital*, are a magnificent history of political economy from the end of the 17th century, one that bourgeois historical writing has been unable to equal.

During the first decade after the founding of the German Empire it was hardly possible to speak of 'Marxism' in Germany (and still less in other countries). There was only a very loose connection between the workers' movement and the theories of scientific socialism. Many years after Lassalle's death the German workers' movement was still under the influence of Lassalle's theories and work. Apart from that, it drew its ideas and sentiments from memories of 1848, from [Pierre-Joseph] Proudhon, [Karl] Rodbertus and Eugen Dühring.[1] Many socialists justified their demands by appealing to ethics and humanity or oriented themselves on the publications of the International Working Men's Association [the First International]. When the two tendencies in the German workers' movement (the so-called the 'Lassalleans' and the Marxist 'Eisenachers') united at the Gotha Congress (1875), Lassalle's ideas and demands were to a great extent incorporated in the newly agreed Gotha Programme (cf. Marx's criticisms in his *Critique of the Gotha programme*).[2] Intially workers in large-scale industry were not organised in either party, rather the bulk of the movement was workers, such as shoemakers, tailors, book printers, tobacco workers etc., who still retained close ties with the petty bourgeoisie. Lassalle's pamphlets and demands, his ambiguous concept of the state, his complete lack of clarity about the goal of the party evidently expressed much more the labour movement's lack of maturity at that time than the cohesive and magnificent edifice of Marx's theory. Even the leading figures in the labour movement were, for a long time, unable to grasp

[1 Pierre-Joseph, 1809-1865, Proudhon was an early theorist of anarchism in France. Karl Rodbertus 1805-1875 was a German economist and theorist of 'state socialism'. Eugen Dühring, 1833-1921, was a German economist and philosopher who advocated a 'socialism' of competing production cooperatives. Marx wrote critiques of the economic ideas of all three.]

[2 Karl Marx, *Critique of the Gotha Programme*, Karl Marx and Frederick Engels, *The collected works of Karl Marx and Frederick Engels. Volume 24* (MECW), International Publishers, New York 1975-1995, pp. 75-100.]

key aspects of Marx's theory. Characteristic of this is the request, in 1868, by Wilhelm Liebknecht, who during his stay in London had had a close relationship with Marx, that Engels should make the actual differences between Marx and Lassalle clear in an article for the party organ.[3] From correspondence between Marx and Engels it is apparent how distressed Marx felt about the fact that German party circles were almost incredibly indifferent to *Capital*.

Only gradually and in constant struggle against other views that were widespread in the labour movement (the struggle against Proudhonism and Bakuninism in the First International, Engels's polemic against Dühring in 1878, etc.[4]) did Marxist ideas permeate the workers' movement. From 1883 Karl Kautsky (born 1854) sought to spread Marxist ideas, as the editor of the party's theoretical organ, *Neue Zeit*. However, the period of the Anti-Socialist Law (1878-90) was quite unfavourable for the theoretical consolidation of Marxism.[5]

The great popularity that Marx's lifework [*Capital*] achieved is due initially to those sections of volume 1 that describe the immediate process of production within the factory and thus make the situation of the working class, its exploitation by capital and everyday class struggles taking place before everyone's eyes intelligible. So this volume became the 'bible' of the working class for decades. The fate of those parts of the work which present the historical tendencies of capitalist accumulation and the tendency towards the breakdown of capitalism that follow in their wake was quite different. Here Marx was so far in advance of his epoch intellectually that these parts of his work, at first, necessarily remained incomprehensible. Capitalism had not yet achieved the maturity that would have made its breakdown and the realisation of socialism an immediate reality. So it is understandable that in a review of volume 2 of *Capital* (1886) Kautsky explained that, in his opinion, this volume had less interest for the working class than the first, that for them only the production of surplus value in the factory was of importance.[6] The additional question of how this surplus value is realised was of more interest to the capitalists than to the working class! Kautsky's well-known book *The economic theories of Karl Marx* also limits itself exclusively to describing the contents of the first volume of *Capital*. An extremely deficient outline of the theories in volumes 2 and 3 was only added to later editions.[7]

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

[3 Wilhelm Liebknecht, letter to Frederick Engels, 20 January 1868, *Wilhelm Liebknecht: Briefwechsel mit Karl Marx und Friedrich Engels*, Mouton, Hague, 1963, pp. 88.]

[4 Mikhail Bakunin, 1814-1876, was a Russian anarchist who organised conspiracies against the leadership of the First International. Frederick Engels, *Anti-Dühring: Herr Eugen Dühring's revolution in science*, MECW 25, pp. 1-309.]

5 The Anti-socialist or Exceptional 'Law against the public danger of Social Democratic endeavours' banned social democratic organisations, publications and trade unions in Germany between 1878 and 1890.

[6 Karl Kautsky, *Das Elend der Philosophie* und *Das Kapital*', *Die Neue Zeit*, 4, 1886 p. 164.]

[7 Karl Kautsky, *Karl Marx' Ökonomische Lehren*, Dietz, Stuttgart 1887; *The economic theories of Karl Marx*, Black, London, 1925 [translated from the the 8th German edition, 1903, which included an account of the formation of the average rate of profit, from volume 3 of *Capital*].]

The situation was different after the end of the Anti-Socialist Law (1890), when political socialism started to develop rapidly from a small, persecuted group into the largest party in Germany and its appeal encompassed broad layers of intellectuals and the petty bourgeoisie, far beyond the working class. The strength of Marxism apparently increased in this period. In the Erfurt Program (1891) it achieved a victorious expression. But, precisely at the time when the appearance of volume 3 of *Capital* (1895) publicly concluded Marx's theoretical system, with the rapid blossoming of international capitalism and the strengthening of an opportunist labour aristocracy within the working class, a change occurred that was to be of the greatest significance for the further development of Marxist theory. Sooner or later the social differentiation of the working class had to be expressed not only in politics but also in its theoretical conceptions of the goals and tasks of the labour movement.

B The advance of reformism

a) Revisionism

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

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

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

Revisionism is inseparably linked with the name Eduard Bernstein (born 1850). He was the first to systematically demand a revision of Marx's theory, arguing that it did not correspond with the actual development of capitalism, even though the former radical Georg von Vollmar had earlier developed similar ideas, in his famous Eldorado speeches in Munich (1891) and in the pamphlet *State socialism* (1892), and advocated reformist tactics.[8] Eduard Bernstein, who seemed to be a true disciple of the theory while Engels was still alive, emerged as a critic only after the death of the master, in his *Neue Zeit* articles of 1896-7, on 'Problems of socialism' (published in book form as *The preconditions of socialism*). Other writings by Bernstein are relevant: *How is scientific socialism possible?*; *Guiding principles for a social democratic program*; *On the theory and history of socialism*.[9]

[8 Georg von Vollmar, 1850-1922, was a revolutionary until the mid 1880s. Prominent in the German federal parliament and state parliaments, he advocated a program of reform and alliances with bourgeois parties, in two speeches in Munich's Eldorado pub, *Ueber die nächsten Aufgaben der Deutschen Sozialdemokratie: zwei Reden, gehalten am 1. Juni und 6 Juli 1891 im 'Eldorado' zu München*, Ernst, München, 1891; *Ueber Staatssozialismus*, Wörlein, Nürnberg, 1892.]

9 Eduard Bernstein, *The preconditions of socialism*, Cambridge University Press, Cambridge, 1993 [1899]; *Wie ist wissenschaftlicher Socialismus möglich? Ein Vortrag*, Verlag der Socialistischen Monatshefte, Berlin, 1901, Berlin 1901; *Der Revisionismus in der Sozialdemocratie: ein Vortrag gehalten in Amsterdam vor Akademikern und Arbeitern: Mit einem Anhang: Leitsätze für ein*

Bernstein never openly described Marxist theory as a whole as false. It is an essential feature of revisionism that it neither had the intention of nor succeeded in constructing a complete theoretical edifice to replace Marx's. Its historical significance lies primarily in its influence on trade union and political practice. Theory was only of concern to the extent that it was an obstacle to this practical reformism. This was to be disposed of through the revisionist critique that adapted theory to practice so that inconsistency between inherited revolutionary theory and reformist activity could be overcome. For this purpose, in his critique of Marx's theoretical edifice, Bernstein used the convenient procedure of separating the enduring, generally valid elements of the theory—fundamental theoretical propositions—sharply from variable elements, that are propositions arising from applied science. Under the cover of this distinction, however, the fundamental propositions of the theory were also encompassed, albeit on the pretext that they were now reinterpreted as not fundamental. The goal of revisionism was never declared to be the defeat of Marxism; rather it was supposed to be a matter of rejecting certain remnants of 'utopianism' that Marxism still allegedly carried in its baggage.

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

Bernstein concedes the accuracy of Marx's predictions about *increasing centralisation and concentration of capital*, increasing concentration of enterprises, a rising rate of surplus value (exploitation) and the fall in the profit rate but maintains that the full picture of capitalism in Marx is one-sidedly distorted. Marx supposedly neglects the countertendencies in the principle matter. Divisions among already concentrated capitals counteract the tendency to concentration. Income statistics show growth in the number of shareholders and average magnitude of their shareholdings. Undeniably the number of property owners is growing both absolutely and relatively. And the employment statistics, for their part, prove that the middle classes is expanding. Finally enterprise statistics irreproachably demonstrate that in a whole series of branches of industry small and medium-sized firms are quite viable alongside large concerns. This applies not only to industry but also to commerce. To the extent that large concerns are considered, developments in agriculture demonstrate either no change at all or a decline in the scale of operations. After Bernstein, Eduard David attempted to show that in agriculture a development in the size of operations had begun that was diametrically opposed to Marx's prediction. His theses contended that that small-scale operations were not only viable but were even a superior form of production.[10]

Bernstein regards the Marxist *theory of crisis and breakdown* as an *a priori* construction in accordance with Hegel's scheme of development. In various ways, actual developments have taken a difference course than they would have if breakdown was inevitable for purely economic reasons. Bernstein concedes the possibility of local or particular crises but the huge territorial expansion of the world market, the reduction of the time required for communications and the transport of goods, combined with the elasticity of the modern credit system and the emergence of cartels have created the possibility that local disturbances will

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sozialdemocratisches Programm, Cohen, Amsterdam, 1909; *Zur Geschichte und Theorie des Socialismus: gesammelte Abhandlungen*, Edelheim, Berlin, 1901.

10 Eduard David, 1863-1930, *Socialismus und Landwirtschaft*. Berlin, Verlag der Socialistischen Monatshefte, 1903.

cancel each other out. The occurrence of general crises should, therefore, be considered unlikely. Bernstein does not treat breakdown from the perspective of whether it was the necessary result of the immanent development of capitalism; whether with the existing level of economic development and the degree of maturity of the working class a sudden catastrophe might be to the advantage of social democracy. Bernstein answers these questions in the negative because there is a greater guarantee of enduring successes in steady forwards march than in the possibilities offered by a catastrophe. It is precisely in the theory of breakdown that Bernstein sees the quintessence of 'utopianism' in Marxism, because this makes the victory of socialism dependent on its 'immanent economic necessity'.[11] Bernstein combats the 'iron necessity of history'[12] and the materialist conception of history as a theory historical necessity and emphasises the increasing effectiveness of ideological and ethical factors. Against Marx he appeals to Kant. The victory of socialism does not depend on economic necessity but on the moral maturity of the working class, i.e. its realisation that socialism is desirable.

Ultimately Bernstein conjures away the final goal of socialism. ('[T]he final goal … whatever it may be, is nothing to me, the movement everything.')[13] The final objective is subordinate; instead, the attention and energy of the working class should be concentrated on 'immediate goals', on 'daily, detailed work' which will lead to advance in cultural development, higher morality and legal conceptions. It is apparent that such a formulation of the tasks of the workers' movement has nothing at all to do with socialism and coincides with the conceptions of bourgeois liberalism. The general perspective that in all individual goals there is always a pointer to a further goal, yet to be achieved that has to be pursued later only leads to 'progression to infinity and that is diametrically counterposed to the essence of socialism, which at a particular stage of development, wants to and should replace one definite system with another' (Brauer).[14]

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

From his critique, Bernstein drew the conclusion that it was false and disastrous to count on great social catastrophes and to focus the party's tactics on them. The utopia of a coming revolution had to be given up. Development blunts class antagonisms and democratises society. It is appropriate to promote this development. In order to gain influence social democracy has to find the courage 'to make up its mind to appear what it is in reality today: a democratic socialist party of reform'.[15]

From all this it is apparent, as Brauer correctly emphasises, that Bernstein is no socialist in the Marxist sense, because he is caught up in political categories. For Marx, the proletarian

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11 Bernstein, *The preconditions of socialism*, pp. 199-200.

12 Bernstein, *The preconditions of socialism*, p. 20.

13 Eduard Bernstein 'Der Kampf der Sozialdemokratie und die Revolution der Gesellschaft', part 2, *Neue Zeit*, 16 (18), 1898, p. 556; Bernstein makes a very similar statement in *The preconditions of socialism*, p. 190.

14 Theodor Brauer, *Der moderne deutsche Sozialismus*, Herder, Freiburg im Breisgau, 1929, p. 142.

15 Bernstein, *The preconditions of socialism*, p. 186.

revolution is not just a 'political act' that replaces the old power, based on parliament, with a new one, but is simultaneously a 'social' revolution insofar as it abolishes the whole of the previous form of society to replace it with a new one. Class struggle—just like its highest form, civil war—is not, for Marx, the product of the good or bad will of the people and cannot be replaced at discretion by parliamentary activity. On the contrary, class struggle and revolution are inevitable concomitants of the immanent economic necessity with which development drives towards socialism.

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

Among the critics of the Marxist theory of crisis and breakdown who, like Bernstein, proceed from an ethical perspective, the Russian professor Mikhael Tugan-Baranovskii particularly excelled, with arguments that were later used extensively by revisionists (*Studies on the theory and history of commercial crises in England*, *Theoretical foundations of Marxism*, *Modern socialism in its historical development*).[16] According to Tugan-Baranovskii crises and the ultimate breakdown of capitalism cannot be due to a lack of markets since, in the course of the expansion of production the individual spheres of production reciprocally create new market opportunities. Tugan-Baranovskii seeks to prove this, using a reproduction schema based on Marx's. Nor need the reduction of social consumption as a result of the progress of technology and the replacement of human labour by machines lead to overproduction. With the expansion of production, human consumption is replaced by *productive* consumption, i.e. stronger demand for means of production. According to Tugan-Baranovskii, these results of abstract theoretical analysis are confirmed by the empirical facts. Recent capitalist development shows a strong expansion of the industries producing means of production, such sectors as coal and steel, mechanical engineering, chemicals etc, whose products do not flow into human consumption, while those sectors directly serving human consumption, such as textiles (cotton) have almost reached a standstill.

The absolute limit for the expansion of production is constituted by the productive forces that society has at its command. Capital can never reach this limit to the extent that this expansion of production occurs proportionately in all branches of production. Capitalist crises are thus exclusively the result of disproportional investment in individual spheres. With proportional investment the productive forces of capitalism can develop without limit. 'The capitalist economy cannot break down for economic reasons.'[17] Marx's theory of value is superfluous for the demonstration of surplus labour. Surplus product is not the product of the wage labourer employed and exploited in production alone but is the produce of the whole of society as a unit. Capitalist society's defect is that the propertied class appropriates this surplus product. The end of this unjust system can thus only result from ethical causes. 'There is, therefore, no occasion to suppose that capitalism will some day die a natural death; it will be destroyed by

16 Mikhail Ivanovich Tugan-Baranovskii [(1865-1919) was for a period a 'legal Marxist' in the Russian empire], *Studien zur Theorie und Geschichte der Handelskrisen in England*, Fischer, Jena, 1901, [1894]; *Theoretische Grundlagen des Marxismus*, Duncker & Humblot, Leipzig, 1905; *Modern Socialism in its historical development*, Sonnenschein, London, 1910 [1908].

17 Tugan-Baranovskii, 'Der Zusammenbruch der kapitalistischen Wirschaftsordnung im Lichte der nationalökonomischen Theorie', *Archiv für Sozialwissenschaft und Sozialpolitik*, 19, 1904, p. 304 et seq.

the conscious willing efforts of man, by that social class which has been the foremost object of capitalistic exploitation—the proletariat.'[18] For this reason Tugan-Baranovskii praises so-called utopian socialism, which was far more scientific than Marxism, to the extent that it did not attempt to provide untenable objective justifications for the reorganisation of the existing economic order.

In addition to those cited, Conrad Schmidt, the author of a valuable book on *The average rate of profit on the basis of Marx's law of value* which was praised by Engels, ought to be mentioned. Yet he soon became one of the fiercest opponents of Marx's theory of value and surplus value. He was not, however, content to criticise and reject Marx's conception, but himself undertook a systematic analysis of the capitalist economy and its laws (cf. his articles on the theory of value and crises in *Sozialistische Monatshefte* and, in particular, 'On the method of theoretical political economy').[19] Here Schmidt reached the same conclusion that Marx deduced for the capitalist economy: with the purchasing power in the form of wages, to which he is entitled, the worker can only buy a portion of value for whose production only a fraction of the labour that he himself performed was necessary. In other words, if the commodities he produced are to be profitable for the entrepreneur, he must always perform surplus labour. But, according to Schmidt, this basic result was achieved without having to use Marx's untenable law of value, whereby one can avoid many contradictions associated with this law of value.

b) The Neo-Kantians

In addition to the revisionist movement, which sought to undermine the economic and political foundations of Marxism, towards the end of the last century, in the field of philosophy a stronger revisionist current also arose within social democracy. The entry of broad intellectual layers into the workers movement soon led to a discussion about the meaning and validity of the 'materialist conception of history'. Engels already made certain modifications, in letters to socialist university graduates who asked him for information (see, in particular the letter of 21 September 1890 to Joseph Bloch). In these letters, Engels warned against exaggerations and observed that 'some younger writers attribute more importance to the economic aspect than is due to it'[20] and that the economic situation was not the only but merely the determining moment of socio-historical development in the last instance. These intellectuals import secondary idealistic currents into the workers' movement, that want to abandon the materialist conception of history or combine it with idealism. Particularly in France, where Jean Jaurès in his Latin dissertation of 1891[21] developed the idealist conception

18 Tugan-Baranovskii, *Modern socialism*, p. 96.

19 Conrad Schmidt, [1863-1932, was a German, social democratic economist and journalist, and the older brother of the socialist artist Käthe Kollwitz] *Die Durchschnittsprofitrate auf Grundlage des Marx'schen Werthgesetzes*, Dietz, Stuttgart, 1889; 'Nachträgliche Bemerkungen zur Bernstein-Diskussion', *Sozialistische Monatshefte*, 3 (10), October 1899, pp. 493-9; 'Zur Theorie der Handelskrisen und der Ueberproduction', *Socialistische Monatshefte*, 5 (9), September 1901, pp. 669-82; 'Positive Kritik des Marxschen Wertgesetzes', *Sozialistische Monatshefte*, 16 (10), 19 May 1910, pp. 604-18; 'Zur Methode der theoretischen Nationalökonomie', *Sozialistische Monatshefte*, 21 (10), 27 May 1915, pp. 492-502.

[20 Friedrich Engels letter to Joseph Bloch, 21 September 1890, MECW 49, p. 36.[whole letter pp. 33-6]

[21 Jean Jaurès, *De primis socialismi germanici lineamentis apud Lutherum, Kant, Fichte et Hegel*, Chauvin, Toulouse, 1891.]

of history according to which history was the product of the human spirit—a conception that he also retained later as a socialist. The idealist current is assisted by some supporters of the materialist conception of history such as, for example, Paul Lafargue (1842-1911) whose crude interpretations helped discredit it.[22] In Germany a current initially develops in philosophy at universities that seeks to justify socialism idealistically and to link it with Kant. It originates with Hermann Cohen (1842-1918), the founder of Neo-Kantianism, the so-called 'Marburg School' who, in his 'Introduction' to Friedrich Albert Lange's *History of materialism*,[23] attempted to prove that socialism was 'based on the socialism of ethics' and to this extent Kant was 'the true and genuine initiator of German socialism'. In his book *Economics and law according to the materialist conception of history* Rudolf Stammler (of Halle) recognised this as the best and most consistent method for causal research into economic development, but demanded that it be supplemented by goal-setting ('teleological') considerations. Only by means of the latter is it possible to achieve the highest, social goal, which Stammler regards as the 'community of people who want to be free', in which 'everybody makes the objectively justified purposes of the other his own'.[24] Franz Staudinger(1849-1921) attempted even more, in his writings (*Ethics and politics*: e*conomic foundations of morality*):[25] to reconcile the Marxist standpoint with Kant's epistemological critique and ethics. Each Kantian had to come to Marx by logically developing his own basic ideas. And vice versa: 'As soon as Marxism no longer merely pursues social becoming scientifically in accordance with the causal viewpoint but makes conscious and planned transformation of the given into its goal, it arrives at Kant, as a result of consistent pursuit of its own principle.'[26] Along similar lines to Staudinger, Karl Vorländer in his writings (*Kant and socialism*, *From Machiavelli to Lenin*)[27] advocated a combination of 'Marx' and 'Kant', i.e. a combination of an economic, historical with an epistemologically critical, ethical justification for socialism.

This current, which initially arose outside the socialist movement, soon also created an echo within it, particularly in the ranks of the revisionists: Eduard Bernstein, Conrad Schmidt and Ludwig Woltmann (*Historical materialism*) , who attempted to undermine Marxism through philosophy too, but also in the ranks of younger, radical Viennese Marxists at the time, such as Max Adler (*Causality and Theology in the Dispute about the Economy*, *Marx as Thinker*, *Marxist Problems*) and Otto Bauer ('Marxism and ethics', directed against Kautsky), who ultimately deviated into the camp of reformism.[28] They all demanded a stronger consideration of

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22 Cf. Paul Lafargue, *Le déterminisme économique de Karl Marx : recherches sur l'origine et l'évolution des idées de Justice, du Bien, de l'Ame et de Dieu*, V. Giard et E. Brière, Paris, 1909.

23 Hermann Cohen, 'Einleitung mit kritischem Nachtrag', in Friedrich Albert Lange, *Geschichte des Materialismus seit Kant*, Hermann Cohen Baedeker, Leipzig, 5th edition, 1896.

24 Rudolf Stammler, *Wirtschaft und Recht nach der materialistischen Geschichtsauffassung: eine sozialphilosophische Untersuchung*, Veit, Leipzig, 1896, p. 575-6.

25 Franz Staudinger, *Ethik und Politik*, Dümmler, Berlin, 1899; *Wirtschaftliche Grundlagen der Moral*, Roether, Darmstadt, 1907.

26 Staudinger, *Ethik und Politik*, p. 159.

27 Karl Vorländer, *Kant und der Sozialismus unter besonderer Berücksichtigung der neuesten theoretischen Bewegung innerhalb des Marxismus*, Reuther & Reichard, Berlin 1900; *Kant und Marx: Ein Beitrag zur Philosophie des Sozialismus*, Mohr, Tübingen, 2nd edition, 1926; *Von Machiavelli bis Lenin: Neuzeitliche Staats- und Gesellschaftstheorien*, Quelle & Meyer, Leipzig, 1926.

28 Ludwig Woltmann, *Der historische Materialismus: Darstellung und Kritik der marxistischen Weltanschauung*, Michels, Düsseldorf, 1900; Max Adler, *Kausalität und Teleologie im Streite um die Wissenschaft*, Verlag der Wiener Volksbuchhandlung Brand, Wien, 1904, pp. 195-433; *Marx als Denker: zum 25. Todesjahre von Karl Marx*, Verlag Buchhandlung Vorwärts, Berlin 1908, *Kant and*

'ideological' aspects, epistemological critique and ethics in socialist theory. Similar attempts by Russian revisionism in the field of philosophy evoked the resolute resistance of Plekhanov and Lenin (*Materialism and empiriocriticism*).[29] On the whole revisionism remained negative philosophically and proved itself to be just as infertile here as in the field of economics. However, with the victory of reformism in German Social Democracy during and after the War, these currents succeeded in coming into their own. It is characteristic of the completely altered attitude of socialism in this period that the article on the philosophical foundations of socialism in *The program of Social Democracy: suggestion for its renewal*, which appeared before the Görlitz Party Congress, was written at the request of authoritative party circles by the above-mentioned Kantian Karl Vorländer.[30]

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

Revisionism as a whole has not been able to replace Marxist theory with one of its own that in any respect captured the economic mechanism with its social interconnections. It remained stuck in critique and therefore the question whether revisionism should be addressed as socialism in principle has to be answered in the negative. But also as a pure critique the standpoint of revisionism has proved to be false. One only needs to compare its critique of the Marxist account of the proneness of artisanal production and the middle classes to crises and concentration, and finally its conception of the superiority of the small-scale operations in agriculture with the experience of the post-war period (see Fritz Pollock *Socialism and agriculture*, and Julian Gumperz *The agrarian crisis in the United States*),[31] in order to see that history has proved not revisionism but Marx is correct. Anybody who delves into *Capital* today, after seven decades, has to concede with astonishment how correctly, indeed prophetically Marx understood the large-scale tendencies of capitalist development.

Over the two decades before the World War, reformism became an international phenomenon. Much earlier than in Germany, it appeared in England. There, the first mass movement of the proletariat, the Chartist movement, was defeated in the thirties and forties. But its struggle had shown the English bourgeoisie the danger that threatened it. Subsequently, it knew how to calm the dissatisfaction of the working class by means of concessions and the timely grant of real benefits to its upper layer, which its supremacy on the

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Marxism, Berlin 1925; *Marxistische Probleme; Beiträge zur Theorie der materialistischen Geschichtsauffsung und Dialektik*, Dietz, Stuttgart 1913; Otto Bauer, 'Marxismus und Ethik', *Neue Zeit*, 24, 2 (41), 1906, pp. 485-99; Karl Kautsky, *Ethik und materialistische Geschichtsauffassung*, Dietz, Stuttgart, 1906.

29 Vladimir Ilych Lenin, *Materialism and empiriocriticism*, in Vladimir Ilych Lenin *Collected works. Volume 14*, Progress, Moscow, 1960-8 (LCW), [1909], pp. 17-362.

30 Karl Vorländer, 'Zu den philosophischen Grundlagen unseres Parteiprogramms', in Sozialdemokratische Partei Deutschlands, *Das Programm der Sozialdemokratie, Vorschläge für seine Erneuerung*, Buchhandlung Vorwärts, Berlin, 1920, pp. 10-17.

31 Friedrich Pollock, 'Sozialismus und Landwirtschaft', in Max Adler et al., *Festschrift für Carl Grünberg*, Hirschfeld, Leipzig 1932, pp. 397-431; and Julian Gumperz, *Die Agrarkrise In den Vereinigten Staaten*, Buske, Leipzig 1931.

world market allowed it to do. In this manner over a long period, it successfully prevented the English proletariat from combining to create an independent political party. The whole energy of the working class turned to developing trade unions, mutual funds and cooperatives. The great reorganisation of local government gave workers the opportunity to represent their interests in the field of the municipal promotion of the economy and welfare through autonomous local authorities. The trade unions developed a purely reformist practice. The revolutionary traditions of Chartism were forgotten. The reformist-socialist Fabian Society, founded in 1883/84 and consisting of a few hundred intellectuals, gained considerable influence in bourgeois circles and the trade union bureaucracy, under the leadership of Sidney Webb (born 1859) and George Bernard Shaw. The report they wrote for the International Socialist Congress in London (1896) provides a clear insight into the essence of the Fabians.[32]

The Fabians do not want to be a party, rather they want to permeate all existing organisations and movements with Fabian ideas. The 'tactic of permeation' is one of the specific characteristics of the Fabians. 'The Fabian Society endeavours to rouse social compunction by making the public conscious of the evil condition of society under the present system..'[33] Apart from the Fabian Society's numerous pamphlets (tracts), English reformism found its theological expression above all in the works of the couple, Sidney and Beatrice Webb (*History of British Trade unionism*, with an afterword by Eduard Bernstein; *The Prevention of destitution*; *A constitution for the socialist commonwealth of Great Britain*; *The decay of capitalist civilisation*) and of James Ramsay MacDonald (*Socialism and government*).[34] The Labour Party, which was finally founded in 1900, immediately adopted the reformist principles and practice of the Fabians and the trade unions.

In France one already finds reformism in the pamphlets that Paul Brousse published in Paris in 1881-2. Brousse was the founder of the party of the so-called 'Possibilists', which existed until 1899. Subsequently, reformist ideas were most strongly promoted by the activity of Jean Jaurès, who also advocated participation in a bourgeois government (ministerialism) in 1899. In the Socialist Party of Italy too—despite the weak industrial development of the country—strong reformist currents appeared, essentially represented by petty bourgeois intellectuals who participated in all the theoretical controversies about the theories of impoverishment and concentration that were fought out from time to time in the party's theoretical organ *Critica sociale* in the period 1895-1905, after the publication of volume 3 of *Capital*. The syndicalist Arturo Labriola, in his *Study of Marx*, was the foremost critic of the theory of impoverishment and breakdown.[35] In *Economic speculation* and *The dictatorship of the bourgeoisie*,[36] he dealt

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32 George Bernard Shaw, *Report on Fabian policy and resolutions presented by the Fabian Society to the International Socialist Workers and Trade Union Congress, London, 1896*, Fabian Society, London, Fabian tract, 70, 1896.

33 Shaw, *Report on Fabian policy*, p. 7.

34 *Die Geschichte des Britischen Trade-Unionismus*, afterword by Eduard Bernstein, Stuttgart 1895, original edition *History of trade unionism*, Longmans, Green and Company, 1894; *Industrial democracy*, 2 volumes, Longmans, Green and Company, London, 1897; *The prevention of destitution*, Longmans, Green and Company, London 1911; *A constitution for the socialist commonwealth of Great Britain*, Longmans, Green and Company, London, 1920; *The decay of capitalist civilisation*, Fabian Society, London, 1923; James Ramsay MacDonald, *Sozialismus und Regierung*, Diederichs, Jena, 1912, with a foreword by Eduard Bernstein, original edition, *Socialism and society*, Independent Labour Party, London, 1905.

35 Arturo Labriola, *Marx nell'economia e come teorico del socialismo*, Società Editrice 'Avanguardia', Lugano, 1908; second edition, *Studio su Marx*, Morano, Napoli, 1926.

with the problem of imperialism. With the stronger industrial development of the country after 1905, the related intensification of class struggles and the advance of reaction within the bourgeoisie, numerous intellectuals abandoned socialism. Emile Vandervelde in Belgium worked with the same orientation as Jaurès in France (*Worker's Belgium*; *Collectivism and industrial evolution*; *Agrarian socialism and agricultural collectivism*; *Essays on the agrarian question in Belgium*; *The Workers' Party of Belgium 1885-1925*).[37] Reformism took a specific form in Russia. Its most notable theoretical representatives were Tugan-Baranovskii and Petr Berngardovich Struve who, however, soon swung over to liberalism. It achieved mass political influence in the workers' movement in Menshevism.

c) The radicals on the defensive

The efforts of revisionism were soon countered by the so-called 'radicals' or 'orthodox Marxists', Karl Kautsky, Franz Mehring, Heinrich Cunow, Parvus but above all Rosa Luxemburg, in *Neue Zeit* and in specific polemical writings, while the revisionists used the newly founded *Sozialistische Monatshefte*.[38]

Kautsky's *Agrarian question* is targeted against the revisionist critique of the Marx's presentation of developmental trends in agriculture.[39] This is Kautsky's most significant and independent economic work, although even here the historical-descriptive element crowds out the purely theoretical aspect. In his anti-critique directed against Bernstein's critique (*Bernstein and the Social Democratic program*),[40] Kautsky deals with the questions of method, program and tactics, particularly the tenets disputed by Bernstein: the theory of breakdown,

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36 Arturo Labriola, *La speculazione economica*, Società Editrice Partenopea, Napoli 1907; *La dittatura della borghesia e la decadenza della società capitalistica*, Morano, Napoli, 1924.

37 Emile Vandervelde, Worker's Belgium, Paris 1906; *Collectivism and industrial evolution*, Kerr, Chicago, 1901 [1900]; *Le socialisme agraire ou le collectivisme et l'évolution agricole*, Giard & Brière, Paris, 1908; *Essais sur la question agraire en Belgique*, Éditions du Mouvement socialiste, Paris, 1902; *Le Parti Ouvrier Belge, 1885-1925*, Maison Nationale d'Édition l'Églantine, Bruxelles, 1925.

[38 Karl Kautsky, *Bernstein und das Sozialdemokratische Programm: Eine Antikritik*, Dietz, Stuttgart, 1899; Parvus, the name for political purposes of Alexander Israel Lazarovich Helphand, 1867-1924, was a prominent Marxist revolutionary and journalist in the Russian and German social democratic movements, who particularly advanced the development of the theory of permanent revolution with Leon Trotsky. When editor of the daily *Sächsiger Arbeiter-Zeitung*, he wrote a series of articles, most headed 'Bernstein's Umwälzung des Sozialismus' in his newspaper: 27, 28 January; 8, 9, 12, 18, 22, 24, 26 February; 9, 11, 24, 26 March 1898. Franz Mehring's articles appeared in another daily party newspaper, 9, 10 February, 10 March, 1898, *Leipziger Volkszeitung*; Heinrich Cunow, 'Zur Zusammenbruchstheorie', *Neue Zeit*, 17, 1 (12, 13, 14), 7, 14, 21 December 1898, pp. 356-64, 396-403, 424-30; Rosa Luxemburg, *Social reform or revolution*, in Rosa Luxemburg, *The essential Rosa Luxemburg: Reform or revolution and The mass strike*, Haymarket, Chicago, 2008 [1899, 1908], pp. 41-104. [For writings by major contributors to the debate and an introductory overview, see Henry Tudor and Josephine M. Tudor (eds) *Marxism and social democracy: the revisionist debate 1896-98* Cambridge University Press, Cambridge, 1988. The contents of *Neue Zeit* and *Sozialistische Monatshefte* for the period are accessible online from http://library.fes.de/inhalt/digital/zeitschriften.htm, accessed 20 June 2013.]

39 Karl Kautsky, *The agrarian question*, Zwan, London, 1988 [1899].

40 Karl Kautsky, *Bernstein und das sozialdemokratische Programm: Eine Antikritik*, Dietz, Stuttgart, 1899.

developmental trends with regard to enterprise size (large and small enterprises), the increase in the number of property owners and the middle class, the theory of impoverishment and crisis. Here Kautsky seeks to refute the Bernstein claims about the alleviation capitalist contradictions, by means of philological interpretation of Marx's texts and comprehensive company, tax and other statistics, and to defend the thesis of the intensification of class contradictions. In the course of doing so, he relaxes or completely relinquishes important principles of Marxist theory. Even the Erfurt Programme (1891), which was drawn up by Kautsky and signified the highpoint in the Marxist development of German Social Democracy, portrays the decisive point of the political program very vaguely. The process of capitalist development seems to be the result of blind social forces. The conquest of power is wrapped in total darkness. The dictatorship of the proletariat is not even mentioned. As a result, the political aspect of Marxism was virtually decapitated, until it was reconstructed again by Lenin after a quarter of a century. Engels's critique of the draft programme of 1891 was disregarded and ineffective, just as Marx's critique of the draft Gotha programme had been in 1875.[41] In the dispute with Bernstein, Kautsky intensified the reinterpretation of Marx's original theory even further. Compared with Bernstein's demand that the Party should become a democratic socialist party of reform, emphasised that Social Democracy 'had to become a party of social revolution'.[42] Here, however, he added that it was not a matter the concept of revolution 'in the sense of an armed uprising' but of 'every large-scale political convulsion that speeded up the political life of the nation and made it pulsate most energetically'. Admittedly 'extra-legal use of violence' could form an episode in such a convulsion but could never be the revolution itself. In this reinterpretation of the concept of 'political revolution', its real content—the transfer of power into the hands of a new class—was clearly lost. At the time, Engels's 'political testament', his famous introduction to *The class struggles in France*, written in 1895, played a not unimportant role in the debate over tactics. He allegedly revised the tactics of the workers' movement and supposedly counterposed barricade struggles—violent revolution—to purely legal struggle, parliamentarism. As it turned out 30 years later, thanks to Ryazanov's uncovering of the full text, the 'Introduction' was published by the Party executive in an abridged form that significantly distorted its meaning.[43]

Kautsky also reinterpreted the economic side of Marxism in important points, by interpreting his own conceptions into Marx's text. Initially, this was not sufficiently recognised by the socialist public, since he appeared in the role of defender of Marx's theory against Bernstein and adhered to Marx's traditional terminology. This was particularly the case for Marx's theory of breakdown and crisis. Instead of maintaining Marx's theory of breakdown, the theory of the objective necessity of the demise of capitalism, in its real form against its distortion by the revisionist critique, that the breakdown could happen 'automatically' without the active intervention of the proletariat, Kautsky denied this decisive position of Marx's system altogether and portrayed the theory of breakdown as Bernstein's invention. At the same time and in contradiction to this, he maintained in relation to crises that, while the expansion of production was practically limitless, external and internal markets had their limits. Consequently, 'from a specific historic moment onwards the capitalist mode of production would become an impossibility'. Not only a temporary crisis but 'incurable chronic overproduction' would then set in, as the 'final limit' on the maintenance of the capitalist

41 Frederick Engels, 'A critique of the draft Social-Democratic Programme of 1891', MECW 27, pp. 217-233.

42 Karl Kautsky, *Bernstein und das sozialdemokratische Programm*, pp. 181-3.

[43 Frederick Engels, 'Introduction' to Karl Marx *The class struggles in France*, MECW 27, pp. 506-24, (1895). This edition indicates the abridgements made when the 'Introduction' was first published.]

regime. The significance of this 'utmost limit of the viability' of today's society was that socialism [would emerge] from the sphere of nebulous ideas 'to become a necessary goal of practical politics'.[44]

That this unclear and contradictory attitude of Kautsky's to important elements of Marx's theory was unsatisfactory is clear and all the more so when Kautsky's theoretical confusion increased in his later writings. Three years later in a series of articles, on 'Crisis theory', directed against Tugan-Baranovskii's critique he combats Tugan-Baranovskii's view that crises arise from lack of proportionality in production and argues against the assertion of the unlimited expansion of capitalism: 'the capitalist mode of production has its limits which it cannot transcend'. Yet, after quarter of a century, in his 'Preface' to the popular edition of volume 2 of *Capital* he embraced Tugan-Bananovskii's theory of disproportionality as the cause of crises, which he had earlier combated, without any reservations.[45] In his last large work (*The materialist conception of history*), in the autumn of his life, Kautsky finally abandoned the Marxist theory of the impassable limits of capitalist development and based himself on Tugan-Baranovskii's theory of the possibility of the unlimited expansion of capitalism, which he had criticised 25 years earlier, and with that disowned his lifework. The pattern that every mode of production ultimately survives to become a fetter on production during its decline does not apply to capitalism. Industrial capitalism does not lead to decline, but 'to an ever more rapid development of the productive forces'. Kautsky claims that post war capitalism has 'demonstrated in practice in the most impressive fashion its ability to survive and to adapt to the most diverse, even the most desperate situations. There are no arguments of economic theory that could call its vitality into question.' Although he—Kautsky—had anticipated a chronic crisis of capitalism three decades earlier, this proved to be false. 'Capitalism … is today, considered from the purely economic standpoint, more solidly established than ever.'[46]

If one bears in mind Kautsky's later development, already present in nascent form at the time of his disputes with Bernstein in his unclear and vacillating position on important points of theoretical principle, it is comprehensible that the controversy between these two theoreticians did not and could not result in the clarification of fundamental questions of Marxist theory. Both—had abandoned Marxist theory in decisive points and conducted the struggle only over a less important points, in part merely about words. At the time this was only noticed by a few (Rosa Luxemburg). However great Kautsky's service was in popularising Marxism, the real revolutionary character of Marxism remained alien to him. In Kautsky's struggle with Bernstein, ultimately Bernstein was the victor.

The arguments that Parvus (Israel Lazarevich Helphand), an enthusiastic social patriot during the War, advanced in a series of writings against revisionism were more effective (*Commercial crisis and trade unions*, *The trade union struggle*, *Socialism and social revolution*, *Colonial policy and breakdown*).[47]

[44 Kautsky, *Bernstein und das sozialdemokratische Programm*, pp. 142, 145.]

45 Karl Kautsky, 'Krisentheorien', *Neue Zeit*, 20 2 (2-5), 1902, pp. 37-47, 76-81, 110-8, 133-43; 'Vorwort', in Karl Marx, *Das Kapital: Kritik der politischen Ökonomie. 2. Der Zirkulationsprozeß des Kapitals*, Dietz, Berlin, 1926.

46 *The materialist conception of history*, (1927), pp. 421, 424-56.

47 Parvus, *Die Handelskrisis und die Gewerkschaften*, Ernst, München, 1901; *Der gewerkschaftliche Kampf*, Buchhandlung Vorwärts, Berlin, 1908; *Der Sozialismus und die soziale Revolution*, Buchhandlung Vorwärts, Berlin, 1910; *Die Kolonialpolitik und der Zusammenbruch*, Leipziger buchdruckerei Aktiengesellschaft, Leipzig, 1907. [Later, having become a successful businessman,

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

If Bernstein was expecting the transition to socialism [to result] from the progressive development of the bourgeois legal system, from statutory social reform, Rosa Luxemburg explains, then he was committing a fundamental error with regard to the essence of capitalist class rule. This rests, in contrast to earlier class societies, not on legally anchored 'acquired rights' but on real economic forces. 'In our juridical system there is not a single legal formula for the class domination of today.' 'No law obliges the proletariat to submit itself to the yoke of capitalism. Poverty, the lack of means of production', which are taken from it not by law but by economic development, 'obliges the proletariat to submit itself to the yoke of capitalism'. The exploitation of the working class as an economic process cannot, therefore, be abolished or moderated by legal provisions within the framework of bourgeois society. 'Social reform', factory laws, health and safety regulations, do not indicate an element of 'social control' in the interests of the working class, they do not constitute 'a threat to capitalist exploitation but simply the regulation of exploitation' in the interests of capitalist society itself. In fact development leads to an accentuation and intensification of the contradictions of capitalism. From the standpoint of individual capitalists, credit, business associations and other means that allegedly serve to overcome these contradictions and to regulate production are only suited, to adjust their insufficient means to the demands of the market, to raise the falling rates of profit in the cartelised sector of industry at the expense of the others. Cartels cancel out their own effectiveness when they extend to all the more important sectors of production. From the standpoint of the economy as a whole, credit helps increase production beyond the limits of the market and promotes the most reckless speculation. Far from being means to moderate the contradictions of capitalism, business associations and credit, on the contrary, powerfully aggravate and promote crises and must accelerate its downfall. The breakdown of bourgeois society—says Rosa Luxemburg not just against Bernstein but evidently against Kautsky too—is the cornerstone of scientific socialism. The historical necessity of socialist transformation is based 'First, on the growing anarchy of capitalist economy, leading inevitably to its ruin'. If, however, one assumes the progressive moderation of contradictions, if one assumes 'that capitalist development does not move in the direction of its own ruin, then socialism ceases to be *objectively necessary*'. Then its justification is only possible by means of 'pure reason', that is an 'idealist explanation', while 'the objective necessity of socialism, the explanation of socialism as the result of the material development of society, falls to the ground.'[48]

With the same acuity, Rosa Luxemburg also develops her principal tactical ideas about the class struggle. Radical Marxism too desires everyday social reform work, the tactical orientation on current questions—the trade union struggle over wages, the struggle for social reform and the democratisation of political institutions—just as much as reformism. 'The difference is not in the *what*, but in the *how*.' Because it starts from the assumption that the political seizure of power is impossible reformism wants, through the 'trade union and parliamentary activity gradually reduce capitalist exploitation itself. They remove from capitalist society its capitalist character. They realise *objectively* the desired social change'. By contrast, for Marxism trade union and political struggle is significant only as necessary preparation of the *subjective factor* in the socialist transformation—the working class—for the decisive revolutionary battle, first organising the workers 'as a class' and effecting the

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he concluded that a Germany victory in World War 1 was desirable and would lead to revolution in Russian and therefore collaborated with the German authorities to undermine the Russian Empire]

48 Luxemburg, *Social reform or revolution*, pp. 45-7, 61, 90-2 [Luxemburg's emphasis].

emergence of understanding, of united proletarian class consciousness. The socialist transition will not come of its own accord by fatalistically waiting for it to happen. It results, rather, from understanding, won in the everyday struggle of the working class, that the supersession of capitalism's objectively intensifying contradictions through social revolution is indispensible. Thus for Rosa Luxemburg, as later for Lenin, reforms are only by-products of class struggle oriented on revolution. Revisionism, by contrast, makes everyday work independent of the final socialist goal. It separates reform from revolution and, by raising the movement to an end in itself, changes its character. It is no longer a means to achieve that goal—social transformation—but instead of this transformation has itself become the goal. This undialectical attitude sees only mutually exclusive contradictions—either/or, reform or revolution—but not the subsumption of these contradictions in the totality of the social process.[49]

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

For the fate of the dispute between reformists and radicals, we refer to the article 'Internationals'.[50] Reformism was defeated in all theoretical skirmishes, condemned by resolutions of party conferences and international congresses, refuted again and again anew by the prevailing intensification of class contradictions in the course of actual development. But maturing on the basis of an aristocracy of labour, it nevertheless made a triumphal procession through the daily practice of the workers' movement. The growing power of Marxism was, however, demonstrated by the facts that of all the socialist tendencies in all European countries during the first half of the 19th century—St Simonism, Proudhonism, later Blanquism etc. But it alone dominated the masses intellectually and that reformism, in order to be able to win over the masses, had to sail under the flag of Marxism.

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

Here we refer primarily to 'Austro-Marxism', a group of Viennese intellectuals—Rudolf Hilferding, Otto Bauer, Max Adler and Karl Renner—grouped around the newly established theoretical review *Der Kampf* (from 1908). They attempted to provide theoretical formulations

49 Luxemburg, *Social reform or revolution*, pp.66-9 [Luxemburg's emphasis].

50 Henryk Grossmann, 'Internationale: Die Zweite Internationale' ('International: the Second International'); and 'Internationale: Die dritte Internationale' ('International: the Third International'), in Ludwig Elster (ed.), *Wörterbuch der Volkswirtschaft, Zweiter Band*, fourth edition, Fischer, Jena, 1932, pp. 432-439 and 439-449.

for reformist practice. The most important book from this tendency, one that strongly influenced later theoretical development, is Rudolf Hilferding's *Finance capital*. Two of its components have to be distinguished. On the one hand, Hilferding strives to integrate the latest phenomena of economic life—trusts, cartels, export of capital, imperialist expansionism—in short *monopoly capitalism*, which has replaced competitive capitalism, into the system of Marx's economics. On the other hand, following Tugan-Baranovskii's theory of crisis and renouncing the Marxist theory of breakdown, Hilferding endeavours to reinterpret the Marxist theory of breakdown in the harmonistic sense of the limitless possibilities for capitalist expansion. Reviving Jean-Baptiste Say's old theory, which Marx always combated, that primarily general overproduction is impossible because individual spheres of production create markets for each other, Hilferding reaches the conclusion that crises are not necessarily associated with the essence of capitalism. They arise simply from disproportion in the growth in the individual spheres, i.e. only from 'unregulated production'. If the distribution of capital among individual branches of industry is proportional, then there is no limit on production, 'production can be expanded indefinitely without leading to the overproduction of commodities'. In short, if production, even on a capitalist basis, can be regulated, crises can be avoided.[51]

The foundation of the work is Hilferding's theory of money and credit, which departs from Marx's theory of money and distorts it in the sense of Knapp's 'chartalism'.[52] Certainly, for this purpose, Hilferding has to breach the general validity of Marx's law of value for the money commodity, which Karl Kautsky correctly asserted meant 'the suicide of Marxism'.[53] The theory of finance capital is built on the foundation of this theory of money. The characteristic feature of latest developments is the *dominant role of bank capital compared with industry*. With capitalist development, the total sum of money made available to the banks by the non-productive classes and through the banks to the industrialists, i.e. the role of bank capital in the form of money that is transformed into industrial capital, constantly grows. A particular role falls here to the type of enterprise known as a joint stock company. With shares what is called fictitious capital, detached from productive capital functioning in factories, arises. It enables banks to rapidly concentrate ownership, independently of the concentration of factories and is accelerated by speculation on the stock exchange and the accumulation of promoter's profit by the banks. By means of this 'mobilisation of capital'; an ever growing portion of capital in industry becomes finance capital, i.e. it no longer belongs to the industrialists working with it. The direction of capital invested in industry falls more and more to banks. '[T]hey become founders and eventually rulers of industry.' The tendency towards concentration in banking, towards progressive elimination of competition among banks, 'would finally result in a single bank or a group of banks establishing control over the entire money capital. Such a "central bank" would then exercise control over social production as a whole.'[54]

A parallel tendency towards combination is also at work in production. In a section on The historical tendency of finance capital', probably intended to be a counterpart to Marx's famous chapter on 'The historical tendencies of capitalist accumulation', Hilferding presents the course

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51 Rudolf Hilferding, *Finance capital: a study of the latest phase of capitalist development*, Routledge & Kegan Paul, London, 1981 [1910], p. 241.

[52 'Chartalism' is a theory of fiat money, issued and backed by law rather than precious metals, elaborated by Georg Friedrich Knapp, *The state theory of money*, Macmillan, London, 1924 [1895].]

53 Karl Kautsky, 'Finance-capital and crises', Marxist Internet Archive, www.marxists.org/archive/kautsky/1911/xx/finance.htm, accessed 4 February 2012 (1911).

54 Hilferding, *Finance capital*, pp. 105 et seq., 226, 180.

of historical development quite differently from Marx.[55] The latter depicted the limits of capitalist accumulation that, in a dialectical shift at a definite stage of development, ultimately leads to the 'expropriation of the expropriators'.[56] Hilferding wants to demonstrate the peaceful and gradual growth of capitalism into a regulated economy. The cartelisation of industry, in order to raise prices and profits, lowers the rate of profit in the non-cartelised industries, intensifies competition in them and thus the tendency towards concentration. This leads to further cartelisation, in these industries too. So a tendency towards the continuous extension of cartelisation emerges. The result of this concentration movement, its ideal, theoretical endpoint, will be the complete cartelisation of all branches of industry not only in the national but also the world economy, a universal or 'general cartel' which consciously regulates the entirety of capitalist production in all its spheres, sets prices and also undertakes the distribution of products. With the advance of the concentration movement in industry, production is increasingly planned ('organised capitalism') and finally reaches its highest expression in the general cartel. The anarchy of production disappears, crises are eliminated and replaced by production 'regulated' by the general cartel, even if still on the basis of wage labour. 'The tendencies towards the establishment of a general cartel and towards the formation of a central bank are converging',[57] hence a peaceful and painless transition from capitalism to socialism becomes possible. 'The socializing function of finance capital facilitates enormously the task of overcoming capitalism. Once finance capital has brought the most importance branches of production under its control, it is enough for society, through its conscious executive organ—the state conquered by the working class—to seize finance capital in order to gain immediate control of these branches of production.' 'Even today, taking possession of six large Berlin banks would mean taking possession of the most important spheres of large-scale industry.'[58]

After the war (1927), Hilferding declared that he had always 'repudiated every theory of economic breakdown', which Marx had also considered false. The overthrow of the capitalist system would 'not happen because of internal laws of this system' but had instead 'to be the conscious act of the will of the working class'.[59]

During the post-war period, other neo-harmonists, such as Otto Bauer, Karl Kautsky, also derive crises simply from the disproportionality of the distribution of capital among the individual branches of industry. They consider crises to be avoidable, if the distribution of capital is regulated, even under capitalism, and the limitless development of capitalism to be possible. Bauer's assertion that the mechanism of capitalism automatically enforces this proportional distribution of capital—even if this is mediated by periodic crises—gives his harmonistic interpretation of Marx's theory of crisis a specific colouration. '[T]he mechanism of capitalist production automatically [cancels out] overaccumulation and underaccumulation.' Whereas Marx had maintained the necessity of the progressive growth of the industrial reserve army of labour, Bauer tries to prove the opposite: 'There exists in the capitalist mode

55 Hilferding, *Finance capital*, pp. 227-35; Marx, *Capital 1*, pp. 927-930.

56 Karl Marx, *The civil war in France*, MECW 22, [1871], p. 335.

57 Hilferding, *Finance capital*, p. 234.

58 Hilferding, *Finance capital*, pp. 367, 368.

59 Rudolf Hilferding, *Die Aufgaben der Sozialdemokratie in der Republik*, Vorstand der Sozialdemokratischen Partei Deutschlands, Berlin, 1927, p. 2, http://library.fes.de/prodok/fa-59843.pdf, accessed 4 February 2012.

of production a tendency for the adjustment of capital accumulation to the growth of population.'[60]

C The resurgence of revolutionary Marxism

a) The decay of revisionist theory

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

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

A sharpening of domestic class antagonisms in all capitalist countries went in parallel with the growing tensions in foreign policy. The great advances of the socialist workers' movement accelerated the process of combination of employers into powerful associations for struggle, which forced workers onto the defensive in all economic struggles. Kautsky demonstrated in 1908 'that the factors which had resulted in increased real wages over previous decades were all already going into reverse'. The period of rising real wages was replaced by falling wages and certainly not simply during periods of transient depression 'but even in periods of prosperity'.[61] The fact of deteriorating conditions of life for working class over this period has been demonstrated by private and public investigations in a series of advanced capitalist countries. State protections for workers also came to a halt under the pressure of employer associations. More and more, in this context, the trade unions' old methods of struggle proved to be insufficient. The period of isolated strikes in individual enterprises was past. Development drove on to large mass economic struggles in whole branches of a country's industry. On the other hand the bourgeoisie became protectionist and reactionary. Political liberalism began to die out. There could no longer be talk of extending democracy further, which had been promoted earlier by a certain [degree of] cooperation between the liberal bourgeoisie and the working class. This entire development was strengthened and accelerated even more by the impact of the Russian Revolution of 1905. The development, predicted by the reformists, of progressive improvement in the condition of the working class and the weakening of the of class struggles did not occur. There was, rather, a sharpening of class

60 Otto Bauer, 'The accumulation of capital', *History of political economy*, 18 (1), Spring 1986, pp. 106, 107, (1913). [This translation has been modified, as indicated by the square brackets. In its original form the translation seriously distorted the meaning of Bauer's German text by rendering 'aufhebt' as 'generates', see Otto Bauer, 'Die Akkumulation des Kapitals', *Neue Zeit*, 31 1 (24), p. 872.]

[61 Karl Kautsky, 'Verelendung und Zusammenbruch: Die neuste Phase des Revisionismus' *Neue Zeit* 26, 2, 42, pp. 546, 549.][whole article: *Neue Zeit* 26, 2, 42 and 43, 17 and 24 July 1908, pp. 540-51 and 607-12]

struggles. As it was apparent that the old trade union and parliamentary methods were no longer capable of achieving further gains, the working class was forced to consider new methods of struggle, that took into account the rising economic and political pressure from the bourgeoisie. This was the significance of the discussion about the political mass strike.[62]

In such circumstances, during the era of bellicose imperialism and colonial expansion as well as reactionary domestic policies, reformism of the old kind was a typical product of epigones: repetition of dated chains of thought, diametrically counterposed to reality. An example of this oversimplified popularisation of socialism that spread out everywhere in the workers' movement at the beginning of the 20th Century and, despite its Marxist phraseology, retaining nothing of the genuine content of Marx's socialism, mention should be made of a book by Morris Hillquit, the current leader of the American 'Socialist Party', *Socialism in theory and practice*,[63] should be mentioned. In the chapter on 'Socialism and the state' Hillquit settles accounts with two dozen definitions of the state, starting with Aristotle and Cicero, through Turgot and Bentham to Leroy-Beaulieu and Anton Menger, according to whom the state is the organised humanity of a given territory. To this definition, designated as faulty, Hillquit counterposes the 'entirely correct' 'socialist definition of the state', according to Marx and Engels, and shows that the 'state, as a product of class [divisions]' arose at the same time as the institution of private property and 'has at all times been the instrument of the propertied classes' and, 'as an organisation of the ruling classes', necessarily 'keeps the exploited classes in a condition of dependency'. From this 'entirely correct' definition, however, Hillquit draws no conclusions for working class policy. In relation to the 'present-day', 'modern state', Hillquit nevertheless allows the validity of the bourgeois definition and asserts that it has experienced 'deep inroads made in its substance and functions by the rising class of wage workers'. 'Under the pressure of the [socialist and] labour movement, the state has acquired new significance as an instrument of social and economic reforms.' 'The state which came into being solely as an instrument of class repression, has gradually, and especially within the last centuries assumed other important social functions, functions in which it largely represents society as a whole, and not any particular class in it.' Its exploitative function in the interests of the ruling classes are 'curbed' more and more, while its 'generally useful' functions claim its attention more and more, as it protects 'workers from excessive exploitation', so it 'is gradually coming to be recognised by the [workers] as a most potent instrument for the modification and ultimate abolition of the capitalist class rule'. The ruling capitalist class will, indeed, never voluntarily give up its property and the supremacy that results. Hillquit draws the conclusion not that it has to be expropriated economically and politically but rather that the process of transformation will come to pass gradually through 'a series of economic and social reforms and legislative measures tending to divest the ruling classes of their monopolies, privileges and advantages, step by step'. Violence does not, consequently, have to be employed. That would be 'but an accident of the social revolution… [violence] has no place in the socialist program'. Through these reforms, a 'period of transition' will be entered, in which the state, although not yet socialist, is no longer an organ of the capitalist class but rather a 'transitional state'. 'Definite lines of demarcation', where it begins and where it ends cannot be specified but today '[a] number of municipalities and states are already wholly or partly under socialist control'. Many of the political or social 'transitional reforms' of socialism have, to a certain degree, been realised in countries in Europe, America and Australia and the 'conceded tendency' of all modern law-making is it directed towards the extension of such reforms. In

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[62 See Rosa Luxemburg, 'The mass strike', in Rosa Luxemburg, *The essential Rosa Luxemburg: Reform or revolution and The mass strike*, Haymarket, Chicago 2008 [1907], pp. 111-81.]

63 Morris Hillquit, *Socialism in theory and practice*, Macmillan, New York 1909.

this sense, it may well be said that we are in the midst or in any case at the start of the 'transitional state'. Hillquit recommends, in turn, tactics that are confined to 'electoral tactics' and 'positive work of parliament', 'without violating the principle of the class struggle'.[64]

If such theories were strongly utopian during the period before the War they completely lost any connection with reality after the outbreak of the World War. In order to avoid shipwreck on this contrast with reality, reformist theory was forced to adapt to it. In pure logic, this correction was possible on courses. From the proletarian standpoint: through a return to revolutionary Marxism. In a further, consistent development of its nature, reformism chose the other course and placed itself entirely on the ground of bourgeois society and the capitalist state. Karl Renner already drew this conclusion, contained in embryo in Hilferding's book, with great clarity in articles published in the Viennese *Kampf* and *Arbeiterzeitung* (which appeared in book form as *Marxism, war and the international*).[65] Extending the results of Hilferding's book, he seeks to portray the transformation since Marx's death that has taken place in the fabric of the economy, state and society, in the mutual relations of classes in then character of ownership and in the tasks of today's proletariat. Although he posits different developmental tendencies to Marx in all these areas, although he abandons all the fundamental components of Marx's theoretical structure and finally identifies different goals and tasks for the workers' movement to Marx, he did not forego Marxist disguise for his theory. He claimed to be a proponent of genuine Marxism who struggled against the 'reactionary misconstrual' of Marx's thought against the 'vulgar tendency … of Marxism', against the 'ossification' and 'oversimplification' 'of the (Marxist) theory of class struggle'. Not he but rather the supposed Marxists had distorted the theory of the master. In the short period since Marx was active, class relations have often, 'almost every decade and a half', been transformed. Instead of lugging along the old 'catechistic propositions' of Marx's system as 'old goods', it is necessary to revise the theoretical baggage in all areas. So his book was a 'Marxist examination' of the new material of social development', a draft of a 'study program for Marxists'.[66]

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

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[64 Hillquit, *Socialism in theory and practice*, pp. 97-105, 174, 181, 189. Grossman wrote 'class struggles' where the original had 'class divisions'; and left out 'socialist and' from the quotation starting 'Under the pressure …'; Hillquit took the quotation 'without violating the principle of the class struggle' from Karl Kautsky, 'Der sozialistischen Kongresse und der sozialistische Minister', *Neue Zeit*, 19 (1), p. 37[whole article pp. 36-44], who in turn quoted his own letter in *Petite Republique*, 28 September 1899.]

65 Karl Renner, *Marxismus, Krieg und Internationale*, Dietz, Stuttgart, 1918 [1917]. [Renner (1870-1950) was a leading social democratic parliamentarian and theoretician in Austria before and during World War 1. He was the first chancellor of the Austrian republic from 1918 until 1920.]

[66 Renner, *Marxismus*, pp. 61-2, 70, 90, 97.]

socialism will be carried out. But it is a 'crazy conception' to think that the conquest of political power by the proletariat can be carried out through a sudden overthrow of the system, through a political surprise attack. Those are conceptions that have been smuggled from the political history of the bourgeoisie into the world of socialist ideas. The state will, rather, be conquered step by step in daily struggles. Its transformation is carried out through the gradual socialisation of all economic functions. Marx was far from being condemning and negating the state, from 'state nihilism', 'with which contemporary Marxism coquettes'. Through the state all economic categories are fundamentally transformed. The competitive price of the private economy change into cartel price, finally tariff price develops into national price, whose form and extent differs from state to state, during the period of high protection and under the influence of the state. 'It is only one step further to state legislation directly prescribing the price': 'tax price' or 'political price'. 'The economy is not sufficient to explain such pricing', overall 'deviation from the natural laws of the economy' is determined by the process of statification. 'An extra-economic law… imposed itself over the basic economic law. And that is now the new problem of Marxism', as the deliberate allocation of goods, that is the exclusive mode of circulation of a socialist society, is today already merged into the system of automatic commodity circulation.[67]

What can be said of commodity prices can also be said of the category of wages. The wages system is being fundamentally reorganised by the state. Today the worker's wage is already comprised of an individual and a collective wage. The state socialises variable capital, i.e. capital spent on wages, through compulsory contributions by workers and employers for health, accident and old age insurance, after individuals are paid. Basically, the state has already long done this through certain public outlays, e.g. public schools, that contribute to the maintenance and renewal of the working class. 'The working class, consequently, already receives a part of its wages collectively.' 'The development is towards the collectivisation of an ever larger part of wages.' To an increasing extent, the worker becomes the subject and object of 'public institutions'. 'The process of socialisation integrates him as an element into the state.'[68]

This 'process of socialising the worker's wage' has not yet been analysed by Marxists. But large transformations of the individual components of the wage also take place. The individual wage is replaced by the trade union wage and finally by the regulated wage [*Tariflohn*] CHANGE ABOVE. 'These institutions ... transform the worker from a serf into an economic citizen. The leap from the free wage contract to the regulated system is of the same significance as that from manorial subjection and patrimonial justice to the bourgeois court.' 'But the regulated wage is still not the highest point of development. Giant capitalist enterprises construct service programs for their white collar employees and, to an extent, their workers', with 'a wage scale that is calculated over their whole lives, including their deaths', in short, forms of wage payment that Renner calls the 'pragmatic wage'. 'From this it is only a step to the direct setting of wages by the state, to a tax wage [Lohntaxe].' Through statification, 'today the working classes find themselves in a different social situation from Marx's period'. Ownership becomes a 'public institution', work a 'public job'. A 'regrouping of classes' takes place. Industrialism is no longer the predominant form of enrichment in contemporary society. The factory owner of the old kind is no longer counterposed to the proletariat. Rather the dominant powers within the capitalist class have become agrarianism and finance capital. A transformation of the economic function of land ownership occurs. While the process of

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[67 Renner, *Marxismus*, pp. 7-12. 28, 41-3. According to Renner, the tariff price was a consequence of the interaction of cartels and protective tariffs.]

[68 Renner, *Marxismus*, pp.46-7.]

statification and socialisation is very extensive in agriculture, landownership, encompassed economically as ground rent, has become more and more parasitic. The question of ground rent will become the principal social question over the next five years and decades.[69]

Loan capital has also experience massive transformations. Loan capital of the old kind was usury, a mere parasitic economic function. The usurers were, however, displaced. 'Credit capital' of the new kind is not parasitic and is 'generally felt to be a blessing'.[70]

The purpose of Renner's arbitrary construction, which cannot be full itemised here, is the justifications produced by the conclusions to which he comes: the working class has to affirm the contemporary state and, though the 'policy of changing alliances' with individual bourgeois classes, painstakingly, step by step work its way up and 'take power over bourgeois society intellectually [geistig]', position itself everywhere on the basis of the state and bourgeois society. Such an alliance policy is 'not a watering down of class principle but its fulfilment'. As the proletariat affirms the state it must also affirm state policy. There is no 'amorphous internationality' but internationality is first the result of the effect of groups of nation states which is 'specifically new' in our period. 'Capital is not international but national. 'National capital organised by the state has become the effective agent on the tribune of the world.' Marx's categories are universal, Marxists start with the category of the stateless world economy but for the time being this is still not a single state, for the tie being development has achieved the level of national-political, territorial states. Hence there is also no 'world proletariat', which is only a 'mystical unit'; in reality only national proletariats within state territories exist. The world economy is only coming into being, promoted by the tendency of individual states to extend their economic territories. 'In terms of specific states, the expansionist tendencies appear as colonial policy and colonial exploitation, domination and servitude.' But this 'moralistic standpoint' lies 'deep below Marx's mode of thought', as behind these 'mundane complaints about colonial policy' one should not overlook the 'secular greatness of the economisation of the world'.[71]

'In this way to be an opponent of the colonial system means being an opponent of world history.' So long as capitalism persists in the economy and the anarchistic antagonism of states in politics, wars are unavoidable, because competitive struggles among economic territories take place in two ways: peacefully through states' trade agreements and aggressively through conquest. The imperialist war should not be judged ethically but should be assessed as a fact, just like trade policy. It is nothing other than the turning of 'price competition' 'into arms competition'. At most, there should be efforts to 'civilise war' and the extension of the organisation of the world into a 'peaceful association of nations', through international law. So long, however, as such a 'future, supranational organisation of the world' has not been achieved, 'war remains 'possible and, in certain circumstances, necessary', because it concerns the existence of a state and its economy. As trade union work's methods of struggle rest 'on the basis of this capitalist order', it must act positively in the struggle. No trade union desires the destruction of industry. 'The existence, continuation and future of this capital' also affect the working class positively. 'In bellicose periods the working class struggles with and also over that continuation.' Once there is war, the proletariat also has to take the path of war: this path is also 'a path of history' and, 'as the proletariat cannot absentee itself from history, it has to travel this path'. From the moment of the outbreak of war, it has no other possible attitude than 'affiliation with its own state'. The stand of the proletarian parties on 4 August 1914 was

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[69 Renner, *Marxismus*, pp. 47-55, 61, 64-5, 67.]

[70 Renner, *Marxismus*, pp. 82-3.]

[71 Renner, *Marxismus*, pp. 63, 65-66, 101, 106, 112-3, 123.]

justified.[72]

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

Eclecticism and the tendency to turn away from Marxism was characteristic of reformist theory during the post-war period. Emil Lederer restricts the applicability of Marx's labour theory of value in two ways. In his *Outlines of economic theory*,[73] he restricts it to the terrain of competitive capitalism. He regards it as insufficient to explain monopoly prices, and hence tries to construct a fusion of the labour theory of value with marginal utility theory. He regards Marx's labour theory of value, secondly, as suited to the explanation only of static economic processes but not dynamic conjunctual cycles.[74] Lederer's explanation of crises is in essence an underconsumptionist theory—on a detour through monetary theories of crisis (extension of the labour process 'only through additional credit'[75]—with all its attendant deficiencies.

Alfred Braunthal's *The contemporary economy and its laws* is intended to be a socialist economics textbook, 'faithful to the idea of Marxism'. Actually, Braunthal combats Marx's theory with arguments borrowed from bourgeois criticism of Marx: it provides 'no information about the laws according to which the social product, in fact, is divided into wages and the earnings of capital'. The (bourgeois) theory of productivity is, in this respect, 'without doubt superior to Marxist theory'. He refers further to the 'secure results' of marginal utility theory. His account of the contemporary economy is is essentially a simplified compilation of Hilferding's thoughts about the progressive organisation of the economy and Renner's ideas about statification and the ever stronger influence of the state which is being proletarianised. Through its growing regulation of the organisation of the whole economy, finally through 'cold socialisation' i.e. through the encroachment of the public economy, the free economy with its market mechanism is more and more superseded. For this reason, Braunthal thinks, we are standing at the start of a social revolution, 'a society which is changing from capitalism into socialism'.[76]

With the transition in the leadership of the world economy from Europe to the United States of America and impressed by American 'prosperity' after the World War, a flush of uncritical admiration of American methods of organisation and work ('rationalisation') arose in bourgeois Europe. The emulation of these methods by German capitalists found the fullest approval among the proponents of trade union theory and practice. A typical product of this current is the work of the chairperson of the German Woodworkers' Association, Fritz Tarnow, *Why be poor?* 'The old economic theories about the social question', Tarnow thinks 'originated primarily in England... The new theories will be formed in America'. America has

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[72 Renner, *Marxismus*, pp. 281-22, 331,360-1, 328-9, 353.]

73 Emil Lederer, *Grundzügen der ökonomischen Theorie*, J.C.B. Mohr (P. Siebeck), Tübingen, 1922. Lederer (1882-1938) was a social democratic professor of sociology and economics.

74 Emil Lederer, 'Konjunktur und Krisen', *Grundriß der Sozialökonomie*, IV, i, 1925, J.C.B. Mohr (P. Siebeck),Tübingen, pp. pp. 355-413.

75 Lederer, 'Konjunktur und Krisen', p. 387.

76 Alfred Braunthal *Wirtschaft der Gegenwart und ihre Gesetze: Ein sozialistisches Lehrbuch der Nationalökonomie*, Laubsche Verlagsbuchhandlung, Berlin, 1930, pp. 62-3, 241, ???, ???, ???.[Harvard Depository Econ 1435.2.5, Regular loan (depository)]

show that poverty is no economic necessity but a social illness, 'whose cureability, even within the framework of the capitalist economy, is undoubted'. Wages, as a cost factor, have declined in significance but as a factor in purchasing power they have gained importance. Increasing consumption and, above all, mass consumption is the 'key to the development of production'. In view of the enormous development of the productive forces, from now on waste is a blessing and restraint a curse. Not only is labour dependent on capital but capital is also dependent on the purchasing power of worker consumers. High wages are in the well understood interests of the employers themselves. Countries with high wages have accumulated most strongly and can compete most successfully. American employers are advancing along the track of this knowledge which is the basis of the secret of the continuing boom in the United States of America. Henry Ford's book, *My life and work* is 'certainly the most revolutionary text of all economic literature to the present'.[77]

In addition, the various sub-species and currents of reformism as they appear in individual countries or internationally should also be mentioned briefly. First 'municipal socialism', which is concerned with reformist activity in the area of local politics– amongst other things, also the effort to the municipalise water, gas and electricity services for the urban population in the general economic interest, without reference to their private sector profitability (see Hugo C, i.e. Hugo Lindemann, *City administration and municipal socialism in England* and *Germany city administration*.[78]

A current in the English workers' movement is known as 'guild socialism'. It aspires to the control of production and the supersession of the wages system through the organisational unification of all manual and intellectual workers, not according to profession or trade union groups, but in associations (guilds) of whole industries. It seeks to achieve this goal, possibly through a general strike. Guild socialism differs from syndicalism in that it does not oppose the state but rather allocates it certain functions outside the sphere of production (see George Robert Stirling Taylor, *Guild politics: a practical programme for the Labour party*; George Douglas Howard Cole, *Self-government in industry*; George Douglas Howard Cole *Guild socialism*; George Douglas Howard Cole and William Mellor, *The meaning of industrial freedom*).[79] So-called 'liberal socialism' stands outside the workers' movement and has less to do with socialism than liberalism i.e. capitalism. Represented by the isolated efforts of Franz Oppenheimer (*Neither capitalism nor communism*), drawing on the theories of Eugen Dühring, it seeks to maintain the medium of exchange.[80]

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77 Fritz Tarnow, *Warum arm sein?*, Allgemeiner Deutscher Gewerkschaftsbund, Berlin 1928, pp. 10, 19, 70, 71; Henry Ford, *My life and work*, Doubleday, Garden City, New York, 1922.

78 Hugo Lindemann, *Städteverwaltung und Munizipal-Sozialismus in England*, Dietz, Stuttgart, 1906 [1897]; and *Deutsche Städteverwaltung:ihre Aufgaben auf den Gebieten der Volkshygiene, des Städtebaus und des Wohnungswesens*, Dietz, Stuttgart, 1906 [1901].

79 George Robert Stirling Taylor, *Guild politics: a practical programme for the Labour party & the co-operators*, Palmer, London, 1921; George Douglas Howard Cole, *Self-government in industry*, Bell and Sons, London, 1920 [1917], [the German edition, referred to by Grossman, *Selbstverwaltung in der Industrie*, Engelmann, Berlin, 1921, was introduced by Rudolph Hilferding]; George Douglas Howard Cole, *Guild socialism*, Fabian Society, London 1920; George Douglas Howard Cole and William Mellor, *The meaning of industrial freedom*, Allen and Unwin, London, 1918, [was published together with Cole's *Guild socialism* in G. D. H. Cole and William Mellor, *Gildensozialismus*, Rheinland, Köln, 1921].

80 Franz Oppenheimer, *Weder Kapitalismus noch Kommunismus*, Fischer, Jena, 1932. Oppenheimer (1864-1943) was professor of sociology and economics at the University of Frankfurt am Main from 1919 until 1929. He was a Zionist and proponent of market socialism.

b) The development of the materialist conception of history

The materialist conception of history, drafted by Marx with Engels's collaboration in a series of youthful writings (1842–59) in inspired outlines, was never systematically developed by them. It was primarily the first students of Marx who undertook to extend it philosophically and epistemologically, deepening it, above all, through fruitful, specialised research, in various areas of social, economic and cultural history. Karl Kautsky dealt with it philosophically, above all in *Ethics and the materialist conception of history*, *Class antagonisms in the era of the French Revolution*, *Thomas Moe and his Utopia*, *The foundations of Christianity*.[81] In his last large work, *The materialist conception of history* Kautsky revised his earlier conception of the driving force of historical development just as he had in relation to his economic and political conceptions (compare Karl Korsch *The materialist conception of history: an argument with Karl Kautsky*.[82] Franz Mehring (1846–1919) in his *The Lessing legend* chose the literature and the history of Lessing and Friedrich II as his field of application. In brilliant essays in *Neue Zeit*, he dealt with most diverse areas of history and literary history. In his consummate, broadly conceived *History of German social democracy*, that admittedly only extended until the start of revisionism, he illuminated the economic and social context of the growth of the socialist workers' movement and combined this with a presentation of its theoretical developments.[83] Georgii Plekhanov, the creator of the materialist sociology of culture and art, entered the struggle against revisionism as one of the most brilliant proponents of dialectical materialism (above all *Fundamental problems of Marxism*, *Henrik Ibsen*, *Essays on the history of materialism*).[84] From the post-war period: the fine and valuable book, *History and class consciousness: studies in Marxist dialectics*, by Georgy Lukács[85] should, above all, be mentioned, and also Karl Korsch, *Central points of historical materialism* and *Marxism and philosophy*.[86] Finally, in addition to the works by Max Adler, already mentioned, also Heinrich Cunow *Marx's theory of history, society and the state*.[87]

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81 Karl Kautsky, *Ethics and the materialist conception of history*, Kerr, Chicago, 1906; *Die Klassengegensätze im Zeitalter der französischen Revolution*, Dietz, Stuttgart, 1908 [1889]; *Thomas More and his Utopia*, A. and C. Black, London, 1927 [1888]; *Foundations of Christianity: a study in Christian origins*, International Publishers, New York, 1925 [1889].

82 Karl Kautsky, *The materialist conception of history*, abridged, Yale University Press, New Haven, 1988 [1927]; Karl Korsch, *Die materialistische Geschichtsauffassung. Auseinandersetzung mit Karl Kautsky*, Hirschfeld, Leipzig 1929.

83 Franz Mehring, *The Lessing legend*, Critics Group Press, New York, 1938 [1893]; Mehring published many hundreds of articles in *Neue Zeit*; *Geschichte der deutschen Sozialdemokratie*, two volumes, Dietz, Berlin, 1976 [1897-8].

84 Georgii Plekhanov, *Fundamental problems of Marxism* in Georgii Plekhanov, *Selected philosophical works. Volume 3*, Progress Publishers, Moscow, 1976 [1908], pp. 117-83; *Henrik Ibsen*, Neue Zeit, Stuffgart 1908 [1906]; *Essays on the history of materialism*, *Selected philosophical works. Volume 2*, Progress Publishers, Moscow, 1976 [1896], pp. 31-182.

85 Georg Lukács, *History and class consciousness: studies in Marxist dialectics*, Merlin, London, 1971 [1923].

86 Karl Korsch, *Kernpunkte der materialistischen Geschichtsauffassung Eine quellenmäßige Darstellung*, VIVA Vereinigung internationaler Verlags-Anstalten, Berlin, 1922; *Marxism and philosophy*, NLB, London, 1970 [1923].

87 Heinrich Cunow, *Die Marxsche Geschichts-, Gesellschafts- und Staatstheorie: Grundzüge der Marxschen Soziologie*, Buchhandlung Vorwärts, Berlin, 1923 [1920].

Significant writings on historical materialism in particular countries

France

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Charles Rappoport, *La philosophie de l'histoire comme science de l'évolution* (*The philosophy of history as an evolutionary science*), M. Rivière, Paris 1925 [1901].

Italy

Benedetto Croce, *Historical materialism and the economics of Karl Marx*, George Allen & Unwin, London, 1915 [1901].
_*Philosophy of the practical: economic and ethic*, Macmillan, London, 1913 [1909].
Rodolfo Mondolfo, *Il materialismo storico in Federico Engels* (*The historical materialism of Friedrich Engels*), Formiggini, Genova, 1912.
_*Il concetto marxistico della »umwälzende Praxis« e suoi germi in Bruno e Spinoza*, 1932.
Antonio Labriola, *Essays on the materialist conception of history*, Kerr, Chicago, 1908 [1896].
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Poland

Stanisław Brzozowski, *Idee : wstęp do filozofii dojrzałości dziejowej*, Wydawnictwo Literackie, Kraków, 1990 [1910].

Russia

Nikolai Bukharin, *Historical materialism*, International Publishers, New York 1925 [1921].
Abram Deborin, *Vvedenie v filosofiiu dialekticheskogo materializma* (*An introduction to the philosophy of dialectical materialism*), Librokom, Moskva, 2012 [1916], Georgii Plekhanov's preface is in Georgii Plekhanov, *Selected philosophical works. Volume* 3, Progress Publishers, Moscow, 1976, pp. 577-99.

Holland

Hermann Gorter, *Der historische Materialismus*, with a foreword by K. Kautsky, Stuttgart 1919.

Writings about particular areas of application of historical materialism

Law

Evgenii Paschukanis, *Law and Marxism: a general theory*, Transaction, New Brunswick 2002 [1924].
Peteris Stutschka, *Das Problem des Klassenrechts und der Klassenjustiz* (*The problem of class law and class justice*), in Eugen Paschukanis *Allgemeine Rechtslehre und Marxismus*, edited by Hermann Klenne and Leonid Mamut, Rudolf Haufe Verlag, Freiburg, 1991 [1922], pp. 233-68 (compare Hans Kelsen, 'Allgemeine Rechtslehre im Lichte materialistischer Geschichtsauffassung' ('The general theory of law in the light of the materialist conception of history'), *Archiv für Sozialwissenschaft und Sozialpolitik*, 66 (3), 1931, pp. 449-521).
Paul Szende, 'Nationales Recht und Klassenrecht, Beiträge aus der ungarischen Rechts und Wirtschaftsgeschichte' ('National law and class law: contributions from Hungarian legal and economic history'), *Festschrift für Carl Grünberg - Zum 70. Geburtstag*, Hirschfeld, Leipzig, 1932, pp. 445-78.

Economic history

Heinrich Cunow, *Allgemeine Wirtschaftsgeschichte. Von der primitiven Sammelwirtschaft bis*

zum Hochkapitalismus (*General economic history: from the primitive gatherer economy to advanced capitalism*), 4 volumes, Dietz, Berlin, 1926-1931.
The process of transition from the feudal state of the 18th Century to the modern capitalist state is dealt with, using the example of Austria and Poland in Henryk Grossmann, *Österreichs Handelspolitik mit Bezug auf Galizien in der Reformperiode 1772-1790 (Austria's trade policy with regard to Galicia in the reform period 1772-1790*), Konegen, Wien 1914.
_'Die Anfänge und die geschichtliche Entwicklung der amtlichen Statistik in Oesterreich' ('The beginnings and historical development of official statistics in Austria'), *Statistische Monatsschrift*, new series 21, 1916, pp. 331-423.
_'Struktura społeczna i gospodarcza Księstwa Warszawskiego na podstawie spisow ludnosci 1808-1810 roku' ('The social and economic structure of the Duchy of Warsaw on the basis of the results of the censes of 1808 and 1810'), *Kwartalnik Statystyczny* 2, 1925, pp. 1-108.
Ludo Moritz Hartmann, *Römische Geschichte* (*Roman history*), Perthes, Gotha, 1919.
_*Der Untergang der antiken Welt* (*The fall of the ancient world*), Heller, Wien 1910 [1903].
Karl August Wittfogel, *Wirtschaft und Gesellschaft Chinas* (*China's economy and society*), Hirschfeld, Leipzig 1931.

Sociology of knowledge
Max Horkheimer, 'A new concept of ideology?' in Max Horkheimer, *Between philosophy and social science*, MIT Press, Cambridge, Massachusetts, 1993 [1930], pp. 129-150.
Paul Szende, 'Verhüllung und Enthüllung: Der Kampf der Ideologien in der Geschichte', *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 10 (2-3), 1922, pp. 185-270.

c) The problems of imperialism and war

We pointed out earlier that, towards the end of the previous century, the development of capitalist states took on more an more imperialist features and was distinguished by arms build-ups and colonial expansion. Socialists schooled in the Marxist approach to history quickly recognised the significance of these processes. From the start of the new century, in a series of writings (*The social revolution*, *The road to power*, *Trade policy and social democracy*), Karl Kautsky predicts the approach of a *new epoch of revolution* as a result of colonial policy and imperialism. Particularly in the east: an age of conspiracies, coups and constant social upheaval, he explained, was beginning in east Asia and the entire Muslim world. Eventually the west would be caught up in these. 'A world war is brought within threatening proximity.' In all these writings, Kautsky describes the features that had changed during its imperialist period, its inclination to arm for war, acts of violence and conquest in the struggle over the world market. At the time, these developments did not appear to him as consequences of the fancies of individual power-holders but as bound up with the inner nature of capitalism. '[T]he iron necessity of economic requirements drives modern industrial nations towards ruin.'[88]

This conception of capitalism's developmental tendencies, until then generally accepted in the workers' movement, could not be reconciled with Tugan-Barnaovskii's and Hilferding's theories of the unlimited possibilities for the development of capitalism, already mentioned. The harmonist conception of capitalist development was obviously contradicted reality, with its steadily growing competition and the escalation of struggles among the advanced capitalist countries over markets and spheres of investment, also in contradiction with the fundamental

88 Karl Kautsky, *The social revolution*, Twentieth Century Press, Clerkenwell Green, 1903 [1902]; *The road to power*, Bloch, Chicago, 1909, p. 117; *Handelspolitik und Sozialdemokratie*, Buchhandlung Vorwärts, Berlin, 1911 [1901], p. 94.

notion of historical materialism that explains politics on the basis of the economy. In her book *The accumulation of capital: a contribution to the economic explanation of imperialism*,[89] Rosa Luxemburg set herself the task of resolving this contradiction. If the neo-harmonists' conception of capitalism's unlimited possibilities for the development was right, then the imperialist features which were appearing with such intensity could not be explained in terms of the nature of capitalism. They were rather to be evaluated as mere accidental phenomena. On the other hand, as Rosa Luxemburg correctly emphasised, 'the theory of capitalist collapse … is the cornerstone of scientific socialism'.[90] And this is the great historical significance of Rosa Luxemburg's book: that, in conscious opposition to the attempted distortions of the neo-harmonists, she adhered to the fundamental idea in *Capital* of an absolute economic limit to the development of the capitalist mode of production, even though the concrete justification that she provided for the theory of breakdown, today, has to be regarded as mistaken. In her critique of Marx's analysis of the accumulation process, which assumes a society that consists solely of capitalists and workers and does not engage in foreign trade, she came to the conclusion 'that Marx's schema of accumulation does not solve the question of who is to benefit in the end by enlarged reproduction'. Purely abstractly, assuming the relations of dependence and proportions of Marx's schema, Marx's analysis gives the appearance that capitalist production can by itself realise all surplus value and employs capitalised surplus value to satisfy its own requirements. That is, 'capitalist production buys up its entire surplus product'. For example, coal mining is extended in order to make the expansion of the iron making and machine building industries possible; the latter are expanded to make the extension of the production of means of consumption possible. This extension of industry producing means of consumption, however, creates markets for the extended production of the coal mining, iron making and machine building industries. Individual industrial branches thus establish markets for each other. Setting out Marx's analysis in this way, which Rosa Luxemburg regards as mistaken, production can be extended 'ad infinitum ... in circles', without it being apparent 'who is to benefit … who are the new consumers for whose sake production is ever more enlarged'.[91] Such accumulation does not serve consumption but is 'production for production's sake'.[92] Actually workers can really only consume a part of the larger product, the part which expresses the value of their wages. Part of the product serves to replace means of consumption that have been used up; the remainder that is left over, surplus value, consistently grows in the course of accumulation. Who realises the surplus value that consistently grows? The capitalists themselves only consume a part of it, while they employ an ever-growing part of it for further accumulation. But what do they do, then, with the even larger annual product, with their surplus value? Rosa Luxemburg comes to the conclusion that 'the realisation of the surplus value for the purposes of accumulation is an impossible task for a society which consists solely of workers and capitalists' that is, such a capitalism cannot exist. The capitalist mode of production

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[89 Rosa Luxemburg, *The accumulation of capital*, Routledge and Kegan Paul, London, 1951 [1913]. This translation, by Anges Schwarzschild, of Rosa Luxemburg, *Die Akkumulation des Kapitals: Ein Beitrag zur ökonomischen Erklärung des Imperialismus*, Buchhandlung Vorwärts Paul Singer, Berlin, 1913, is unsatisfactory in places. Where that is the case, new, more accurate translations from the German original are provided and where Schwarzschild's translation has been used and her terminology diverges from the translations in the Penguin editions of *Capital*, her texts have been modified. The term 'diagram', for example, has been replaced with 'schema'.]

90 Luxemburg, *Reform or revolution*, p. 96.

[91 Luxemburg, *The accumulation of capital*, pp. 329, 330.]

[92 Karl Marx, *Capital. Volume 1*, Penguin, Harmondsworth, 1976, p. 742.]

requires for its existence 'as its prime condition ... that there should be strata of buyers outside capitalist society', that is, social layers, 'whose own mode of production is not capitalistic' and realise the capitalist surplus value. But capitalism requires non-capitalist 'milieus' not only to realise surplus value, even more in order to obtain a large part of the means of production, in particular raw materials (constant capital); and finally '[o]nly the existence of non-capitalist groups and countries can guarantee such a supply of additional labour power for capitalist production'.[93] It is therefore apparent that 'The process of capital accumulation is connected with non-capitalist forms of production in all its value and material relations: constant capital, variable capital and surplus value.'[94] Capitalist accumulation 'as an historical process' is, in practice, dependent on 'the given historical setting' of non-capitalist countries and layers: artisans, peasants. Without this milieu it is 'in any case unthinkable'. The result is capital's aggressive drive to bring non-capitalist territories under its sway. In this way, Rosa Luxemburg believes that she has explained not only accumulation and the conditions under which it takes place but also the driving force behind imperialism and the tendency to colonial expansion. Military occupation of colonies, the violent theft of their means of production and labour power, 'planning for the systematic destruction and annihilation of all the non-capitalist social units', the struggle of capitalism against the natural economy and the ruin of independent economies of artisans and peasants. In contrast to the 'crude optimism' of Ricardo, Say, Tugan-Baranovskii for whom capitalism can develop without limit, 'with the logical corollary of capitalism-in-perpetuity',[95] her own solution, it seems her, is in the spirit of Marx's theory of the final breakdown of the capitalist system of production, which is founded on 'the dialectical contradiction that the movement of capital accumulation requires non-capitalist formations as its context … and can only exist as long as this milieu is present'.[96] As the natural economies are being subordinated to capitalism, then, the situation which Marx predicted in his analysis draws nearer. That is, capitalist production as 'the exclusive and universal domination of capitalist production in all countries and for all branches of industry'. 'Yet this argument does not lead anywhere. As soon as this final result is achieved … accumulation must come to a stop.'[97] The historical limits of accumulation, the impossibility for the productive forces to development further, is apparent here. The consequence is the end of capitalism. Its imperialist phase is thus the final period in its historical career. The economic analysis of non-capitalist markets thus has the closest inner connection with the emergence of socialism. Socialism is not merely dependent on subjective-voluntarist factors but results from the economy's developmental path, in the context of the forces within capitalism that objectively work towards its necessary breakdown. This theory, that focuses on the problem of markets, on the question of the realisation of surplus value is not capable of satisfactorily explaining the characteristic feature of capitalism's imperialist period, the export of capital (see Lenin's theory of imperialism, below). Furthermore these ideas were not new; they have a history of more than a hundred years. In essence, they were already developed by Simonde de Sismondi in his *New principles of political economy* of 1819 and Robert Malthus in the chapter on accumulation in his *Principles of political economy* of 1820.[98]

[93 Luxemburg, *The accumulation of capital*, pp. 350-2, 361.]

[94 Luxemburg, *Die Akkumulation des Kapitals*, p. 314.]

[95 Luxemburg, *The accumulation of capital*, pp. 365-6, 370.]

[96 Luxemburg, *Die Akkumulation des Kapitals*, p. 315.]

[97 Luxemburg, *The accumulation of capital*, p. 417.]

[98 Jean Charles Léonard Simonde de Sismondi, *New principles of political economy*, Transaction, New Brunswick, 1991; Robert Malthus, *Principles of political economy, considered with a view to their practical application*, Pickering, London, 1836 [1820], pp. 308-438.]

These ideas were later extended by socialist theorists to explain imperialism by Heinrich Cunow ('On crisis theory'), Louis B. Boudin (*The theoretical system of Karl Marx*, with a foreword by Karl Kautsky) and Kautsky himself (see above).[99] Luxemburg's achievement was new in that she used Marx's reproduction schemes to demonstrate the necessity of non-capitalist areas.

This is not the place to offer an extensive methodological and material critique of the theory. In this regard, refer to the works of Henryk Grossman, discussed further below. In direct contrast with Rosa Luxemburg's is the position of Vladimir Ilyich Lenin who already, in his *A characterisation of economic romanticism (Sismondi and our native Sismondists)* argued against the Russsian Narodniks is counterposed to Luxemburg's. The Narodniks adopted Sismondi's theory of external market as the condition for the existence of capitalism in full. Lenin repeated criticised the theory that it was impossible to realise surplus value in 'pure' capitalism, in his principal work against the Narodniks, *The development of capitalism in Russia*.[100] The contraction between the limits of consumption and limitless expansion of 'production for the sake of production'[101] really does exist. But this is not the contradiction in a theory but a real contradiction in the capitalist system. Nothing would be more vulgar, however, than to conclude from the contradictions of capitalism, i.e. from its irrationality, that it is impossible. This contradiction is not capitalism's only one. It can neither exist nor develop without contradictions. 'Nothing could be more senseless than to conclude… that Marx did not admit the possibility of surplus-value being realised in capitalist society, that he attributed crises to under-consumption, and so forth.' [102] In fact different branches of industry constitute markets for each other. As, however, they develop unevenly and overtake each other, because there is no regulation to enforce a balance among the individual branches, ensuring that 'the more developed industry' necessarily 'seeks a foreign market'.[103] This uneven development of individual branches of industry is, therefore, the final cause of crises and capitalism's expansionist tendencies. After the outbreak of the World War, as the problem of imperialism naturally attracted greater attention, Lenin undertook to lay the nature of imperialism, its economic and social roots, bare in his book *Imperialism: the highest stage of capitalism*.[104] He identified these in the *structural transformation of world capitalism*, in the displacement of competition by monopoly, which opened the phase of capitalism's decline. Its characteristic feature is no longer the export of commodities but of capital. The monopolistic character of capitalism explains continuous colonial expansion and the division of the world among monopolist associations of capitalists, dominated by the financial oligarchy. Capital export, through the domination of enormous territories in Asia and Africa that supply raw materials, secures colossal superprofits for the bourgeoisies of the ruling capitalist countries. The essence of imperialist expansion does not lie in the sphere of circulation (the realisation of surplus value) but in the sphere of production (raising profits).

The emergence of imperialism opened a period of constant war and threat of war. Wars are a

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99 Cunow, 'Zur Zusammenbruchstheorie'; Louis B. Boudin, *The theoretical system of Karl Marx in the light of recent criticism*, Kerr, Chicago, 1907; Kautsky's preface was only published in the German edition, *Das theoretische System von Karl Marx*, Dietz, Stuttgart, 1909; Kautsky, 'Krisentheorien'.

100 Vladimir Ilych Lenin, *The development of capitalism in Russia*, LCW 3, [1899], pp. 21-607.

[101 Marx, *Capital 1*, p. 742; Vladimir Ilych Lenin, *A characterisation of economic romanticism (Sismondi and our native Sismondists)* LCW 2, [1897], pp. 161, 182.][Whole pamphlet pp. 129-265]

[102 Lenin, *The development of capitalism*, p. 58.]

[103 Lenin, *The development of capitalism*, p. 66.]

104 Vladimir Ilych Lenin, *Imperialism, the highest stage of capitalism: a popular outline*, LCW 22, [1916], pp. 183-304.

product of imperialism, an unavoidable result of the antagonisms of the epoch of decline. In this respect, the character of wars has changed; the formal distinction between wars of defence and offence has lost any meaning. For, in contrast with the wars of national liberation during the rising phase of capitalism, wars in the period of decline are predatory wars amongst imperialist countries and against economically less developed nations and states. As a consequence, the working class has special responsibilities in taking positions on war, civil peace, defence of the fatherland and approving war credits. During the phase capitalism's decline, it is the task of the proletariat to transform war between peoples into civil war, with a view to the conquest of power and, for this reason,the strategic and organisational preparation for revolution. Grigorii Zionoviev (*The war and the crisis of socialism*), Vladimir Ilyich Lenin und Grigorii Zinoviev (*Against the current: articles from the years 1914-16*), Leon Trotsky (*The War and the International*), Nikolai Bukharin (*Imperialism and world economy* with an introduction by V. I. Lenin) and Hermann Gorter (*Imperialism, the World War and social democracy*) take similar stances on the problem of imperialism and war.[105]

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

The establishment of the Soviet Union is, in principle, not simply a turning point of great importance in the political and economic history of capitalism but also in the field of Marxist theory. The outbreak of the Russian revolution confirmed the correctness of prognosis of Marxists, who had predicted its advent and thus based their strategy and tactics on it for decades. Further, it proved the correctness of those who, like Lenin in 1905, had already predicted on the basis of Marxist theory that the coming revolution would be an upheaval of a new kind—proletarian revolution which, in its goal, organs and tactics would move beyond the bourgeois world. The significance of the October Revolution and its historical meaning for Marxist theory is, moreover, that the sole rule of the capitalist system has reached its end. With the October Revolution, the bourgeois mode of production, before this turning point the ruling and the most progressive mode of production, lost its aura of permanence and indestructibility, proving to be an historical, i.e. a transitory, category. The remnants of social formations that have gone under and are in comparison more backward (artisans, peasant, the primitive economies of colonial people in Africa and Asia) have survived into the present. In contrast to capitalism, socialism has so far only been a demand for the future arrangement of society. Now, after the world economic crisis convulsed capitalism, by contrast—as experience seems to confirm—there is a superior economic system in the Soviet Union. This is on the best path to realising, for the first time in history, the socialist idea of a socialist, planned economy,

105 Grigorii Sinowjew *Der Krieg und die Krise des Sozialismus*, Verlag für Literatur und Politik, Wien 1924 [1917], [a section of the book is in English translation 'Two eras of war', *New international*, 18 (5, 6) and 19 (1), September–October 1952, November–December 1952 and January-February 1953, pp. 233-44, 323-7, 42-51, http://www.marxists.org/archive/zinoviev/works/1916/war/2eras-index.htm, accessed 17 June 2013]; N. Lenin and G. Sinowjew, *Gegen den Strom. Aufsätze aus den Jahren 1914-16*, Verlag der Kommunistischen Internationale, Hamburg 1921 [1918], [a collection of 74 articles, the longest articles available in English are Vladimir Ilyich Lenin 'The collapse of the Second International' LCW 21, 1964 [1915], pp. 205-259 and Vladimir Ilyich Lenin, 'The discussion on self-determination summed up' LCW 22, 1964 [1916]. pp. 320-60]; Leon Trotsky, *The War and the International, 1915, with the Zimmerwald Manifesto, an open letter to Guesde*, A Young Socialist Publication, 1971 [1914]; Nikolai Bukharin, *Imperialism and the accumulation of capital*, Monthly Review Press, New York, 1972 [1926]; Herman Gorter, *Der Imperialismus, der Weltkrieg und die Sozial-demokratie*, Sozial-demokratische Partei Hollands, Amsterdam, 1915.

after the first Five Year Plan has overcome initial, transitional difficulties. The Soviet Union is constructing a socialist economy on the basis of the most advanced technology at a massive tempo, for which there is no historical analogy, in economics and culture in a sixth of the world and, leaping over whole historical stages of development, particularly in the previously most backward areas of Asiatic Russia. The great popularity of the arrangements under the planned economy, in almost all the highly developed countries of Europe and in the United States of America, is the expression of the shaken belief in the justification for and adequacy of the capitalist market economy. The capitalism's difficulties seem to have become more acute because of the fact of the existence of the Soviet Union alone, as a consequence of its successful socialist construction. Social contradictions and class antagonisms are no longer contractions between reality and a hoped-for socialist future, but rather the ever more pronounced contradictions between two social and state systems that exist side by side. The foundation of the Marx-Engels Institute in Moscow, under the leadership of the well-known Marx researcher David Riazanov, is of the greatest significance for the scientific deepening and development of Marxist theory. It took on the monumental task of [producing] the *Marx-Engels collected works* (in more than 40 volumes) which will publish fundamentally important parts of Marx's and Engels's world of ideas that were previously unknown.[106] *Marx-Engels-Archiv*, which also appears in German, is the organ of the Institute.

The research of particular conditions of the existence and development of the peasant economy plays a specific role in the socialist literature of the Soviet Union. From the extensive literature on the following are mentioned: Alexander Vasilyevich Chayanov, *The optimal size of agricultural enterprises*, *The theory of the peasant economy*, *The theory of peasant co-operatives*; Nikolai Pavlovich Makarov *The peasant economy and its evolution*. Further, the International Agrarian Institute in Moscow and its journal deal with these problems.[107]
Russian socialist literature is especially engaged with the theory of socialist upheaval and the period of transition to socialism. In his speech on the program of the Third International, in 1922, Bukharin criticised those who want to delay the socialist revolution until socialism has ripened within capitalism. In contrast to the classical statement in Marx's *Capital* that 'capitalism matured fully under feudal rule' until the new order is able to fully develop after the conquest of political power, the Russian Communists, especially Bukharin, insist that this theory does not apply to socialism. Within feudalism, the bourgeoisie could already possess a monopoly over industrial means of production, achieve leading roles in industrial production and, drawing on its economic power, also overtake the feudal class culturally. In contrast, the working class cannot become the owner of the means of production and control production under capitalism. Nor can it rise to a higher cultural level than the bourgeoisie within the framework of capitalism. 'Socialism can *never* ripen in this manner, even under the most favourable conditions… It is impossible for the working class to take production in hand within the womb of capitalist society… [T]he proletariat … can learn all that only when it has already

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[106 This project was terminated under Stalin. Riazanov was dismissed as the head of the Institute in February 1931 and executed in 1938.]

[107 Alexander Vasilyevich Chayanov, *Die optimalen Betriebsgrössen in der Landwirtschaft,* Parey, Berlin 1930 [1921]; *The theory of the peasant economy*, R. D. Irwin, Homewood, 1966 [the Russian book published in 1925 was based on a German book published in 1923, to which Grossman refers]; *The theory of peasant co-operatives*, Ohio State University Press, Columbus, 1991 [1919]. Chayanov was arrested in 1930, on the pretext of one of his works of science fiction, executed 1937. Nikolai Pavlovich Makarov *Krestianskoe khozyaistvo i ego evolyutsiya*, Tip. N. Zheludkovoi, Moscow, 1920. The Institute, Mezhdunarodnii Agrarnii Institut, published its journal *Agrarprobleme* in German, from 1928 until 1934.]

achieved the *dictatorship of the proletariat*.'[108]

'Socialism does not arise, it must be consciously constructed.' Accordingly, for the Russian Communists, the possibility of a proletarian revolution is not tied to any definite developmental maturity of capitalist society. Only a sufficient concentration of production is required to make the planned organisation of the economy possible and a correspondingly advanced union of proletarian atoms into a revolutionary class, to guarantee the overthrow of the bourgeoisie in the revolution and the construction of the apparatus of the proletarian dictatorship. In addition to these two objective aspects, two subjective aspects are required: the revolutionary enthusiasm of the proletariat and its desire to end the capitalist order, and the incapacity of the bourgeoisie to effectively resist the proletariat. All these aspects, however, are compatible with the most diverse economic circumstance. The breakdown of capitalism, according to this conception, can just as easily take place at a high or a relative low level of capitalism's inner maturity. A country does not necessarily have to be amongst the leading capitalist countries in terms of its general level of economic development. On the contrary, since the capacity of the bourgeoisie is, *ceteris paribus*, directly proportional to the economic maturity of capitalism, it is likely that 'the collapse of the entire system ensues, beginning with the organisationally weakest links of that system' (Bukharin *The economics of the transition period*).[109] Later we will see that this theory of breakdown, which constitutes nothing other than a formulation of the specific Russian situation during the War, neither corresponds with Lenin's conception of the overthrow of capitalism nor does it apply at all to the advanced capitalist countries of western Europe.

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

The problems of the proletarian seizure of power were almost only discussed within the Russian workers' movement until the October Revolution. With this event, most strongly encouraged by Lenin's *State and revolution*, it moved to the centre of discussions within the

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108 Nikolai Bukharin, 'The programme of the International and the Communist Parties', in *Toward the united front: proceedings of the Fourth Congress of the Communist International, 1922*, Brill, Leiden, 2012 [1922], p. 491[whole text pp. 479-501], [emphasis in Bukharin's original. The first quotation is from Bukharin rather than Marx but see Marx, *Capital 1*, p. 875.]

[109 Nikolai Bukharin, *The politics and economics of the transition period*, Routledge & Kegan Paul, London, 1979, p. 65. The first quotation does not appear in the German edition to which Grossman referred; its sense is clear in Bukharin's text p. 99 of the English edition: The bourgeoisie

'did not build capitalism, but it was built. The proletariat, as an organised collective subject, is building socialism as an organised system. If the creation of capitalism was spontaneous, the building of communism is to a marked degree a conscious, i.e. organised, process.]

workers' movement of the entire world, particularly Western Europe. The questions were whether the conquest of power by the proletariat would take place by parliamentary or extraparliamentary means, ie through the revolutionary action of the working class; whether dictatorship of the proletariat--council system--is the realisation of proletarian democracy or parliamentary democracy is the form of appearance of the dictatorship of the bourgeoisie; spontaneous proletarian revolution or conscious organisation through a party and thus the fundamental relationship between party and class; the organisation of a new proletarian international organised according to the principles of democratic centralism as a unitary world party with the task of practically preparing for the world revolution; the task of conquering the middle strata in the towns and countryside as allies of the proletariat; colonial peoples' struggle for freedom and the right of self-determination of nations, that is the problem of mobilising the oppressed masses of the entire world against imperialism.
The assessment of the tendencies of economic development of world capitalism is, naturally, of decisive importance in answering the question. At present, those like Kautsky and the speakers at the Brussels Congress of the Second International in 1928 are of the view that capitalism stands at the outset of a further era of up turn while others, on the contrary, assume that it is in a period of decline, which is indeed punctuated by short periods of temporary stabilisation. On the whole, however, a continual sharpening of class antagonisms is apparent, which must finally lead to the decisive struggle for power.

The experiences and lessons of the Russian revolution are a current problem for western European capitalism if it is in decline and the question of the Western European revolution is on the agenda for the next period then. This is the significance of debates over the conquest of state power inside the left wing of the Second (Socialist) International, e.g. the debates at the Linz Congress of Austrian Social Democracy (30 October—3 November 1926), at which the new Party program was adopted. The core problem was the question of whether civil war and the use of force should be avoided by the working class in its struggle for state power and socialism. The result of the discussion can be summarised thus: the working class should in principle make use of the legal means of democracy in its struggle. It should not, however, ignore the fact that it is probable that the bourgeoisie will have recourse to force against the working class and its state at the moment when the proletariat conquers political power by means of democracy, when therefore democracy is deployed decisively against the bourgeoisie itself, as no ruling class gives up its power without a struggle. Under such circumstances, the working class for its part cannot abstain from the use of force.

e) The end of capitalism

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

in factors other than the likely causes of the breakdown of capitalism in fully capitalist countries, like England, German and the United States of America. As a result, the breakdown of capitalism still remains a problem, from the standpoint of Marxist theory and the labour movement.

During the postwar period, Henryk Grossman undertook to reassert the validity of this highly disputed but basic concept of Marx's system. Previously, there were two variants of the theory of breakdown. One (for example, Bukharin *Imperialism and the accumulation of capital*) only speaks generally about the 'limit … given to *a certain degree by the tension of capitalist contradictions*' which 'will unavoidably lead to the collapse of capitalist rule',[110] without proving this 'unavoidability', i.e. without providing the theoretical explanation of why these contradictions must culminate in the final impossibility of equilibrium. Just as little does this interpretation provide concrete indicators by which one can identify in advance the 'degree' of critical tension in contradictions that make breakdown 'unavoidable'. This can only be determined *ex post*, after the advent of the breakdown. Then, however, the theory of breakdown is superfluous as an instrument of scientific knowledge. Such a 'general' explanation of breakdown must be considered to be unsatisfactory because of its scientific indeterminacy, as it really does not fulfil the 'Marxist requirement of concreteness' (Lenin).[111]

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

In his 1898 article, already mentioned, Cunow investigates the core problem of 'whether our economic development drives towards a general catastrophe'. Previously, the steady expansion of colonial possessions functioned to weaken the tendency to break down, resulting from insufficient markets. However, as such an extension of markets has its limit, the 'unavoidability of breakdown' results. Without gaining external markets, 'England would long ago have faced a conflict between the capacity of its domestic and foreign markets to consume and the gigantic escalation of its capitalist accumulation'. For Cunow, breakdown is not in doubt; rather [it is] simply [a matter of] 'how long the capitalist mode of production can survive ... and under what circumstances breakdown will take place'.[112]

After Kautsky's endorsement in the preface, Boudin's book deals with 'the decisive points of Marx's system'. Boudin also regards the sale of surplus value as 'the great problem' on which the existence of the economic constitution of capitalism depends. 'It is the inability to dispose of that product that is the chief cause of the temporary disturbances within its bowels.' Indeed if crises have previously ended and further accumulation has been made possible again, it is only because 'capitalistic countries … had an outside world into which they could dump the products which they could not themselves absorb'. But this solution was only temporary. The penetration of capitalism into the territories of agrarian markets signifies the '*the beginning of the end of capitalism*' and will lead to 'the inevitable breakdown of the capitalistic mode of production'.[113]

In contrast to all previous breakdown theorists, Henryk Grossman treads a new path in his principal work *The law of accumulation and breakdown of the capitalist system* and numerous methodological and critical essays ('A new theory of imperialism and social revolution', 'The

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110 Bukharin, *Imperialism*, p. 265[; Bukharin's emphasis].

[111 Vladimir Ilych Lenin, 'The Junius pamphlet', LCW 22, [1916], pp. 308-9, similarly p. 316.]

112 Cunow, 'Zur Zusammenbruchstheorie', pp. 425, 427, 430.

113 Boudin, *The theoretical system*, pp. 150, 235, 244[; Boudin's emphasis].

change in the original plan for Marx's *Capital*', 'Gold production in the reproduction schema of Marx and Rosa Luxemburg', 'The value price transformation in Marx and the problem of crisis').[114] He explains the decisive cause of the inevitable demise of the capitalist system in terms of the *overaccumulation of capital in highly developed countries* and the resulting *insufficient valorisation* of capital, thus in terms of the in the process of production itself ('the valorisation problem'). With new proofs taken from modern economic relations, Grossman seeks to support the doctrine developed by Marx, today almost forgotten but already present in John Stuart Mill and Adam Smith in an embryonic form.[115] It holds that once a nation's capital exceeds a definite scale of accumulation, it finds no further profitable opportunities for investment and consequently either lies idle or has to be exported. Since Tugan-Baranovskii's book on crisis, the problem of crisis and breakdown in the Marxist literature of the last thirty years has simply been dealt with from the point of view of disproportionality between individual spheres of production. Grossman demonstrates that, for Marx, the decisive problem was not primarily partial crises arising from disproportionality but rather the primarily general crisis, 'general glut', which is caused by 'parallel production … which takes place simultaneously over the whole field'.[116] 'Precisely the possibility of such primarily general crises, and not primarily partial crises arising from disproportionality, is the object of Marx's dispute with the Say-Ricardo conception.'[117]

That an ever growing mass of means of production (Pm = machines, buildings, raw materials, instruments of production) can be set in motion with a progressive decline in the expenditure of labour (L) is an empirical law characteristic of the capitalist mode of production, with its ever expanding reproduction. On the basis of capitalism, that is expressed in the constant growth in the amount of constant capital per worker in relation to variable (wage) capital (c : v, as the Marxists say, the organic composition of capital). American census figures also confirm this. As a result of the progressively higher organic composition of capital, because of the associated rising productivity of labour, wages make up an ever smaller portion of total production. To the extent that the surplus value generated by a given working population grows absolutely (the rate of surplus value increases), however, it falls in relation to the continuously expanding total capital (c + v). This is the fact that underlies the *law of the tendential fall in the rate of profit*. The classical economists (Ricardo) already correctly identified the tendency for the rate of profit to fall as a phenomenon but mistakenly attempted to explain it as a law of nature, resulting from the decline in the productivity of the soil. Ricardo drew pessimistic conclusions for the future of capitalism from this phenomenon, as without profit 'there could be no accumulation'. He consoled himself that 'happily', from

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114 Henryk Grossmann, *Das Akkumulations- und Zusammenbruchsgetz des kapitalistischen Systems (zugleich eine Krisentheorie)*, Hirschfeld, Leipzig, 1929; 'Eine neue Theorie über Imperialismus und die soziale Revolution', *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 13, 1928, pp. 141-192; 'Die Änderung des ursprunglichen Aufbauplans des Marxschen "Kapital" und ihre Ursachen', *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung*, 14, 1929, pp. 305-338; 'Die Goldproduktion im Reproduktionsschema von Marx und Rosa Luxemburg', in Max Adler et al., *Festschrift für Carl Grünberg zum 70. Geburtstag*, Leipzig, Hirschfeld, 1932, pp. 152-184; 'Die Wert-Preis-Transformation bei Marx und das Krisenproblem', *Zeitschrift für Sozialforschung*, 1, 1932, pp. 55-84.

115 John Stuart Mill, *Principles of Political Economy*, Routledge, London, 1900, book 4, chapter 4, pp. 481-91; Adam Smith, *Wealth of Nations. Volume 1*, Dent, London, 1910, book 1, chapter 9, pp. 77-89.

[116 Karl Marx 'Economic manuscript of 1861-63', MECW 32, [1905] , pp. 115, 136. 'General glut' in English in Marx's and Grossman's originals.]

117 Grossmann, *Das Akkumulations- und Zusammenbruchsgetz*, p. 211.

time to time, industrial and agricultural inventions (mechanical engineering and agronomy) can break this pernicious tendency, so that it will only have an impact in the distant future.[118]

Many earlier theorists, like Boudin but above all Georg Charassoff,[119] felt that Marx also connected the breakdown of capitalism with the fall in the rate of profit. They could not, however, demonstrate the content of this connection and 'the great importance that this law has for capitalist production'.[120] That is easy to explain, as they only ever pointed out the fall in the rate of profit alone. The rate of profit, however, only expresses a proportional relationship, nothing other than a numerical concept. It is apparent, that this cannot lead to the breakdown of a real system. For that to happen real causes are required.

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

Grossman was the first to point out that breakdown cannot be derived from or explained by the rate of profit, that is by the index number of profits but must be understood in terms of what is concealed behind it: the real mass of profit in relation to the social mass of capital. For, according to Marx, 'accumulation depends not only on the rate of profit but on the amount of profit'.[121] If accumulation, proceeds as a continuous process, the surplus value of the capitalists must be used for three purposes, divided into three parts. First, part must be used as additional constant capital (a_c); second part as additional variable capital (a_v)—for the application of additional labour power; the remaining, third part can be used as fund, [f], for the capitalists' consumption. Now, the mass of surplus value grows absolutely with the development of the capitalist mode of production. If, however, the organic composition of capital grows—as is necessary for capitalist production and is also assumed in the theoretical analysis—then a relatively ever larger part of the surplus value must be deducted for the purposes of additional accumulation (a_c). As long as the absolute mass of total social capital—with a low organic composition—is small, surplus value is relative large and this leads to a rapid increase in accumulation. For example, with a composition of 200 c +100 v +100 s, constant capital c can be increased by 33⅓ per cent of its initial size (assuming the employment of all the surplus value for the purposes of accumulation). At a higher level of capital accumulation, with a significantly higher organic composition of capital, e.g. of 14,900 c + 100 v +150 s, the expanded mass of surplus value is only 1 per cent, when it is employed as additional capital a_c. It is easy to calculate that with continuing accumulation on the basis of an ever higher organic composition, a point must come when all accumulation ceases. This is all the more so because not any arbitrary fractional amount of capital cannot be employed but rather a definite minimal amount is required, whose scale consistently grows with increasing accumulation of capital. With the progress of capital accumulation, therefore,

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[118 David Ricardo, *The principles of political economy and taxation*, Dent, London, 1912 [1817], pp. 71, 73.]

119 Georg Charasoff, *Das System des Marxismus: Darstellung und Kritik*, Bondy, Berlin, 1910.

[120 Karl Marx, *Capital. Volume 3*, Penguin, Harmondsworth, 1981, p. 319.]

[121 Marx 'Economic manuscript of 1861-63', MECW 32, p. 165.]

an ever larger part, not only absolutely but also relatively, must be deducted from surplus value for the purposes of accumulation. So at high levels of accumulation, when extent of the total social capital is great, the part of surplus value required for additional accumulation, a_c, will be so large that it finally absorbs almost all of the surplus value. A point must be reached at which the part of surplus value destined for the consumption of the workers and the capitalists (a_v + f) declines absolutely. That is, the turning point at which the previously latent tendency to break-down begins to take effect. Now it is apparent that the conditions required for the continuation of accumulation can no longer be entirely fulfilled, that the mass of surplus value, although it has grown absolutely, is not sufficient for the three functions. If, as has previously been assumed, the additional constant capital (a_c) is deducted from surplus value to the required extent, then the revenue part is not sufficient to cover the consumption of the workers and the entrepreneurs to the previous extent. *An intense struggle between the working class and the entrepreneurs over the division of revenue*, rising pressure from entrepreneurs on the level of wages becomes unavoidable. If, on the other hand, the capitalists are forced, under pressure from the working class, to maintain the previous level of wages and consequently the part destined for additional accumulation a_c is reduced, the tempo of accumulation slowed. This would signify that the productive apparatus cannot be renewed and expanded to the extent required by technological progress. A relative technological backwardness in the productive apparatus would set in. Any further accumulation must, in such circumstances, increase the difficulties because the mass of surplus value can only be increased to an insignificant extent, with a given population. Surplus value flowing from previous capital outlays must therefore remain idle; an excess of inactive capital searching in vain for investment opportunities results. In this way, Grossman explains the technological backwardness of the older capitalist countries with a higher level of capital accumulation, like England, and the tendency apparent there for the level of wages to stagnate or decline.

In ‘pure’, i.e. isolated, capitalism, these tendencies must soon prevail, i.e. lead to the breakdown of the system, under the pressure of intensifying class antagonisms. In capitalism which is interdependent with the world economy numerous *countertendencies* operate to weaken the tendency to break-down, which is then only expressed in temporary *crises*.

The periodic devaluation of available capital repeatedly improves valorisation (the rate of profit) and increases the mass of profit by the reducing the cost of producing constant capital and variable capital (the level of wages), shortening turnover time, improving the organisation of transport, reducing stocks and commercial expenses. The advantages derived from the domination of the world market operate in the same way. Unequal exchange takes place in foreign trade—the technologically advanced countries receive a higher value in exchange for the value of their commodities—which also increases profits. This also results from the export of capital. Capital export occurs because an overaccumulation of capital predominates in the highly developed capitalist countries and consequently there is a lack of opportunities for investment. As a consequence, the capital exporting country receive an additional injection of surplus value, that improves the insufficient valorisation of capital and weakens or temporarily suspends the tendency to break-down. This explains the intensity of imperialist expansion during the late phase of capital accumulation. Imperialism is an attempt to improve currently insufficient valorisation and hence to extend the life-span of the capitalist system, by weakening tendencies to break-down, through the transfer of surplus profits from colonial territories to highly developed capitalist countries. In this way, Grossman combines the theory of breakdown with the theory of crisis. *Crisis is an expression of breakdown that has not fully developed, because it has been mitigated by countertendencies*. But soon it is apparent that, because of the nature of the above countertendencies, they are only temporary and only able

to counteract the tendency to break-down to a certain extent. Stocks can only be reduced to a definite lower limit, breaching which would disrupt the continuity of the production process. Wages can only be depressed to a definite limit, breaching which would mean that the labour power of the working class was not fully reproduced, instead a decline in the intensity and quality of labour would decline. The reduction of commercial profits can only improve the profitability of industry to a limited extent. The more commerce is reduced, the smaller the mitigating effects of further reduction will be. The counter-effects of capital export can also only be temporary. To the extent that the number of countries with excess capital and consequently seeking to export increases in the course of accumulation, competition on the world market increases, the struggle over profitable spheres for investment. For this reason too, the tendency to break-down must become more intense, at definite point. The increase in fixed capital does not have a different effect. At higher levels of capital accumulation, at which fixed capital is a larger component of constant capital, the reduction of production during the crisis has ever smaller significance: the burden of amortisation and interest payments for fixed capital on the firm does not decline when production is reduced.

So it is apparent that the immanent laws of capital accumulation themselves progressively weaken the countertendencies. Overcoming crises becomes ever more difficult, the tendency to break-down more and more holds sway. The periods of upturn become ever shorter, the duration and intensity of crisis periods rises. In his formula for crises Grossman attempts to determine the phase length of the economic cycle theoretically, by means of mathematics, and to identify the factors on which the extension or contraction of the economic cycle depend,. If crisis is, for him, the tendency to breakdown which has not fully developed, *the breakdown of capitalism is nothing other than a crisis that is not checked by countertendencies*.

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

From the standpoint of a Marxist theory of crisis and breakdown, it is obvious to Grossman from the start that the question of perhaps fatalistically awaiting the 'automatic' breakdown without actively intervening, does not arise for the working class. Old regimes never 'fall' of their own accord, even during a period of crisis, if they are not 'toppled over' (Lenin).[122] According to Grossman, the point of a Marxist theory of breakdown is only to demarcate voluntarism and putschism, which regard revolution as possible at any time without considering [whether there is] an *objectively revolutionary situation* and as dependent only on the subjective will of the revolutionaries. The point of breakdown theory is that the revolutionary action of the proletariat only receives its most powerful impulse from the objective convulsion of the established system and, at the same time, only this creates the circumstances necessary successfully crush ruling class resistance.

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

Rosa Luxemburg assumed that there was a gap in *Capital*, that Marx had not considered foreign trade, an assumption that can only be explained by the lack of recognition, at that time, of the method which underlies the structure of *Capital* as a specific theoretical problem. For this reason, however, it was not possible for Luxemburg to fully understanding of Marx's solution.

If the process of isolation served the classical economists, Marx—according to Grossman—employs the so-called *procedure of successive approximation*. In order to research causes in the complicated world of appearances, Marx, like the classical economists, makes numerous

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[122 Vladimir Ilych Lenin, 'The collapse of the Second International', LCW 21, [1915], p. 214.]

simplifying assumptions by means of which he departs from the concrete totality of appearances, although this is precisely in order to explain it. The understanding achieved [in this way] can only have a preliminary character and constitute only the first stage of knowledge in the procedure of successive approximation, which must be followed by a further, definitive stage. To each simplifying assumption there corresponds a subsequent correction, which in the final result takes into account the elements of actual reality that were initially neglected. All phenomena and problems are dealt with twice in this procedure: first under simplifying assumptions, then in their final form. This method underlies Marx's analysis in all three volumes of *Capital*. Those from whom this remains hidden must encounter continual 'contradictions' between the individual components of Marx's theory.

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