China, Russia, USA—

State-Capitalism and Marx's Humanism

or

Philosophy and Revolution

By

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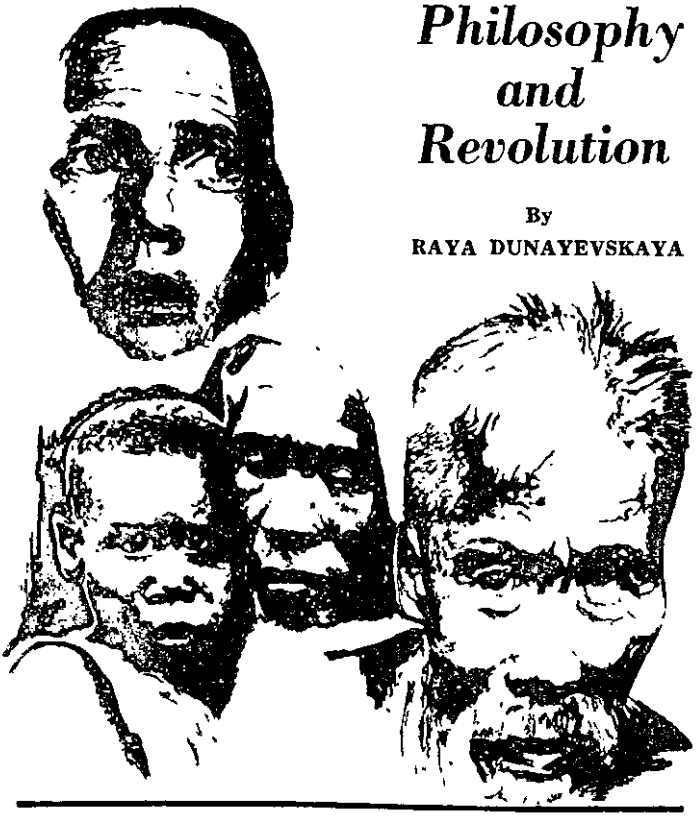

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Analysis of Rosa Luxemburg's *Accumulation of Capital*

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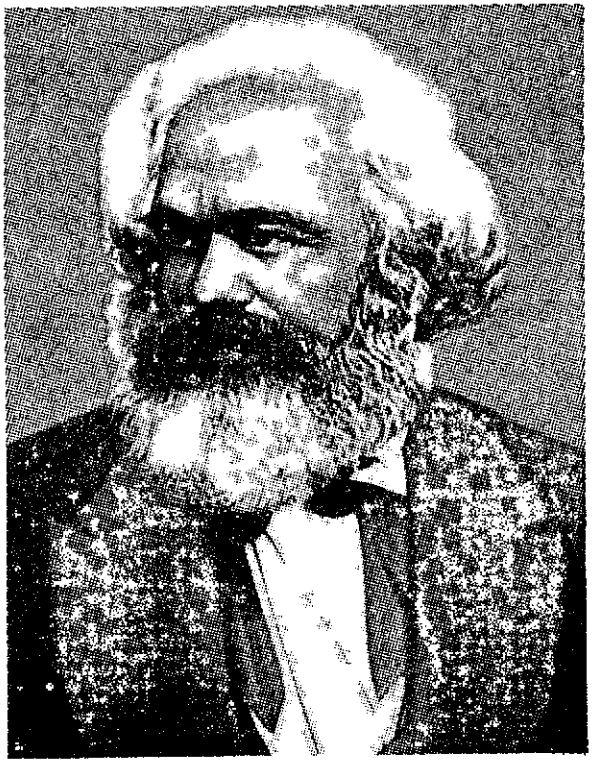

Karl Marx

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ANALYSIS OF ROSA LUXEMBURG'S "ACCUMULATION OF CAPITAL"

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ON THE OCCASION OF THE 100th ANNIVERSARY OF THE PUBLICATION OF KARL MARX'S "CAPITAL"

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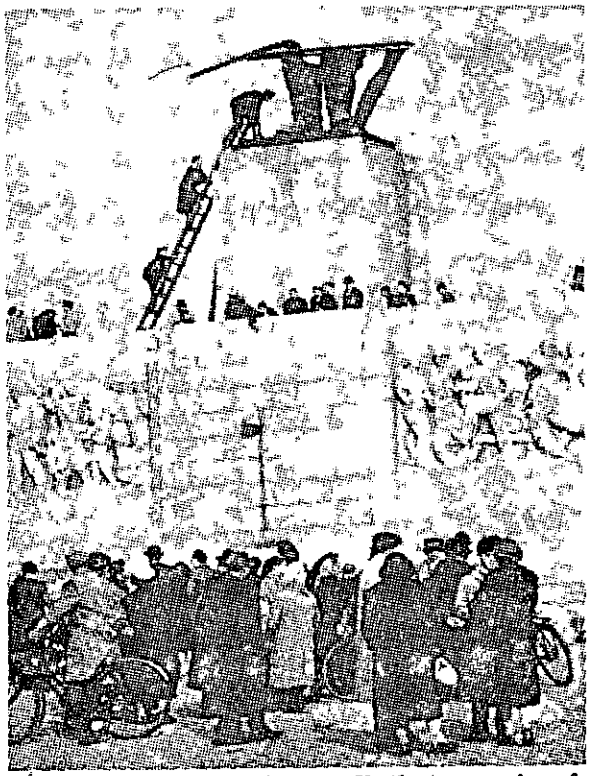


BOOTS OF STALIN are all that remain of his statue as Hungarian revolutionary freedom fighters demonstrate their hatred of the totalitarian regime forced on them by the Russian dictator as they demolish his statue in Budapest during the 1956 Hungarian Revolution.

I. The New Vantage Point

The state-capitalism at issue is not the one theoretically envisaged by Karl Marx in 1867-1883 as the logical conclusion to the development of English competitive capitalism. It is true that "the law of motion" of capitalist society was discerned and profoundly analyzed by Marx. Of necessity, however, the actual results of the projected ultimate development to concentration and centralization of capital differed sweepingly from the abstract concept of the centralization of capital "in the hands of one single capitalist, or in those of one single corporation." (1) Where Marx's own study cannot substitute for an analysis of **existing** state-capitalism, the debates around the question by his adherents can hardly do so, even where these have been updated to the end of the 1920's. For us, in the mid-1960's, to turn to these disputes for any other than methodological purposes, appears to this writer altogether futile.

The state-capitalism that is in need of analysis is not the one that feebly emerged and died during the first world war, but the one which emerged on a world scale in myriad forms during the world Depression and survived World War II. Presently it has the appearance of affluence in the industrially advanced countries and that of near-starvation in the technologically underdeveloped countries in Asia, Africa, the Middle East and Latin America. The fact that within each affluent country there are the unskilled laborers and the national minorities who remain the ill-paid, ill-clad, ill-fed and ill-housed, seems to be of less significance to many Marxist theoreticians than the more startling fact that, no matter how the Depression had undermined private capitalism which disgorged both Nazism and the "New Deal," the full statification of production took place in what had been a workers' state: Soviet Russia.

By the end of World War II the State Party Plan had characterized not only Russia and its East European satellites, but also China where Communism had achieved power on its own. Moreover, it

(1) K. Marx, Capital, Vol. I, p. 688. (Chas. H. Kerr, Chicago, 1932).

was achieved via an altogether new road — the result of a protracted guerrilla war that outflanked the cities. What seems to be little known is that up to the so-called Great Leap Forward in 1957, Mao's China referred to itself as "state-capitalist." (2) It is true that its use of the term was not in the sense of a new stage of world production, but in the sense of something "Communism" could set "limits to."

Even those who either do not accept the theory of state-capitalism, or say that it does not apply to Russia, Eastern Europe or China, face one and the same problem: Has the new stage of production, by whatever name, proven its viability? That is to say, has it found the means whereby to overcome the catastrophic economic crises that were supposed to have caused capitalism's collapse? Is it possible to "liberate" the productive forces for limitless production without releasing the proletariat from wage-slavery and thereby achieving a totally new kind, a greater kind of energy from the liberated proletariat?

Many there are who think the answer is: Yes. Moreover, these same theoreticians would call that science "neutral" and even "magical" which ushered in both the nuclear age and Automation. After all, Automation had succeeded in achieving a phenomenal rise in labor productivity through the application of ever greater amounts of constant capital (machinery) at the expense of ever less numbers (relatively) of workers. And since every one, regardless of class, fears that a nuclear holocaust would spell the end of civilization as we have known it, modern capitalism is also supposed to have learned to stop short of nuclear war, thus barring the only other avenue open to social revolution — the transformation of an imperialist war into a civil war. Those who pose such questions, as well as those who fear such answers, seem not to have asked themselves, why had these questions not been raised directly after World War II when both Europe and the Orient lay prostrate? Why could these problems not have presented themselves any earlier than the mid-1950's when, on the one hand, Western Europe could, without the prop of the Marshall Plan, once again stand on its own economic feet; and, on the other hand, the Korean War had ended so that a semblance of peace could be effected? To get the answers to these questions, we must take a closer look at those mid-1950's.

(2) The Report on the Draft Constitution of the People's Republic of China, on September 15, 1954, reads: "The transitional form for the socialist transformation of industry and commerce is state capitalism. In the historical circumstances of China we can carry out the gradual transformation of capitalist industry and commerce through various forms of state capitalism. State capitalism under the control of a state led by the working class is different in nature from state capitalism under bourgeois rule." (Documents of the First Session of the First National People's Congress of the People's Republic of China, p. 35. Foreign Language Press, Peking, 1955). Even on the eve of the so-called Great Leap Forward, the Eighth National Congress of the Chinese Communist Party—the only time a congress of the CCP had been convened since 1945, four years before conquest of power in 1949, and none has been convened since—was so far from anticipating the overnight establishment of "socialism" that the main report held that "in our country the allies of the working class consist not only of the peasantry and the urban petty bourgeoisie, but also the national bourgeoisie."(Eighth National Congress of the Communist Party of China, Vol. I, Documents, p. 19, Peking. 1956.)

THE PERIOD of 1950-1956 is a crucial one, however, not because capitalism had gained a new lease on life, **but because a new proletarian opposition arose.** In the United States workers were resisting the new stage of production called Automation by a general strike in the mines, wildcatting in the auto industry, talking up a storm at union meetings and elsewhere. In East Germany, the opposition to increased "norms" (speedup) led to open revolt against the totalitarian state.

The absolutely unprecedented developments throughout Eastern Europe culminated in the Hungarian Revolution of 1956, the very year which ushered in the Negro Revolution in the United States. (3) By the end of the 1950's that new page of freedom was large enough to cover a new, a third world — Asia, Africa, Latin America. **Along with these epochal developments came a search for a new philosophy of freedom, a new, a Marxist Humanism.**

In the third section of this essay we will deal with the philosophical problems of today. Here it will

(3) For a factual report of the Montgomery Bus Boycott by one of its leaders see **Stride Toward Freedom: The Montgomery Story**, by Martin Luther King, Jr. (Harper & Row, NY, 1958). For a Marxist-Humanist analysis, see MARXISM AND FREEDOM, p. 279-83, and Introduction to the 2nd edition. (Twayne Publishers, N.Y. 1958 and 1964).

suffice to assert that the theoretical void in the Marxist movement since the death of Lenin has not been filled, not for lack of a life and death struggle over Stalin's usurpation of the mantle of Lenin, nor for lack of statistical studies of the economy and reams of political theses. Rather, the void exists because, from Leon Trotsky down, the disputants have failed to face up to the shattering truth of Lenin's wartime break with his own philosophic past. Lenin's dialectical analysis of the relationship of monopoly capitalism to the collapse of the Second International at the outbreak of the first world war has been reduced to a set of cliches, while the methodology he worked out for discerning the emergent administrative mentality **within** Bolshevism has been bypassed altogether.

Where Lenin, although he knew exactly where he was going politically, felt it imperative to work out **anew** the dialectic methodology, directly from Hegel and, indirectly, in relationship to the attitude of his Bolshevik co-leaders, how can "Leninists" think they can coast along politically without such a philosophic foundation? Naturally, this is not a mere matter of showing "respect" for the dialectic. That word was on no ones lips more frequently than on Bukharin's. And yet the mechanistic abstractions of his philosophic magnum opus, **Historical Materialism,** permeate all of his writings, even the "correct" ones. Moreover — and this, precisely, is the reason for its relevance to today's debates — his dialectic never seemed to breathe life, have a "personality" of its own, much less that of self-activity, of **proletarian** self-development. It is no accident that the so misused and abused word, the dialectic, keeps cropping up throughout a whole decade of debates among Bolsheviks, from the outbreak of the first world war till Lenin's death, January, 1924.

The relevance, nay, the imperativeness of a philosophic method as foundation for today's debates on state-capitalism lies in this: without it, the debates can lead nowhere else but to eclecticism. This has been true ever since World War II proved the Trotskyist Fourth International to have been a stillbirth. It has resulted in the theoretician being forced to "pick out something" from a Bukharin who had worked out a full theory of state-capitalism without

giving up what he had previously learned from Trotsky, though the latter had rejected the idea that the theory of state-capitalism had any applicability to Russia. For good measure, one adds to this something from Lenin who analyzed a state-capitalism which one "cannot find in books" because its frame of reference was a workers' state, that is to say, a state where workers controlled the conditions of production, held political power. This choosing and picking from contradictory theories is then topped by one's own contribution of a still different epoch, thereby succeeding in making a complete hash both of different historic periods and conflicting philosophic methods. Of necessity, this must end by superimposing an abstract universal, like Revolution, with a capital R, on a static situation, instead of laboring to discern new revolutionary impulses and the **emergence of a concrete universal out of the actually developing conflicts wherein the "subject" (the proletariat) itself determines the end — both the revolution and what comes after as inseparables.** The discernment of new revolutionary impulses is a task each generation of Marxists must achieve for itself. The methodology that was at stake in the debates **between Bolshevik theoreticians,** between Lenin and Bukharin, however, has much to tell us for the period of the 1960's.

II. Lenin vs. Bukharin: the Dialectic and Its Methodological Enemy, Abstract Revolutionism

Because the transformation of reality is central to the Hegelian dialectic, Hegel's philosophy comes to life, over and over again, in all periods of crisis and transition, when society is shaken to its foundations as the world reaches a new turning point. Hegel himself lived at just such a turning point in history — the French Revolution; the dialectic has rightly been called "the algebra of revolution." (4) What seems almost beyond comprehension is this: **just when** the Russian Revolution made real "the algebra of revolution," and smashed bourgeois state power, **just when** "workers organized as the ruling class" was concretized as Soviet power, and the workers finally organized national trade unions, and **just when** the Party that led the revolution was establishing the first workers' state in history, that Party became embroiled in arguments over, of all things, state-capitalism.

The two debates most relevant to us are the vocal one on the trade unions and the silent one—Lenin's Notes on Bukharin's **Economics of the Transition Period.** Elsewhere (5) I have analyzed the three major positions in that famous trade-union debate, 1920-21, including that of Shlyapnikov of the Workers' Opposition who opposed both Lenin and Trotsky-Bukharin and who called for an "All-Russian Congress of Producers." The position of Lenin—that the workers must maintain the independence of their trade unions (and all other organizations) from the state, although that state be a workers' state — was opposed by Bukharin, this time in coalition with Trotsky. They maintained that, "since" Russia was a workers' state, the workers had nothing to fear from it, and "therefore" should dissolve their trade unions into the state apparatus. Here, where we are concerned with methodology, the trade union debate concerns us only as it illuminated, theoretically, the role of workers in a workers' state and as this, in turn, was related to the theory of state-capitalism. In a word, Bukharin's **theory** underlying his argumentation in the trade union debate is of greater relevance to us than the debate itself, which, of necessity, bears the marks of factionalism. It will clarify matters if we concentrate, therefore, on his **Economics of the Transition Period,** and, along with it, Lenin's commentary on it. (6)

Bukharin's theory of state-capitalism, the obverse side of his theory of economic development under a workers' state, is that of a continuous development, a straight line leading from "unorganized" competitive capitalism to "organized" state-capitalism. On a world scale, it remains "anarchic," subject to the "blind laws of the world market." Anarchy is "supplemented by antagonistic classes." Only the proletariat, by seizing political power, can extend "organized production" to the whole world. The fact that Bukharin believes in social revolution does not, however, seem to stop him from dealing with labor, **not as subject, but as object.**

Quite the contrary. 1917 notwithstanding — and despite the fact that Bukharin played no small role in that revolution — his **concept** of revolution is so abstract that all human activity is subsumed under it. Thus, he is inescapably driven to preclude self-movement. Which is exactly why labor remains an object to him. **As object,** the highest attribute Bukharin can think of assigning labor is its becoming an "aggregate." Indeed, Bukharin uses the

(4) Alexander Herzen, Selected Philosophical Works, p. 521. (Foreign Language Publishing House, Moscow, 1956.)

(5) See Chapter XII, MARXISM AND FREEDOM. Those who can read Russian will find the major positions included in The Party and the Trade Unions, edited by Zinoviev, and the major proponents speaking for themselves—Lenin, Trotsky, Shlyapnikov—in the Stenographic Minutes of Ninth Congress of the Russian Communist Party. When Lenin was alive, no one thought that theoretical disputes are won through concealing the opponents' views. The English reader is limited to Lenin's views arguing against the other positions. Lenin, Selected Works, Vol. IX (International Publishers, NY, 1943) is indispensable both for the trade union debate and the Report to 11th Congress of RCP where Lenin warned of a "return backwards to capitalism."

(6) Unfortunately neither Bukharin's Economics of the Transition Period, nor Lenin's Commentary on it is available in English. (I've used the Russian texts.) However, other works by N. Bukharin are available in English. These are: The World Economy and Imperialism, Historical Materialism, and individual essays are included in other works, those against self-determination in The Bolsheviks and the World War (edited by Gankin and Fisher, Stanford U. Press, 1940) and elsewhere.

word, subject, not to denote the proletariat, or living man, but just "consciousness," "single will" so that, despite his contention that only the proletariat can plan on a world scale, state-capitalism "has become a rational organization from an irrational system; from a subject-less economy, it has become an economic subject." To this economic form of "the future" the proletariat must submit; in a workers' state he becomes the "smallest cell." Thus: "The statification of the trade union and factual statification of all mass organizations of the proletariat is the result of the very inner logic of the process of transformation . . . The smallest cell of the workers' apparatus must become transformed into a bearer of the general process which is planfully led and conducted by the collective reason of the working class which finds its material embodiment in the highest and most all embracing organization, in its state apparatus. Thereby the system of state-capitalism is dialectically transformed into the state form of workers' socialism." Everything here stands topsy turvy as if indeed people were nothing but "human machines." (7)

FOR A REVOLUTIONARY intellectual to have become so entrapped in the fundamental alienation of philosophers in a class society, identifying men with things, is a phenomenon that laid heavy on Lenin's mind as he wrote his **Will**, but in his Notes on Bukharin's book, Lenin moved cautiously in drawing any conclusions. Yet he began his criticism with Bukharin's very definition of political economy as "the science of social economy based on production of **commodities**, i.e., the science of an **unorganized** social economy." Lenin comments: "Two untruths: (1) the definition is a step backward from Engels; (2) commodity production is **also** 'organized' economy."

By stressing that not only state-capitalism, but even simple commodity production is "**also** 'organized' economy," Lenin is rejecting the counterposition of "unorganized" to "organized" as any sort of fundamental criterion for the determination of a workers' state. By pointing out that Engels had,

(7) **Draft CI Program**, included in **Ataka**, p. 121, Collection of Theoretical Articles by N. Bukharin (May, 1924, Moscow, Russian).

as far back as 1891, held that, with trustification, planlessness ceases, Lenin has in mind his **State and Revolution** where he first developed not only his theory of state-capitalism (based on Engels' thesis) but also his theory of proletarian revolution.

Or, to put it differently, what Lenin is saying is that the days when plan and planlessness were considered absolute opposites, are gone forever. What is now on the agenda is listening to the voices from below not only for the theoretical preparation for revolution, as he had done in **State and Revolution**, but for reconstruction of society on new beginnings. The point at issue now, 1920, is this: Russia is not a theoretical or "abstract" workers' state. It is a workers' and peasants' government that is "bureaucratically deformed." The workers are demanding an end to State interference in their trade unions: "We, the ordinary rank and file, the masses, say that we must renovate, we must correct, we must expel the bureaucrats; but you pitch us a yarn about engaging in production. I do not want to engage in production with such and such a bureaucratic board of directors." (8).

So totally did Lenin disagree with Bukharin's **method** of presentation that even when he agreed with the specific points, he felt it necessary to criticize. Thus, he singled out for praise Bukharin's restatement of Marx's "two essential moments: **centralisation of means of production and socialisation of labor** which bloomed together with the capitalist method of production and inside it." But here is how he phrased his agreement: "Finally, thank god! Human language instead of 'organized' babbling All is well that ends well."

But "all" didn't end well, not even when there was no disagreement. Thus, there was certainly no disagreement about the major achievement of the Russian Revolution — the destruction of bourgeois production relations. But the minute Bukharin tried to make an abstraction of that, tried to subsume production relations under "technical relations," it became obvious to Lenin that Bukharin simply failed to understand the dialectic. Thus, when he quoted Bukharin to the effect, that, "Once the destruction of capitalist production relations is

(8) **Lenin, Selected Works, Vol. IX, p. 19.**

really given, and once the theoretic impossibility of their restoration is proven," Lenin hit back with: "'Impossibiliity' is demonstrable only practically. The author does not pose **dialectically** the relationship of theory to practice."

Practice to Lenin was **workers practicing. To the Marxist theoretician, this is where all theory must begin.** Without having been aware of Marx's Humanist Essays — they had not yet been discovered and published — Lenin developed a "new universal" for his age, that the population, **to a man,** was to run production and the state — or it could not be considered a new social order. He wrote this in **State and Revolution,** and he tried practicing it after conquest of power. What worried him about his Bolshevik co-leaders was that, now that they had power, they themselves either displayed "a passion for bossing," or, at best, were ready with an administrative solution where only the self-activity of the masses could solve the crisis. (9)

In the fires of revolution and, again, when under the threat of counter-revolution, all may have been forgiven. On his death-bed, however, Lenin showed he had not forgotten. As he lay writhing in agony— not just physical agony, but agony over the early bureaucratisation of the workers' state and its tendency "to move backwards to capitalism"—Lenin took the measure of his co-leaders in his **Will.** In it, Lenin warns that Bukharin, despite the fact that he was the Party's "most valuable and biggest theoretician," "never learned and, I think, never fully understood the dialectic." (10)

It sounds like the kind of abstraction that Lenin considered his methodological enemy, the kind of abstraction that Lenin criticized in Bukharin. Once,

(10) Lenin's **Will** has been published in various papers since Khrushchev's deStalinization speech in 1956. I've used the text as first published by Trotsky, **The Suppressed Testament of Lenin** (Pioneer Publishers, NY, 1935.)

(9) "They (the workers and peasants) must understand that the whole thing now is practice, that the historical moment has arrived when theory is being transformed into practice, is vitalised by practice, corrected by practice, tested by practice . . . . Every attempt to adhere to stereotyped forms and to impose uniformity from above, as our intellectuals are inclined to do, must be combated . . . . The Paris Commune gave a great example of how to combine initiative, independence, freedom of action and vigour from below with voluntary centralism stereotyped forms." (Lenin, **Selected Works,** Vol. IXmp. 420)

however, one remembers that the **Will** is both concrete and the summation of a whole decade of theoretical disputes, the realization begins to dawn that this is a generalization based on what had started with the beginning of the new, monopoly stage of capitalist production which had brought about the collapse of the Second International. At the turn of the century, the new development of capitalism had the leading Marxists searching for answers to new problems. The results of the new research and analyses can be seen in the following major works: Rudolf Hilferding's **Finance Capital** (1910), Rosa Luxemburg's **Accumulation of Capital** (1913)(11), Nikolai Bukharin's **The World Economy and Imperialism** (1915), and Lenin's **Imperialism** (1916). Because Lenin had also introduced Bukharin's work, and took no issue with it, the impression created when the two disagreed sharply on the question of national self-determination during the same period, was that the point at issue was "only political."

IN TRUTH, the methodology of the two works shows they are poles apart. Thus, as opposed to Bukharin's concept of capitalist growth in a straight line, or via a quantitative ratio, Lenin's own work holds on tightly to the dialectical principle, "transformation into opposite." The key point in tracing the **subject's** self-development instead of an "objective" mathematical growth is that the former not only makes it possible to see transformation into opposite of both competitive capitalism into monopoly **and** part of labor into an aristrocracy, **but also** makes you conscious that this is but the "first negative," to use an expression of Hegel's. The development through **this** contradiction compels finding the "second negative," or as Marx expressed it, going "lower and deeper" into the masses to find the **new** revolutionary forces. Thus, Lenin held that, **just when,** capitalism had reached this high stage of "organization," monopoly (which extended itself into

(11) Insofar as Luxemburg's theory of accumulation deviated from Marx's and anticipated that of Keynes on the question of "effective demand," Luxemburg was suddenly hailed by academic economists, particularly Joan Robinson. Nothing, however, could have been further from Luxemburg's mind than the uses to which her theory is put. (See my 1946 analysis, reproduced in Appendix.)

imperialism), is the time to see new, national revolutionary forces that would act as "bacilli" for proletarian revolutions as well. (12) Where Lenin saw, in the stage of imperialism, a new urgency for the slogan of national self-determination, Bukharin vehemently opposed the slogan as both "impossible of achievement" and "reactionary." Nothing short of a direct road to socialist revolution would do for him. This plunge to abstract revolutionism in place of working with the concretely developing revolutionary forces, which Hegel would have considered a manifestation of jumping to the "Absolute like a shot out of a pistol," and which politicos called "ultra-leftism", **Lenin called nothing short of "imperialist economism." (13)**

Such a characterization of a Bolshevik co-leader whose work, **The World Economy and Imperialism** he had introduced less than a year before, wasn't something that came out only because of the heat of a factional debate. **In the heat of a factional debate what became clear to Lenin was that "the failure to understand the dialectic" meant the failure to see self-activity of the masses. To think that anything short of sensing blindness to the self-activity of the masses would have caused Lenin to describe a Bolshevik co-leader in words that would characterize a class enemy is to close the only avenue open to marching with "the masses as reason."**

The dialectic obviously meant something different in 1917 than it had in 1914-16 when the problem was to relate the betrayal of the Second International to the objective development of capitalism. Then "the transformation into opposite" — competition into monopoly — meant also the transformation of a part of labor into its opposite, the aristocracy of labor that gained from capitalism's imperialist adventures. By 1917 the administrative mentality began to permeate Bolshevism itself, once it assumed power. Lenin discerned the tendency to substitute an administrative solution to problems which can only be resolved by the self-development of the proletariat precisely because he stood firmly on the ground

(12) Vol. V of Lenin's Selected Works and Vol. XIX of his Collected Works contain the major articles on the question of national self-determination.

(13) See "Lenin and the Imperialist Economism of the Bukharin-Piatakov Group" (pp. 22-247), in **The Bolsheviks and the World War**, edited by Gankin and Fisher, where Bukharin's analyses are likewise published.

of the historic achievements of the Russian Revolution. For this reason and for this reason alone he could be so uncompromising in his criticism of the Bolsheviks who led the revolution.

Where the dialectic became the **pons asini** for Lenin who was witnessing the barest emergence of bureaucratisation of the early workers' state, can the dialectic mean less for us who have seen its full development — the transformation of the workers' state into its absolute opposite, a state-capitalist society? Where the debates on the class nature of Russia in the late 1930's and early 1940's could revolve around political forms and economic relations, can we continue to escape the integrality of philosophy with revolution in the 1950's? Once the workers have revealed new revolutionary impulses in the 1950's, shouldn't this, of necessity, have also created a new vantage point for the debates on state-capitalism?

III. The Philosophic-Economic Problems Of Today

It is this which distinguishes the 1960's from all other periods. I do not mean to say that there was no proletarian opposition to the emergent state-capitalism and fascism in the 1930's which bore witness to such revolutionary transformations as the sit-downs and the establishment of the C.I.O. in the United States and the tremendous upheavals throughout Europe culminating in the Spanish Revolution of 1937. The victory of fascism, however, not only destroyed the revolution but also, unfortunately, created new illusions as to the nature of Stalinism. Thus, although the "bureaucratic collectivist" tendency had broken from Trotskyism and its concept of Russia as a workers' state, "though degenerate," it itself could still put forward such spurious ideas as Stalinism being part of "the collectivist epoch (sic!) of human history." (14)

(In contrast to this early statement, Max Shachtman, in his 1961 Foreword to his **Bureaucratic Revolution,** defines Stalinism as "a unique form of reactionism" as if that had always been his analysis of "bureaucratic collectivism." "The name is meant to reject the belief that Stalinist society is in any way socialist or is compatible with socialism; and to reject as well the belief that it is capitalism, or

(14) Not by accident, Max Shachtman, in reproducing a selected, a very selected, group of his articles on bureaucratic collectivism under the title of **The Bureaucratic Revolution** (The Donald Press, NY, 1962) skips the whole critical year, 1941, when those who split from Trotskyism, had to account for themselves theoretically. Here is what he did say then: "Bureaucratic collectivism is closer to capitalism so far as its social relations are concerned, than it is to a state of the socialist type. Yet, just as capitalism is part of the long historical epoch of private property, bureaucratic collectivism is part—an unforseen, mongrelized, reactionary part, but a part nevertheless—of the collectivist epoch of human history. The social order of bureaucratic collectivism is distinguished from the social order of capitalism primarily in that the former is based upon new and more advanced form of property, namely, state property. That this new form of property—a conquest of the Bolshevik revolution—is progressive, i.e., historically superior, to private property is demonstrated theoretically by Marxism and by the test of practice." (This resolution has also been printed in **The New International, October, 1941, p. 238.)**

moving toward capitalism." (p. 1) Actually, Shachtman fought those (Joe Carter, Hal Draper et al) who did consider bureaucratic collectivism "equally reactionary with capitalism." (See 1944 **Workers Party** Historic Documents Bulletin #1 where all major positions are stated.) In any case none of those in the U.S. expounding the "unique" conception of bureaucratic collectivism (James Burnham and his **Managerial Revolution** included) originated the concept. Rather it was Bruno R. (Rizzi) who authored **La Bureaucratisation du Monde** in 1939. The one thing that all these tendencies (including also the French of Pierre Chaulieu) have in common is their departure from Marxism in general and the Marxist economic categories in particular.)

The state-capitalist theoreticians put all the weight of their arguments on the exploitative relations between State Planners and workers, and, in the post-war discussions on the class nature of Stalinism, the emphasis shifted with the reality — the objective compulsion for world domination on the part of each of the only two remaining world powers — the United States and Russia.

Not only on the question of the law of value but also when the new form of world competition — nuclear holocaust — became the determinant, when the US alone had the monopoly of the A-bomb, I wrote: "Atomic energy may be the secret discovery of the United States. But Russia must follow suit or perish. And it does not intend to perish." (15) But to the extent that the workers' resistance to state-capitalism had nowhere exploded in open rebellion, the role of the workers could only be presented negatively.

(15) I happened to have been the first to have analyzed the three Five Year plans from original documentary sources, and thus analyzed the operation of the law of value in Russia. (See "An Analysis of the Russian Economy" in the New International, Dec. 1942, Jan. and Feb. 1943; and, again, in Dec. 1946 and Jan. '47). When the Russian theoreticians first openly revised the Marxian analysis of the law of value, I was the first to translate their study from **Pod Znamenem Marxizma**, with a commentary of my own, both of which were published in the American Economic Review, September, 1944, and, again, September, 1945. The quotation, above, on atomic energy was from the 1947 outline of "Marxism and State Capitalism." This was the period also of the publication, in mimeographed form, of Marx's Humanist Essays in the United States. It was only during the late 1950's, however, that the academic world was finally forced to concern itself with Marx's Humanism not as a form of "utopianism" but as an urgent problem of the day. Where the academic world disregarded philosophy, the journalists paid no attention to actual revolts in the

In 1953, on the other hand, with the spontaneous proletarian outburst in East Germany, followed in a few weeks by a strike in the forced labor camps within Russia itself, the pivot of the discussion at once shifted from concentration on the "objective" capitalist development (in Russia and the United States, in Japan and the world) to the new impulses emanating from the proletariat in revolt. It was only then that one began to see that the phenomenon of Automation had also changed the axis of the controversy, from the state form, or the political plane, to the relation of men to machines at the point of production. Here, too, the preponderant issue was not the object, the machine, but the subject, the worker battling Automation.

The American workers had not only come up with a new form of struggle — the wildcat — but had raised questions of the most profound philosophic importance. In mines, in shops, at union halls and outside of them, the workers were creating a new vocabulary. Automated machines were named "man-killers." The adjective used to describe their speed was "inhuman." In the mines the question most often asked was this: what kind of labor should men do? In the auto shops tales were told of how foremen were referring to the men as mere "fractions."

"When the foreman first told me I was so many tenths and so many thousands of a man I thought he was a nut. I argued with him. I told him a man is a whole human being. You can't split a man into fractions. But that's what they are doing to us.

"On the job, the foreman said that time study showed we had to get nine and one-tenth jobs an hour. He said it took so many man hours, and so many one-tenth man hours to get production. That's why the men had to be divided into tenths. They split us up into fractions . . ."(16)

Precisely because these questions were posed, not as "philosophical" questions, but as concrete and urgent matters affecting the workers' daily lives, they should have, but didn't, signify to theoreticians that philosophy, in Marx's sense of human activity, had become actual. Yet, if we are not to run a losing race with reality, all theory must begin here, just here. Because, in the mid-1940's it did not begin with the new revolutionary impulses from below, the postwar rediscovery of Marx's Humanist Essays could be confined to a discussion among intellectuals. Whether they were relegated, as with the Communists, to questions of "pre-Marxist" Marxism when Marx was still supposed to bear the birthmark of the original sin: Hegelianism, or whether alienation, as with the Existentialists, was abstracted equally from Kierkegaard and Marx, the point was the debates remained abstract, a game intellectuals played.

BY THE 1950's, on the other hand, this was no longer possible. The second rediscovery of the Humanist Essays came simultaneously when the proletariat from below, the youth, the masses were all in open revolt. While the Polish anti-Stalinist intellectuals were debating questions of alienation and humanism, the Hungarian Freedom Fighters brought these questions onto the historic stage, made them matters of life and death. Once the Russian tanks began to shoot Hungarian revolutionaries, no one could any longer separate the philosophy of freedom from the struggles for freedom. At the same time, the new forms of self-liberation — Workers' Councils, Councils of Revolutionary Youth and Intellectuals, all fighting for de-centralization of state power, for freedom from Communism — could not be pressed back into old molds. Now that a river of blood separated Communism from Humanism, the Communist opposition to the young Marx's writings had in it as much an academic air as "the empiricism of a machine gun." (17)

Finally, the second rediscovery of Marx's Humanist essays took place in England and in the United

forced labor camps in Russia. "When I first mentioned the words 'civil war' to these people," wrote Dr. Joseph Scholmer upon his being freed from a Vorkuta camp, "they were appalled. The possibility of a rising lay outside their realm of comprehension . . . . It seemed to me that the man in the street had the best idea of what was going on. The 'experts' seemed to understand nothing." (Vorkuta, p. 301, Henry Holton & Co., NY, 1954)

(16) Workers Battle Automation, by Charles Denby, pp. 11-14. (News & Letters).

(17) Far from this brilliant phrase of Trotsky's becoming the basis of the Trotskyists defending the wholeness of Marxian theory, they tailended the Stalinists also on this question. They opened their attack on Marx's early philosophical writings with a pretentious set of articles entitled "Socialism and Humanism" by Wm. F. Warde in the International Socialist Review (Winter and Spring, 1959) and have kept it up ever since. (See Marxism vs. Existentialism, 1965.)

States, where neither the Communist Party nor Existentialism were the powerful forces they had been in France and Italy in the mid-1940's. Humanism could no longer become an adjunct either to "science" or to the "opaqueness" of the human condition. The clear and loud voices on conditions of labor at point of production could not be silenced.

Nor was this any longer a European problem and an American side issue. A new, third world of technologically underdeveloped, but politically mature, countries, in the throes of birth, was unfurling the banner of the new Humanism. This stretched from West Africa where Leopold Sedar Senghor singled out the Humanism of Marxism as the most contemporary and profound aspect of Marxism, (18) to Latin America where Fidel Castro also at first called his revolution "humanist." (19) Even in the most pragmatic, most undialectical and unMarxist land—the United States—(and not among Marxists at that) the Negro Revolution began to speak in the terms of humanist philosophy. It is true that it was not yet in the sense of Marxist Humanism, that its frame of reference was the humanism of the Existentialist Jewish philosopher, Martin Buber, but this could as little hide the deep Marxist roots as could the choice of Gandhi "non-violence" hide the roots of Abolitionism. (20

Nor was this due to any forgetfulness of the "real" material foundations of the world. The

(18) Leopold Sedar Senghor, **African Socialism** (American Society of African Culture, NY, 1959); and also L. Senghor's "Socialism Is a Humanism" in **Socialist Humanism** edited by Erich Fromm, Doubleday, NY, 1965, pp. 53-67).

(19) Fidel Castro, **History Will Absolve Me** (1954), Lyle Stuart, NY, 1961); also his Summer, 1959 speech published in New Left Review, London, Jan.-Feb. 1961: "We have named it (our policy) humanism . . . The tremendous problem faced by the world is that it has been placed in a position where it must choose between capitalism, which starves people, and communism, which resolves economic problems, but suppresses the liberties so greatly cherished by man. . . . That is why we have said that we are one step ahead of the right and of the left and that this is a humanistic revolution, because it does not deprive men of this essence . . . Capitalism sacrifices man; the Communist state, by its totalitarian concept sacrifices the rights of man. That is why do I do not agree with any of them . . . ours is an autonomous Cuban revolution."

(20) See Preface to 2nd edition, **American Civilization on Trial** (News & Letters, Detroit, Mich., 1963). See also Rev. Martin Luther King, Jr., "Letter from Birmingham City Jail," published by New Leader, N.Y., 1963).

third world of technologically underdeveloped countries was all too conscious both of its physical hunger and its "industrial backwardness." The Negro Revolution in affluent United States could not possibly separate the fight for political equality from that for jobs. And the college youth the world over that wasn't working but was feeling its alienation was determined to let the world know that there were other, deeper crises, than the economic ones, nor were they going to be terrorized by the threat of nuclear war to de-humanized actions.

1. Economic Crises and Wars

I'm not saying that this means that all economic problems have thereby been "dissolved" into philosophic ones. That would be ludicrous. What I am saying is this: how, in the face of the actual objective and subjective conditions—the new forms of economic crises and wars, on the one hand, and the new forms of revolt and underlying philosophies, on the other hand—can the disputants on the state-capitalist theory keep themselves shut away from the existential reality of which philosophy is an integral part?

In the 1930's those who sensed the emergent state-capitalist form of production felt hamstrung by the giant revolutionary figure of Leon Trotsky who opposed the state-capitalist theory and lent all his weight to the characterization that nationalized property characterized Russia as a workers' state, "despite all crimes of Stalin" which contributed to the "degenerate form" of this workers' state's existence. The Hitler-Stalin Pact, followed by the outbreak of World War II, did undermine Trotskyism, splitting it, first, and, following the war, showing the Trotskyist Fourth International to have been a stillbirth, a mere footnote to history.

What excuse can there be now for any independent Marxist theoretician to persist in keeping economics, politics and philosophy in three separate compartments **just when** the 1950's disclosed a movement **from practice itself** toward theory?

Presently, if even we limit ourselves to normal and "purely" economic issues, we cannot escape seeing the new form of appearance of economic crises tied tightly to the new forms of revolt, be that of the Negro Revolution in affluent USA, or the Afro-Asian revolutions that brought into existence a new, a third world. Let us first look at the

relationship of the technologically advanced countries to the underdeveloped economies, made urgent for our day by the ever-widening gap between these newly independent countries and the technologies which suck the former back into the vortex of the world market and world production. Over half of the world's population live in countries with per capita income of less than $100 a year. Despite all the "foreign aid" there has been no improvement. In Indonesia, for example, the per capita product actually declined from pre-war levels; in all countries, even those experiencing a comparatively fairly high rate of economic growth, the gap between advanced and backward countries actually widened. Under world capitalism, it is true that the rich getting richer and the poor getting poorer is a familiar enough sight. The new form of appearance of economic crisis, however, is not, and it is for this reason that we must turn to the most extreme assumptions of Marx in purest theory.

It was Marx's contention that if capitalism continued in its perverse course of development—increasing constant capital, or machines, at the expense of variable capital, or labor—there would come a day when "if even" capitalists could appropriate "the full 24 hours of the laborer", (21) they would head toward collapse. The irreconcilable contradiction between the **method** of production—using ever more machines—and the **motive force** of production—extraction of surplus value or unpaid hours of labor from living labor—leads to crises, to curtailment of production, to big capital eating up little capital and greater production and still greater markets, only once more to end up in crises, and more technological revolutions that continue on their merry way, that is to say, in disregard of the motive force of capitalist production.

Yet, no matter how fabulous the mass of profits, once the capitalists experience a decline in the rate of profit, they lack the passion for the accumulation of capital needed to keep expanding production on the ever greater scale demanded by technological revolutions.

(21) Capital, Vol III, p. 468: "In order to produce the same rate of profit, when the constant capital set in motion by one laborer increases ten-fold, the surplus labor time would have to increase ten-fold, and soon the total labor time, and finally the full twenty-four hours a day would not suffice, even if wholly appropriated by capital."

So extreme was this assumption, in Volume III of **Capital**, that no one, at first, paid any attention to it when it was first published in 1895—ten years after Marx's death and some 30 years after he had written it. With the rise of imperialism and the super-profits of capitalism, one revolutionary Marxist—Rosa Luxemburg—thought, in fact, that she could disprove it by contrasting theory to reality. For Marx's abstract assumptions did indeed appear even more fantastic than the one that underlined Volume II of **Capital** where he presented a capitalism that had no worries over markets; everything the capitalists produced that was not consumed by itself and the laborers went into further production. Luxemburg now proclaimed that, if we are to wait for capitalism to collapse because of a decline in the rate of profit and lack of capital, we might as well wait for "the extinction of the moon." (22)

WHAT HAD seemed stratospheric to a great revolutionary at the turn of the century had, by the 1960's, so closely approached factual development that even a bourgeois economist could recognize this **visceral** characteristic of advanced capitalism which kept it from doing anything substantial to industrialize the underdeveloped countries, despite the fact that they feared that otherwise the "Third World" would be won over and absorbed in the Communist world. Thus Barbara Ward wrote: "American foreign ventures are barely one-fifth of Great Britain in its heyday . . . Shortage of capital is the world's troubles today, not the struggle of rival capitalists to go out and invest." (23) Miss Ward notwithstanding, imperialist rivalry, of course, also continues, as the attempts to dismember the Congo, on the one hand, and the all-sided investments in South Africa, on the other hand, testify.

At the same time, even in the most affluent of the developed countries—USA—and despite the

(22) Luxemburg, Accumulation of Capital. (Yale University Press, New Haven, 1951) translated into English as part of "Rare Masterpieces of Philosophy and Science," edited by Dr. W. Stark, introduced by Joan Robinson, and translated by Agnes Schwartschild , some vulgar errors appear, beginning with the elimination of the dashes in "Nikolai—on," thus "eliminating" the Tsarist censorship which compelled Danielson not to sign his name. Thereupon "Nikolayon" appears as if it were a name by itself. Nevertheless, the English reader is finally enabled to read Luxemburg's greatest theoretical work.

(23) Barbara Ward, Five Ideas that Changed the World, p. 139.

fact that we have, in the postwar world, confronted "only" recessions, not depressions, the crises had become chronic not alone in relation to the underdeveloped world, but right within it. Again, even bourgeois economists recognize the **chronic** nature both of the underdeveloped regions like Appalachia and persistent unemployment. (24)

One co-thinker has raised the question of the qualitative change in economic crises since the period of the Depression. He recognizes, of course, that our affluent society where depressions have become "mere" recessions is not free of crises, wars, political upheavals. He stresses, further, that the fictitious prosperity should not make us forget the new, third world, and calls for a theory of social revolution to be built on the theory of state capitalism. But this is still a long way from a concrete discussion of Marx's Humanism and the point is that the theory of state-capitalism must test itself against the philosophic developments as well as the economic, old and new. If we take a second look at the new forms of revolt—say, the Negro Revolution and the youth rebellion both against academia and the draft (25)—we can see how inter- related are the new forms of crises and new forms of revolt, and yet how "only human." The Negro Revolution began as a fight against segregation, but the greatest outbursts North have been among the urban, ghettoized Negro where unemployment is not a "mere 4-5 per cent ", but 25 per cent and higher. The Vietnam war, being a "poor man's war" (that is to say, the rich college youth can escape the draft), we again confront the economic problem, but again, it isn't only "economics".

The same is true of the slogan, "turn the imperialist war into a civil war." Of course, the problems of a nuclear age are different than when wars were fought with other arms. Of course, this makes more

(24) See Simon Kuznets, **Postwar Economic Growth**, which gives the reader not only an economic analysis of the postwar world but raises other than economic questions. "If modern economic growth is, in essence, a controlled revolution in economy and society, and the revolution in society, with its internal and external ramifications, is an indispensable part of the total process, economic growth is neither fully understood ,nor properly measurable and analysable, in a study limited to traditionally defined economic variables." (p. 128).

(25) See **The Free Speech Movement and Negro Revolution** by Mario Savio, Eugene Walker and Raya Dunayevskaya (News & Letters, Detroit, 1965).

urgent the anti-war struggles. Of course, it will be altogether too late to raise the slogan when the H-bombs start falling and put an end to civilization as we have known it. But it is precisely because the H-bomb cannot be used **within** a country without destroying the perpetrator of the crime that the slogan may, under many circumstances, be the only correct one. Surely, what we are witnessing in Vietnam is, precisely ,the revolutionary act of the South Vietnamese trying to transform the imperialist war into a civil war. And because it is indigenous, they have not lost yet, despite the astounding, the overwhelming might of United States imperialism.

2. *Mao's China: A New State-Capitalism*

Our age is the age of state-capitalism, national revolutions, and workers' revolts. Unless one is ready to base himself on the masses who alone can initiate a truly new social order, one has no place to go but to state-capitalism; the vortex of world industrial production sees to that. This is so irrespective of the fact that the economic foundation, as in China, remains overwhelmingly agricultural. As we saw earlier, China at first admitted as much, but maintained that it nevertheless was "different in nature" from capitalism. China's claim to being "different" notwithstanding, the non-viability of state-capitalism as a "new" social order is proven by the fact that it is subject to the same economic laws of development—that is to say, the compulsion to exploit the masses at home and to carry on wars abroad—as is that of private capitalism. (26) I summed this up in **Marxism and Freedom** by stating: "A shocking fact faces us now: Can there be war between two regimes calling themselves Communist?" When I posed this question in 1963, it sounded a bit on the wild side, and certainly more abstract than it does now that China not only has missiles and "Red Guards," but is also bound by its

(26) Chapter 17, "The Challenge of Mao Tse-tung" in the 1964 edition of MARXISM AND FREEDOM (Twayne, NY) traces "Mao's Thought" from the defeat of the 1925-27 Chinese Revolution through the conquest of power in 1949 to the 1963 challenge to Russian Communism for leadership of the Communist orbit. This is done against the background of the economic development of Communist China.

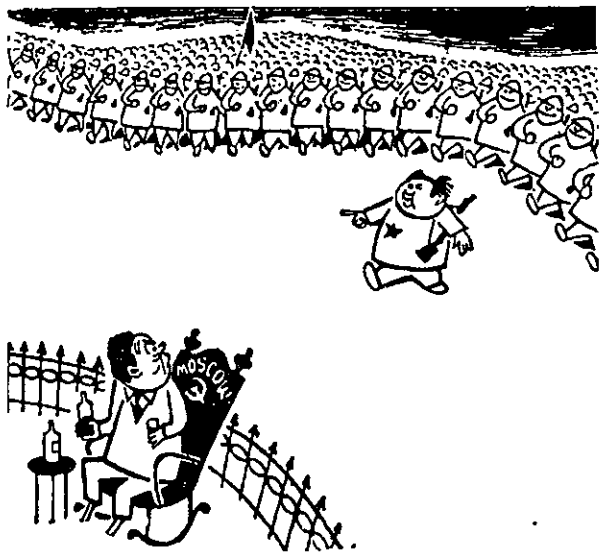
August, 1966 plenum (27) which declared the destruction of "revisionism" to be a prerequisite of fighting United States imperialism.

Of the two features that set the current plenary statement off from both the 1962 statement and the 1963 challenge to Russia for leadership of the Communist world, one—the entry into the ominous, exclusive, world "nuclear club"—is a self-evident great achievement. Therefore there is nothing unusual in the Chinese Communist statement that this "scientific experimentation," is nothing short of one of "three great revolutionary movements" (sic). (The others are "the class struggle" and "the struggle for production.")

THE OTHER distinguishing feature of the Statement is something else again. Though it is totally new, it isn't made self-evident. On the contrary, it is so stated as to be deliberately confusing. We're referring to the expression, "breaking down foreign conventions . . .". First thing to be noted is the use of the word, foreign. It does not refer to the West, or to imperialism, or to "revisionism." What is implied in the rest of that sentence—"and following our own road of industrial development" — would appear to refer to the "Great Leap Forward." This is certainly one time that they did follow their "own road of industrial development." The truth, however, is that it is the one thing they are not following this year, but, instead, are reverting, in the initiation of their Third Five Year Plan, to a Russian-style planning.

No, the truth is, that the rejection of "foreign conventions" can, and does have, one meaning, and only one meaning. It is the rejection of the "other" world communist movement, specifically the 1960 Statement of the 81 Communist Parties which Mao had signed, as he had the previous (1957) "Declaration and Peace Manifesto." Heretofore China and Russia vied with each other in claiming that each, and each alone, had remained faithful to those world declarations, while the other "betrayed." Now, on the other hand, what is singled out, as proof of

(27) Excerpted from The New York Times, Aug. 14, 1966. For Russia's latest editorial on Mao Tse-tung see excerpts in NY Times, 11-28-66.



"This is the way to the West, isn't it?"

"Mao's brilliant policies," is "the breaking down of foreign conventions."

No doubt, the deliberate obscurity which shrouds this new, this "brilliant policy," is there to give China room for maneuverability, should it become, tactically, necessary to engage in any such united front with the other CPs.

But the strategic line is set, and is immovable. Just as in 1957, when confronted with loud voices of revolt against his rule, Mao moved, not to compromise with them, much less to let the "100 schools of thought" keep contending, but rather to tighten his grip and order the disastrous "Great Leap Forward," so in 1966, when confronted with silent voices of protest internationally, he is moving, not toward compromise, but to "going it alone" not only in respect to the "West" and Russia, but to the rest of the Communist world.

Thus, when Cuba balked at accepting China as the sole leader of the Communist world, Chinese Communism went directly to the Cuban Army and bombarded it with propaganda. Whereupon Castro accused China of violating its sovereignty, adding: ". . . those methods and procedures were exactly the same as the ones used by the United States Embassy in our country . . . our country had liberated itself from the imperialism 90 miles from our shores and it was not willing to permit another powerful state to come 20,000 kilometers to impose similar practices on us . . ." The rupture with Cuba came on the very eve of the convening of the Tri-Continental Conference in January, 1966, the last "foreign convention" China attended.

What now, now that anti-Americanism is no longer the unifying cement holding together the Communist world?

"Why," asked **Pravda** in an editorial (September 16, 1966) regarding the so-called proletarian cultural revolution in China, "is the 'proletarian' movement . . . going on without any participation by the working class?"

For Russian Communism to be able to answer that question, it would have had to admit that its own society, even as the Chinese, is an exploitative one, so that the destiny of the proletariat is not, and cannot be, in its own hands. Indeed, the nearest parallel to the 1966 "proletarian cultural revolution" in China is Stalin's 1943 revisions in the Marxian theory of value, which still dominate both Russia and China.

Then, as now, the students rebelled against the hypocrisy of teaching the Marxian theory of freedom, but practicing state-capitalist tyranny. Then, as now, the answer of the ruling powers was, first, to stop teaching Marxian economics, and then to revise Marxism itself. Where the Russian Communists revised Marxian economics, the Chinese revise Marxian philosophy, rejecting in toto the Humanism of Marxism.

The distinguishing feature of the wholesale revision of Marxism in the two countries does not, however, reside in whether one country centered its perversion of Marxism in the economic or in the philosophic field, for in the Marxian theory of liberation the two are inseparable, but in the fact that, in 1943, Stalin could rely on the Party intelligentsia to do the job, whereas Mao, in addition to preferring the Army as the perpetuating organ of Communist rule, must create an extra-legal instrument to enforce intellectual conformity.

A **VERITABLE** deification of Mao seemed to be the principal attribute of the CCP plenary statement. The claim is made that "Comrade Mao Tse-tung is the greatest Marxist-Leninist of our era . . . Mao Tse-tung's thought is the Marxism-Leninism of the era in which imperialism is heading for total collapse and socialism is advancing to world-wide victory." Mao's "brilliant policies" during the four year period between this, the 11th, and the previous, the 10th, plenum are attested to, stress being put on his (a) "call for the whole party to grasp military affairs and for everybody to be a solider," and (b) "call for the People's Liberation Army and all factories and villages, schools, commercial departments, service trades and party and Government organizations to become great schools of revolution."

Yet a careful reading cannot help but note that, simultaneously with this adulation, what is singled out for emulation is this: "Comrade Lin Piao's call on the People's Liberation Army to launch a mass movement in the army to study Comrade Mao Tse-tung's Thought has set a brilliant example for the

whole party and the whole nation."

Prior to this statement the communique had stressed that, in conjunction with the 1963 "programmatic document" (which had challenged Russia's leadership) and which had been "drawn up under the personal leadership of Comrade Mao Tsetung," Lin Piao's "Long Live the Victory of People's War" must be studied, for, together, the two documents "give scientific Marxist-Leninist analyses of a series of important questions concerning the world revolution of our time . . ."

The discerning reader cannot help but wonder whether Mao is being deified—or mummified. Is Lin living in the reflected glory of Mao, as the press holds, or is Mao being allowed to live out his remaining years as a deity only because he transferred total authority to Lin, head of the Army?

Whether, in the turmoil in China, we are witness to a new form of Bonapartism, or allegedly participating in a "school of revolution," the point is that what is immediately involved is the life of the Vietnamese people.

The CCP Statement reads: "The Plenary session maintains that to oppose imperialism, it is imperative to oppose modern revisionism. There is no middle road whatsoever . . . it is imperative resolutely to expose their (Russian Communists) true features as scabs. It is impossible to have 'united action' with them."

For the first time since the fall of Khrushchev, the Russian Communist Party, on August 31, answered back in kind: "In conditions when imperialism is stepping up its efforts in the struggle against the revolutionary movement, is expanding the dirty war in Vietnam, such a step ("mass outrage in front of Russian Embassy") renders a particularly big service to imperialism and reaction."

This in-fighting in the so-called Communist world cannot but hearten U.S. imperialism which feels free to go on with its wanton bombing of North Vietnam as well as its scorched earth policy of South Vietnam whom it is supposed to be "defending."

The Constitution of the People's Republic of China is the only one in the Communist world that lists the Army along with the Party as the two instruments of power. Naturally this is no accident. Long before Mao won state power, as he was escaping Chiang Kai-shek's murderous counter-revolution, Mao developed an original, for Marxists, view of the Army—first of a guerrilla army, and then just of the Army. This is Mao's one original contribution to "Marxism-Leninism," or more precisely put, to the perversion of Marxism. His concept was for continuous guerrilla warfare to develop irrespective of any relationship to a mass movement which, to genuine Marxism, would be its only reason for being. If now the Army should have slipped away also from Mao's control, it would only show that theory has a logic of its own, irrespective of a relationship to the theoretician.

Once this army has an objective basis for being—state power — nothing can keep it from being the expression of the exploitative ruling class and its global ambitions. It is not that Mao disagrees with these: he is anxious to contend with other great powers for world domination. It is, rather, that he does also have a concept of "the vanguard role of the Party to lead" which now, however, has been absorbed in the stress on "politics must take command," with the Red Guards pointing the way.

FAR FROM the activities of the "Red Guards" initiating "a second revolution," China's "proletarian cultural revolution" is so devoid of any proletarian participation, or peasant or student youth for that matter, that (1) all universities were ordered closed for six months, and (2) the Red Guards were ordered "not to go to factories, enterprises and Government organization below the country level, not to rural people's communes . . ." In a word, they must not interfere with production, neither in the factories, nor on the farms.

No doubt, Mao is hoping to use them against the rebellious students in the cities, but success is by no means assured. Quite the contrary. For the truth is that the foremost voices of revolt against Mao's rule during the 100 Flowers campaign were those of the youth (28). And it is they, again, who had brought about a very modified version of it in 1961. The fact that Mao felt compelled to order the closing of the

(28) See The Hundred Flowers Campaign and the Chinese Intellectuals by Roderick Macfarquhar (Praeger, NY, 1960). Also cf. Communist China: the Politics of Student Opposition by Dennis J. Doolin (Stanford University, Stanford, Calif., 1964).

schools bespeaks the restlessness of the Chinese youth. Those confident of the rule of their thinking do not go about shutting down schools of higher learning.

State-capitalism calling itself Communism is as anxious to dull the sense of youth as any ruling class fearing the daring of youth compelled to live in a world they did not make. The Chinese youth will yet teach Mao the lesson begun by the Hungarian Freedom Fighters: that even totalitarian rule cannot brainwash a people.

Even a cursory look at the actual, instead of the imagined, developments in Mao's China will show that power in the People's Republic does not lie in the hands of the people; it isn't even in the hands of the "vanguard," the Communist Party. It took Mao over a decade after the conquest of power before he bothered to convene a Congress of the Chinese Communist Party. Furthermore, all apologists for China as a "land of socialism" notwithstanding, that Congress designated China as state-capitalist.

Naturally, Communism held that "State-capitalism under control of a state led by the working class is different in nature from state-capitalism under bourgeois rule." But this does not change the fact that even the Chinese Communists, as late as September, 1956, called the country by its right name, state-capitalism.

What happened then to change everything very nearly overnight? Where it took 11 years to convene a Congress, why did it take less than a year for the Politburo to proclaim that not only could China industrialize faster than "the West." but that it was outdistancing "socialist" Russia by going directly (sic!) to "communism"?

This was no "second revolution." (29) It was an outright **counter-revolution.** Unlike the elemental outpouring of the masses against the corrupt Chiang Kai-shek regime, this time "the mass line" meant the mass sweat and blood that would be needed to take the fantastic "Great Leap Forward"—into what they knew not. What shocked Mao's China beyond any rational reaction, one short month after the Communist Congress, was the first great proletarian revolution for freedom from Communism. It happened in

(29) See "Mao's Second Revolution" by K. S. Karol, New Statesman (London), Sept. 9, 1966.

Hungary, and it shook the whole Communist world to its foundations.

Mao's counter-revolutionary role was not exhausted in his urging Khrushchev to rush Russian tanks to put down the revolution. No, so afraid was Mao that a genuine proletarian revolution might also occur in China, that, first, he tried winning over the Chinese intellectuals through a "thaw" called "let 100 flowers bloom" campaign. Then, when the voices of protest to his rule could be heard from all layers of the population, the youth in particular, he clamped down their protest, and ordered, instead, the so-called Great Leap Forward, which brought the country to near-famine conditions.

OUTSIDE of guerrilla warfare and "organization, organization, organization," Mao has a sheer genius for miscalculation. The 1956 Congress on state-capitalism and the 1958 Great Leap Forward disaster are not the only ones. Greater still in its world impact was the tragedy of cosmic proportion which resulted from his adventurism for a new axis of world power, as against the West, and Russia—the planned Peking-Djakarta axis. (30)

It is true that Chinese Communism's concept of itself as the center of the universe is not that of the old Empire, but of new "Communism." But the fact remains that China's present concept of "a new era of world revolution" rests wholly on this being led solely and exclusively by Chinese Communism. It is no accident that Mao's maps of China, just as Chiang Kai-shek's, show China not as it is, but as it was in the days of great empire when China was the center of the universe.

The trouble with Mao's apologists is that they share his concept of the "backwardness" of the masses, hence the need for extra-legal organs to assure allegedly revolutionary succession. Having no confidence that the proletarians could gain freedom by their own mass strength, and holding U.S. imperialism to be very nearly invincible, they prefer to lean on some state power.

It is this which has made them subject to the alchemy with which Mao transforms China as a nation into a proletarian class.

(30) See "Indonesian Communism: A Case of World Communism's Decomposition" in News & Letters, October and November, 1965.

Of course, United States imperialism is the main escalator of the Vietnam war. Of course, this is part of its strategy against China itself. Of course the U.S. is out for world domination. But the way to undermine this barbarism is not by siding with China (or Russia) who have their own global aims.

The Negro Revolution has done more to shake up American capitalism than all the thunderous statements of China and its all-too cautious actions. To think otherwise is to play power politics and to block the road to freedom. The only way to achieve freedom is through the release of the elemental creativity of the oppressed masses, Chinese included.

All other problems fade into insignificance before this monumental task because without it—as the souring of the Russian and Chinese Revolutions have proven — no society on humanist foundations can be created. Without it, nuclear-powered politics —whether or not also "armed with Mao's Thought" —can wreak total destruction, and nothing else. It cannot build anew. Therein lies the ominous significance of the self-created and self-perpetuating disorder in Communist China on the 17th anniversary of its conquest of power.

The current revolutionary-sounding statements that thunder out from Communist China notwithstanding, the whole history of Mao proves him to have been a fighter, not against "revisionism," but against "dogmatism." As he himself put it: "There are people who think Marxism can cure any disease. We should tell them that dogmas are more useless than cow dung. Dung can be used as fertilizer." (31) And now that the whole of "Marxism-Leninism" has been degraded to a struggle against Marxism as humanism, and "the mastering of theory" has been reduced to studying "Mao's Thought," excerpted properly by Lin Piao, it is high time for genuine Marxists to return to the Humanism of Marx himself, to his greatest economic work, **Capital.**

(31) For a more colorful translation of this passage, see The Political Thought of Mao Tse-tung by Stuart R. Schram, p. 120. (Praeger, NY, 1963.)

3. Philosophy and Revolution

Marx stated it succinctly enough when he said that his original discovery, "the pivot on which political economy turns", is the distinction he drew between concrete and abstract labor. One of these economic categories, concrete labor, was easy enough for any one to see whether they looked at a tailor or factory worker, at a carpenter or a miner. But, what is "abstract labor"? No one has ever seen an "abstract" laborer so why create such a fantastic category? That this is precisely the question Marx wanted to be asked can be seen not only from the fact that he states his original contribution in the very first chapter of **Capital,** but that he never lets go of it either throughout the whole volume, or volumes II and III, all of which disclose how capitalist production (1) **reduces** the concrete labor of the whole working class to one abstract mass of undifferentiated, socially-necessary **labor time** by following the movements and speed of the machine, thereby not only (2) **alienating** the workers' very activity as well as his products, but also (3) **perverting** the relationship of man to things, making the machine master of man, not man of machine. Because (4) there has been this **reification** of man himself, transforming him into a thing (5) the **fetishism** which clings to commodities in their exchange makes social relations assume the form of relations between things as if **real.** Marx insists that relations between men **must** assume "the fantastic form of a relation between things" because that is what they **"really are,"** at the point of production or, as he put it elsewhere, "The mastery of the capitalist over the worker is in reality the mastery of dead over living labor."

It is this concept of the dominance of dead labor which was the determinant feature in the **whole** of capitalist society. This, **just this,** is the reason why Marx attributed the degradation of bourgeois thought to an ideology, i.e., a false consciousness. The fetishism of state property had even a more deadening effect on Marxists than the fetishism of commodities had on classical political economy. The death of Stalin, however, did produce a liberating effect **both** in a movement from below to put an end to that epoch of enslavement of workers in production, as well as to the administrative mentality in the realm of thought, and in the beginnings

of a theoretical return to Marx's Humanist Essays as well as to Hegel's Absolute Idea.

I would like to reiterate that it is not for any abstract reason that Bukharin's logic is non-dialectical; rather it is because he saw no new subject that will itself determine the end. Instead, the state will do it "for" the proletariat. Of course, he didn't mean the bourgeois state. Of course, he had in mind the workers' state. Of course, as a revolutionary, he couldn't have had any other "end" in mind than that of socialism, a classless society.

Nevertheless, it is a fact that he opposed the concrete, living Russian workers in their attempts to have their own organizations, that is to say, themselves determine that end. So that, despite his unsullied record as a revolutionary, he saw the workers, not as subject, but as object. The inescapable result was that his concept of revolution was thoroughly abstract, which is why he opposed self-determination of nations both before and after the conquest of power.

OUR THEORY of state-capitalism differs from Bukharin's not only because the concrete problems differ in each epoch, but because the vision, if you will, **must** differ from Bukharin's abstract revolutionism and, instead, be rooted in the actions and thoughts of working people who would themselves decide their own destiny before, in, and after the revolution.

This is why, from the start of the state-capitalist debate in 1941, my immediate point of departure was not the crimes of Stalin, but the role of labor in a workers' state. That role was of the essence, irrespective not only of the role of "the rude and disloyal" Stalin, but also of the "administrative" attude of the revolutionary planner, Trotsky, as well as of the non-dialectical but revolutionary Bukharin. Dialectic is, after all, just shorthand for development, self-development, development **through** contradiction, development through **transformation into opposite,** development not only through negation (abolition) of what is, but also, **and above all,** through negation of the negation, that is to say, reconstruction of society on **new beginnings.** It is this which we have to concretize today.

In a word, what needs to be investigated, I

should think, is not so much the probability that capitalism is not about to repeat its near-fatal experience of the Depression. What needs to be investigated are the new revolts, how it is that a new, third world won its freedom, despite the fact that it was technologically backward, despite its lack of arms, despite the largeness of its poverty and smallness of the nation; how a little Guinea of less than three million could say, No, to mighty (but not almighty) DeGaulle France — and win.

The recent retrogressive moves in some of the newly-independent countries — military take-overs — are not the result only of the pull of the vortex of the world economy — neo-colonialism, although that, of course, played not an unimportant part. Rather, they are closely related to the fact that the new leaders **moved away from** the spontaneity and revolutionary zeal of the very people that made possible the revolutionary victory.

It is the human problem that is the problem of our age. Without the Humanism of Marxism, the theory of state-capitalism could degenerate into one more variety of economism. Without the dialectic of objective contradiction, materialism is nothing but bourgeois idealism in the sense of all men of good will (changed to all good Party men) will "fix everything up." The strangest combination of vulgar economism and sheerest voluntarism ("Mao's Thought") that characterizes Mao's China at this very moment has a great deal of relevance to our discussion. It is surely no accident that the most rabid attack on Marx's Humanism comes from Mao's China. (32)

Lenin couldn't have foreseen any such willful "transformation into opposite." And yet some such conception of the workings of the dialectic must

(32) See Chou Yang's Speech at the Fourth Enlarged Session of the Committee of the Department of Philosophy and Social Science of the Chinese Academy of Sciences (Foreign Language Press, Peking, 1963): "Completely discarding historical materialism, the modern revisionists substitute the bourgeois theory of human nature for the Marxist-Leninist teaching of class on class struggle and proletarian dictatorship, for scientific communism. . . . The modern revisionists and some bourgeois scholars try to describe Marxism as humanism and call Marx a humanist. . . . This, of course, is futile. In the early stages of development of their thought, Marx and Engels were indeed somewhat influenced by humanist ideas . . . . But when they formulated the materialist conception of history and discovered the class struggle as the motive force of social development, they immediately got rid of this influence."

have been at the back of his mind when he insisted that even the destruction of the bourgeois state is insufficient to constitute the makeup of a true Marxist: "The petty bourgeois in a frenzy may also want as much." (33) One thing, and one thing only, distinguishes a socialist revolution from all others. It is that there is "only one road, changes from below; we wanted the workers themselves to draw up, from below, the new principles of economic conditions." (34)

In our age, the new principles of economic conditions are inseparable from the mass search for a total philosophy, or, to use Marx's phrase, "a quest for universality." (35) "To discern this mass search for a total philosophy," I wrote elsewhere (36), "it is necessary only to shed the stubbornest of all philosophies — the concept of 'the backwardness of the masses' and **listen to their** thoughts . . . The espousal of **partiynost** (party principle) as a philosophic principle is another manifestation of the dogma of 'the backwardness of the masses' by which intellectuals in state-capitalist societies rationalize their contention that the masses must be ordered about, managed, 'led'. Like the ideologists of the West, they forget all too easily that revolutions do not arise in the fullness of time to establish a party machine, but to reconstruct society on a human foundation."

Instead of fearing Humanism as if it meant a return to the young, "Hegelian-tainted" Marx, if not back to outright bourgeois humanism of the Renaissance, we have much to learn from the way the new revolutionaries in the underdeveloped countries and the youth everywhere embraced it. Leopold Sedar Senghor profoundly and poetically defined Marx's humanism as "a new humanism, new because it is incarnate." (37)

Future generations will stand in amazement at the equivocal but relentless resistance that those who consider themselves Marxists in our age carry on against Marx's Humanism. Once, however, this becomes the underlying philosophy of revolution, the idea of freedom will no longer be "philosophy"; it will be reality.

—November, 1966

(33) Lenin, Selected Works, Vol. VII, p. 337.
(34) Ibid, p. 277.
(35) K. Marx, Poverty of Philosophy.
See Also An Exchange of Letters on Hegel's Absolute Idea, appendix to mimeographed Extracts from Lenin's Philosophic Notebooks (News & Letters, Detroit, 1955).
(36) Socialist Humanism, pp. 79-80 (edited by Erich Fromm Doubleday, NY, 1965).
(37) Ibid, p. 61.

APPENDIX

(Editor's Note. Because we consider Raya Dunayevskaya's defense of Marx's theory of accumulation against Rosa Luxemburg's onslaught particularly appropriate in the centenary year of the publication of Marx's "Capital," we reprint here the hard-to-obtain 21 year old essay. For a recent analysis of Marx's greatest theoretical work, see Chapters 7 and 8 of "Marxism and Freedom," titled respectively "The Humanism and Dialectic of Capital," and "The Logic and Scope of Capital."

Analysis of Rosa Luxemburg's *Accumulation of Capital*

Rosa Luxemburg's *Accumulation of Capital*[1] is a critique of Marx's theory of expanded reproduction as analyzed in Volume II of *Capital*. The question of the accumulation of capital has been the central theme of political economy. It was the subject of debate between Ricardo and Malthus, Say and Sismondi, Engels and Rodbertus, and Lenin and the *Narodniki* (Populists). Luxemburg occupies a conspicuous, but unenviable, position in this debate—that of a revolutionist hailed by bourgeois economists as having supplied "the clearest formulation" of the problem of "effective demand" until Keynes' *The General Theory of Employment, Interest and Money*.[2] It is typical of bourgeois economics that in 1945 they were discussing the market problem, which Marxists were discussing thirty years ago.

Prior to 1914 the statification of production and the problem of accumulation were not posed as sharply as today in terms of the decline in the rate of profit. Accumulation seemed to the bourgeoisie then to be a question soluble by the expansion of the market. It is true that Luxemburg posed the problem in such terms. But her main preoccupation even then was

1. **Accumulation of Capital, a Contribution to the Economic Explanation of Imperialism**, by Rosa Luxemburg, 1st ed., published in 1913. There has been much confusion between this book and her **Antieritique**, first published in 1919, and called **Accumulation of Capital, or What the Epigones Have Made of the Marxist Theory—An Antieritique**. This was republished in 1923 as Volume II of her first book on **Accumulation**. In this article, Volume I of her work will be referred to as **Accumulation** and Volume II as **Antieritique**. **Accumulation** refers to the Russian translation by Dvoilatsky, edited by Bukharin and published in Moscow in 1921. **Antieritique** refers to the 1923 German edition.

2. Cf. M. Kalecki: **Essays on the Theory of Economic Fluctuations**, page 46.

with the collapse of capitalism. Methodically, however, she did depart from Marxism in the analysis of the question of the accumulation of capital, and it was inevitable, therefore, that she arrive at false conclusions. What makes this a problem of the day is that her conclusions are repeated not merely by bourgeois economists but even within the revolutionary Marxist movement. The current preoccupation with "customers" and "markets" can best be answered by a restatement of Marx's theory of capitalistic accumulation and Luxemburg's deviation from it.

1. His Premise

Since the publication of Volume II of *Capital* the pivot of the dispute on expanded reproduction has been Marx's diagrammatic presentation of *how* surplus value is realized in an ideal capitalist society.

To understand the formulae one must comprehend the premise upon which they are built: a closed *capitalist* society, i.e., an isolated society dominated by the law of value.

For Marx the fundamental conflict in a capitalist society is that between capital and labor; all other elements are subordinate. If this is so in life, then the first necessity in theory, far more even than in society, is to pose the problem as one between the capitalist and the worker, purely and simply. Hence the assumption of a society consisting only of workers and capitalists. Hence the exclusion of "third groups" and, as he states repeatedly,[3] the exclusion of foreign trade as having nothing to do fundamentally with the conflict between the worker and the capitalist.

A capitalist society is distinguished from all previous societies by being a value-producing society. The law of value has nothing in common with the fact that in other class societies the worker was paid his means of subsistence. Here the thirst for unpaid hours of labor comes from the very nature of production and is not limited by the gluttony of the master. Value, the socially necessary labor time needed to produce commodities, is constantly changing due to the unceasing technological revolutions in production, and this is a never-ending source of disturbance in the conditions of production as well as in the social relations, and distinguish capitalism from all other modes of production. Marx's isolated capitalist society is dominated by this law of value, and Marx does not let us forget that this law is a law of the world market:

> The industrialist always has the world market before him, compares and must continually compare his cost prices with those of the whole world, and not only with those of his home market.[4]

3. Cf. especially **Capital**, Vol. II, page 548, Vol. III, page 800, and **The Theories of Surplus Value**, Vol. II, Part II, page 161 (the references to **The Theories**, etc., in this article are to the Russian edition).

4. **Capital**, Vol. III, page 296.

Thus, while Marx excludes foreign trade, he nevertheless places his society in the *environment* of the world market. These are the conditions of the problem. What is his purpose?

2. His Purpose

Marx's famous formulae in Part III of Volume II were designed to serve two purposes.

On the one hand, he wished to expose the "incredible aberration" of Adam Smith, who "spirited away" the constant portion of capital by dividing the total social production, not into constant capital (c), variable capital (v), and surplus value (sv), but only into v plus s. (The terminology Smith used for v and s was "wages, profit and rent.")

On the other hand, Marx wanted to answer the underconsumptionist argument that continued capital accumulation was impossible because of the impossibility of "realizing" surplus value, i.e., of selling.[5]

Marx spends a seemingly interminable time in exposing the error of Smith. That is because it is the great divide which separates both bourgeois political economy *and* the petty-bourgeois critique from scientific socialism. Smith's error became part of the dogma of political economy because it dovetailed with the *class* interests of the bourgeoisie to have that error retained. If, as Smith maintained, the constant portion of capital "in the final analysis" dissolved itself into wages, then the workers need not struggle against the "temporary" appropriation of the unpaid hours of labor. They need merely wait for the product of their labor to "dissolve" itself into wages. Marx proves the contrary to be true. Not only does c not "dissolve" itself into wages, but it becomes the very instrumentality through which the capitalist gains the mastery over the living worker.

In disproving the underconsumptionist theory, Marx demonstrates that there is no *direct* connection between production and consumption. As Lenin phrased it:

> The difference in view of the petty bourgeois economists from the views of Marx does not consist in the fact that the first realize in general the connection between production and consumption in capitalist society, and the second do not. (This would be absurd.) The distinction consists in this, that the petty bourgeois economists considered this tie between production and consumption to be a *direct* one, thought that *production follows consumption*. Marx shows that the connection is only an *indirect* one, that it is so connected *only in the final instance*, because in capitalist society *consumption follows production*.[6]

The underconsumptionists construed the preponderance

5. When in this article the word "realization" is used in its underconsumptionist meaning of sale, it is always put in quotes.

6. V. Lenin, **Collected Works**, Vol. II, page 434 (Russ. ed.).

of production over consumption to mean the "automatic" collapse of capitalist society. Where the classicists saw *only* the tendency *toward* equilibrium, the petty-bourgeois critics see *only* the tendency *away* from equilibrium. Marx demonstrates that *both* tendencies are there, inextricably connected.

3. The Two Departments of Social Production and the Conditions for Expanded Reproduction

To illustrate the process of accumulation, or expanded reproduction, Marx divides social production into two main departments—Department I, production means of production, and Department II, producing means of consumption.

The division is symptomatic of the class division in society. Marx categorically refused to divide social production into more than two departments, for example, a third department for the production of gold, although gold is neither a means of production nor a means of consumption, but rather a means of circulation. That is an entirely subordinate question, however, to the basic postulate of a closed society in which there are only two classes and *hence* only two decisive divisions of social production. It is the premise that decides the boundaries of the problem. The relationship between the two branches is not merely a technical one. It is rooted in the class relationship between the worker and the capitalist.

Surplus value is not some disembodied spirit floating between heaven and earth, but is embodied *within* means of production and *within* means of consumption. To try to separate surplus value *from* means of production and *from* means of consumption is to fall into the petty-bourgeois quagmire of underconsumptionism. As Lenin put it:

> The postulate that capitalists cannot realize surplus value is only a vulgarized repetition of the quandary of Smith regarding realization in general. Only *part* of surplus value consists of means of consumption; the other consists of means of production. "Consumption" of *this latter* is *realized through production*. . . . Therefore the Narodniki who preach the impossibility of realizing surplus value ought logically to acknowledge the impossibility of realizing *constant capital* and thus to return to Adam Smith.[7]

This is fundamental to Marx's whole conception. It cuts through the whole tangle of markets. Marx's point is that the bodily form of value predetermines the destination of commodities. Iron is not consumed by people but by steel; sugar is not consumed by machines but by people. Value may be indifferent to the use by which it is borne, but it must be incorporated in some use-value to be realized. Alone the use-value of means of production, writes Marx, shows how important is "the determination of use-value in the determination of economic orders."[8] In the capitalist economic order

7. Cf. Lenin, Collected Works, Vol. II, page 32 (Russ. ed.).
8. Cf. Marx, Theories of Surplus Value, Vol. II, Part II, page 170.

means of production forms the greater of the two departments of social production. And *hence* also of the "market." In the United States, for instance, 90 per cent of pig iron is "consumed" by the companies which produce it; 50 per cent of the "market" for the products of the steel industry is the transportation industry.

It is impossible to have the slightest comprehension of the economic laws of capitalist production without being oppressively aware of the rôle of the material form of constant capital. The material elements of simple production and reproduction—labor power, raw materials and means of production—are the elements of expanded reproduction. In order to produce ever greater quantities of products, more means of production are necessary. That, and not the "market," is the *differentia specifica* of expanded reproduction.

Marx proceeds further to emphasize the key importance of the material form of the product for purposes of expanded reproduction by beginning his illustration of expanded reproduction with a diagram showing that, *so far as its value is concerned*, expanded reproduction is but simple reproduction.

> It is not the quantity but the destination of the given elements of simple reproduction which is changed and this change is the material basis of the subsequent reproduction.[9]

The difficulty in understanding expanded reproduction lies not in the value form of production, but in the *comparison* of the value with its material form.

Marx's view is that in order not to get lost in "a vicious circle of prerequisites"—of constantly going to market with the products produced and returning from the market with the commodities bought—the problem of expanded reproduction should be posed "in its fundamental simplicity." That can be done by a realization of two simple facts: (1) that the very law of capitalist production brings about the augmentation of the working population and hence that, while part of the surplus value must be incorporated into means of consumption, and transformed into variable capital with which to buy more labor power, that labor power will always be on hand; and (2) capitalist production creates its own market—pig iron is needed for steel, steel for machine construction, etc., etc.—and that therefore, so far as the capital market is concerned, the capitalists are their own best "customers" and "buyers." Therefore, concludes Marx, the whole complex question of the conditions of expanded reproduction can be reduced to the following: can the surplus *product* in which the surplus value is incorporated go *directly* (without first being sold) into further production? Marx's answer is: "It is not needed that the

9. Cf. Marx, Capital, Vol. II, page 592.

latter (means of production) be sold; they can *in nature* again enter into new production."[10]

Marx establishes that the total social product cannot be "either" means of production "or" means of consumption; there is a preponderance of means of production *over* means of consumption (symbollically expressed as mp/mc). That not only is so but it *must* be so, for the use-values produced in capitalist society are not those used by workers nor even by capitalists, *but by capital.* It is not "people" who realize the greater part of surplus value; it is realized through the constant expansion of constant capital. The premise of simple reproduction—a society composed solely of workers and capitalists—remains the premise of expanded reproduction.

At the same time surplus value, in the aggregate, remains uniquely determined by the difference between the value of the product and the value of labor power. The law of value continues to dominate over expanded reproduction. The whole problem of the disputed Volume II is to make apparent that realization is not a question of the market, but of *production.* The conflict in production and therefore in society is the conflict between capital and labor. That is why Marx would not be moved from his premise.

II—LUXEMBURG'S CRITIQUE

1. Reality vs. Theory

The main burden of Luxemburg's critique of Marx's theory of accumulation was directed against his assumption of a closed capitalist society. She gave this assumption a two-fold meaning: (1) a society composed solely of workers and capitalists, and (2) "the rule of capitalism in the entire world."

Marx, however, did not pose the rule of capital in the *entire* world, but its rule in a *single* isolated nation. When Luxemburg's critics[11] pointed this out to her, Luxemburg poured vitriolic scorn upon them. To speak of a single capitalist society, wrote Luxemburg in her *Anticritique,*[12] was a "fantastic absudity" characteristic of the "crassest epigonism." Marx, she insisted, could have had no such stratospheric conception in mind. Nevertheless, as Bukharin pointed out, Luxemburg was not only misinterpreting Marx's *concept,* but misreading the simple *fact,* which Marx had most clearly put on paper: "In order to simplify the question (of expanded reproduction) we abstract foreign trade and examine an isolated nation."[13]

10. Same as footnote 8.

11. The argument was complicated by the fact that, in the majority, her critics were reformists. She, on the other hand, attacked indiscriminately both the revolutionists and those who betrayed the revolution, labeling all her critics "epigones."

12. Page 401.

13. Theories, etc., Vol. II, Part II, page 161. Cf. also N. Bukharin: Imperialism and the Accumulation of Capital, 1925 (in Russian and in German).

Luxemburg, on the other hand, argued that a "precise demonstration" from history would show that expanded reproduction has never taken place in a closed society, but rather through distribution to, and expropriation of "non-capitalist strata and non-capitalist societies." Luxemburg falsely counterposed reality to theory. Her critique sprung theoretically from this one fundamental error. She was betrayed by the powerful historical development of imperialism that was taking place to substitute for the relationship of capital to labor the relationship of capitalism to non-capitalism. This led her to deny Marx's assumption of a closed society. Once she had given up the basic premise of the whole of Marxist theory there was no place for her to go but to the sphere of exchange and consumption.

That there is no possible escape from this dilemma is most clearly revealed by Luxemburg herself. Some of the best writing in her *Accumulation* occurs in her description of the "real" process of accumulation through the conquest of Algeria, India, the Anglo-Boer war and the carving up of the African Empire; the opium wars against China, the extermination of the American Indian; the growing trade with non-capitalist societies, and an analysis of protective tariffs and militarism. Luxemburg had become so blinded by the powerful imperialist phenomena of her day that she failed to see that all this had nothing to do with the problem posed in Volume II of Capital which is concerned with how surplus value is realized in an *ideal* capitalist world. Neither has it anything to do with the "real" process of accumulation which Marx analyzes in Volume III, for the *real* process of accumulation is a capitalist process or one of *value* production.

Luxemburg, on the other hand, writes that:

> The most important thing is that value can be realized neither by workers nor by capitalists *but only* by social strata who themselves *do not produce capitalistically.*[14]

It was not by accident that Luxemburg found that she could not discuss capitalistic accumulation without bringing in *other* modes of production. Errors of thought, even when committed by great Marxists, have a logic of their own. Just as it is impossible in the actual class struggle to take a position *between* the capitalist class and the proletariat, so it is impossible to take a position *between* the two modes of thought reflecting the role of the two classes in the process of production. Thus there was only one thing *theoretically* left for her to do. Along with all bourgeois economics, she buries, as we shall see, the whole distinction of value production.

14. Accumulation, page 245 (my emphasis—F. F.).

2. The Market vs. Production

(*A*) *For whom?* According to Luxemburg, the Russian Marxists were deeply mistaken when they thought that the preponderence of constant capital over variable capital (symbolically expressed as c/v) "alone" revealed the specific characteristic law of capitalist production, "for which production is an aim in itself and individual consumption merely a subsidiary condition." To raise consumption from this subordinate position, Luxemburg transforms the inner core of capitalism into a mere outer covering. The relationship of c/v, she writes, is merely "the capitalist language" of the general productivity of labor. With one stroke Luxemburg is depriving the carefully isolated c/v relationship of its class character. Value production loses the specificity of a definite *historic* stage in the development of humanity. Luxemburg is thus driven to identify what Marxism has considered to be the specific characteristic law of capitalist production—c/v—with "all pre-capitalist forms of production" *as well as* with "the future, socialist organization."[15]

The next inevitable stage is to divest the *material* form of capitalism of *its* class character. Where Marx makes the relationship between Department I, producing means of production, and Department II, producing means of consumption, reflect the *class* relationship inherent in c/v, Luxemburg speaks of the "branches of production" as if it were a purely technical term! She first deprives the material *form* of capital of its capital *content*, then discards it because it has no capital content:

> Accumulation is not only an inner relation between two branches of production. It is *first of all* a relation between capitalist and non-capitalist surroundings.[16]

Luxemburg has transformed capital accumulation from a substance derived from labor into one whose chief sustenance is an outside force: non-capitalist surroundings. To complete this inversion of the chief source of capitalist accumulation she is compelled to break the confines of the closed society, outside of whose threshold she has already stepped. Her "solution" stands the whole problem on its head, and she now implores us to drop the assumption of a closed society and "allow for surplus value to be realized outside of capitalist production."

This step, she says, will reveal that out of capitalist production could issue "either means of production or means of consumption."[17] There is no law compelling the products of capitalist production to be the one and *not* the other. In fact.

15. Accumulation, page 222.
16. Ibid., page 297 (my emphasis—F. F.).
17. Ibid., page 247.

states Luxemburg without any awareness of how far she is departing from the Marxist method, "*the material form has nothing whatever* to do with the needs of capitalist production. Its material form corresponds to the needs of those non-capitalist strata which makes possible its realization."[18]

Difference on What Determines Production

For Marxism it is production which determines the market. Luxemburg, on the other hand, finds herself in a position where, although she accepts Marxism, she yet makes the market determine production. Once Luxemburg eliminates the fundamental Marxian distinction of means of production and means of consumption as indicative of a class relationship, she is compelled to look for the market in the bourgeois sense of "effective demand." Having lost sight of production, she looks for "people." Since it is obviously impossible for workers "to buy back" the products they created, she looks for other "consumers" to "buy" the products.

Having thus departed from the Marxist method, she proceeds to blame Marx for not having used that as *his* point of departure. The Marxian formulae, writes Luxemburg, seem to say that production occurs for production's sake. As Saturn did his children devour, so here everything produced is consumed internally:

> Accumulation is effected here (the schema) without it being seen even to the least degree *for whom*, for what new consumers does this ever-growing expansion of production takes place in the end. The diagrams presuppose the following course of things. The coal industry is expanded in order to expand the iron industry. The latter is expanded in order to expand the machine-construction industry. The machine-construction industry is expanded in order to contain the ever-growing army of workers from the coal, iron and machine-construction industries as well as its own workers. And thus "ad infinitum" in a vicious circle.[19]

By means of her substitute of the non-capitalist milieu for Marx's closed society, Luxemburg is out to break this "vicious circle." The capitalists. she writes, are not fanatics and do not produce for production's sake. Neither technological revolutions nor even the "will" to accumulate are sufficient to induce expanded reproduction: "One other condition is necessary: the expansion of effective demand."[20] Except to the extent that surplus value is necessary to *replace* constant capital and supply the capitalists with luxuries, surplus value cannot otherwise result in accumulation, cannot be "realized." Or, as she put it:

> They alone (capitalists) are in a position to realize only the consumed part of constant capital and the consumed part of surplus value. They can in this way guarantee only the condition for

18. Ibid., (my emphasis—F. F.).
19. Ibid., page 239.
20. Accumulation, page 180.

the renewal of production on the former scale.[21]

That the "consumed part of constant capital" is not consumed personally, but *productively*, seems to have escaped Luxemburg's attention. Capitalists do not "eat" machines, neither their wear and tear, nor the newly-created ones. Both the consumed part of constant capital and the new investments in capital are *realized through production*. That precisely is the meaning of expanded reproduction, as Marx never wearied of telling.

Luxemburg, however, instead of speaking of the laws of production based on the capital-labor relationship, has now no other refuge but the subjective motivation of the capitalists for profits. Capitalist production, she writes, is distinguished from all previous exploitative orders in that it not only hungers for profit but for ever greater profit. "Now how can the sum (of profits) grow when the profits only wander in a circle, out of one pocket and into another?"[22]—that is, out of the pocket of the iron producers into that of the steel magnates into that of the machine-construction industry tycoons. No wonder Marx was so insistent upon establishing the fact that:

> Profit is therefore that disguise of surplus value which must be removed before the real nature of surplus value can be discovered.[23]

Luxemburg, being a serious theoretician, was compelled to develop her deviation to its logical conclusion. Where, to Marx, expansion of production meant aggravation of the conflict between the worker and the capitalist, to Luxemburg it meant "first of all" expansion of demand and of profits. She contended that Marx *assumed* what he should have *proved*—that expanded reproduction was possible in a closed society. With her attention focused on imperialism, she overlooked that capitalism was developing to a much greater extent *capitalistically* (expansion of machinofacture within the home country) and *between* capitalist countries (e.g., United States and Britain) rather than through "third groups" or between capitalist and non-capitalist countries.

Luxemburg had left the sphere of production for that of exchange and consumption. There she remained. Having given up Marx's premise, she had no vantage point from which to view these phenomena. She arrived pivotless on the broad arena of the market, asking that the obvious be proved, while "taking for granted" the production relationship which the obvious obscured. Remaining in the market, there was nothing left for her to do but adopt the language characteristic of what she herself, in other circumstances, had called "the merchant mentality."

21. Ibid., page 244.
22. Anticritique, pages 407-8.
23. Capital, III, page 62.

B. "Pure Form of Value"

Luxemburg maintains that, although coal may be needed for iron and iron for steel and steel both for the machine-construction industry and for machines producing means of consumption, the surplus product cannot be reincorporated into further production without first assuming "the pure form of value," which is evidently money and profits:

> Surplus value, no matter what its material form, cannot be directly transferred to production for accumulation; it must first be realized.[24]

Just as surplus value must be "realized" after it is produced, so it must after that reassume both the "productive form" of means of production and labor power as well as means of consumption. Like the other conditions of production, this leads us to the market. Finally, after this has succeeded, continues Luxemburg, the additional mass of commodities must again be "realized, transformed into money." This again brings us to the market and only after this has succeeded.... Closing the door to what Luxemburg thinks is the "vicious circle" of production for production's sake, she opens the doors wide to what Marx called "the vicious circle of prerequisites."[25]

Where Marx said that alone the use-value of means of production show how important is the determination of use-value in the determination of the entire economic order, Luxemburg leaves out of consideration entirely the use-value of capital: "In speaking of the realization of surplus value," she writes, "we *a priori* do not consider its material form."[26] Where Marx shows the inescapable molding of value into use-value, Luxemburg tries violently to separate them as if surplus value could be "realized" outside its bodily form. The contradiction between use-value and value which capitalist production cannot escape Luxemburg tries to resolve by dumping the total *product* of capitalist production into non-capitalist areas.

Luxemburg may have thought that she was thus freeing herself from "the vicious circle" of the Marxian schema. In reality, by freeing her thoughts from the laws of capitalist production, *Luxemburg was freeing herself from the actuality of the class struggle*. It is this which permitted her to abandon the premise of a closed capitalist society, and *hence* the implications and limitations of the Marxian categories.

24. Accumulation, page 86.
25. Cf. Section I of this article, the matter relating to footnote 10.
26. Accumulation, page 245.

The dispute between Marx and Luxemburg is not confined to the limits of the formulae. That is only the outer shell of the inner core of the essential question of the breakdown of capitalism, or the creation of the material foundation for socialism. Throughout her criticism of the formula in Volume II, Luxemburg maintains that Volume III contains "*in implicite*" the solution to the problem posed "but not answered" in Volume II. By the "implicit" solution Luxemburg means the analysis of the contradiction between production and consumption, and between production and the market. That, however, is *not* what Marx called "the general contradiction of capitalism."

The "general contradiction of capitalism,"[27] writes Marx, consists in the fact that capitalism has a tendency toward limitless production "regardless of the value and surplus value incorporated in it and regardless of the conditions of production under which it is produced." That is why, in "Unravelling the Inner Contradiction," Marx places in the center of his analysis, not the market, but the "Conflict between Expansion of Production and the Creation of Values."

The constant revolutions in production and the constant expansion of constant capital, writes Marx, necessitates, of course, an extension of the market. But, he explains, the enlargement of the market in a capitalist nation has very precise limits. The consumption goods of a capitalist country are limited by the luxuries of the capitalists and the necessities of the workers when paid at value. The market for consumption goods is just sufficient to allow the capitalist to continue his search for greater value. *It cannot be larger.*

This is the supreme manifestation of Marx's simplifying assumption that the worker is paid at value. The innermost cause of crises, according to Marx, is that labor power *in the process of production,* and *not in the market* creates a value greater than it itself is. The worker is a producer of overproduction. It cannot be otherwise in a value-producing society where the means of consumption, being but a moment in the reproduction of labor power, cannot be bigger than the needs of capital for labor power. That is the fatal defect of capitalist production. On the one hand, the capitalist must increase his market. On the other hand it cannot be larger.

Luxemburg, however, is so blind to all this, that she insists that it is not the problem that is insoluble, but Marx's premise which makes it so. She is prevented from seeing what is most fundamental to Marx because, on the one hand, she has excluded crises as being merely "the *form* of movement but not the movement itself of capitalist economy."[28] On the other

27. **Capital, III, page 292.**
28. **Accumulation, page 6.**

hand, because she abandoned Marx's basic premise, she looked at the market not as a manifestation of the production relationship, but as something expendable *outside of* that relationship. To Marx, however, the "market" that can be enlarged beyond the limits of the working population paid at value is the capital market. Even there the constant technological revolutions make the time necessary to *reproduce* a product tomorrow *less* than the time it took to *produce* it today. Hence there comes a time when all commodities, *including labor power,* have been "overpaid."

The crisis that follows is not caused by a shortage of "effective demand." On the contrary, it is the crisis that causes a shortage of "effective demand." The worker employed yesterday has become unemployed today. A crisis occurs not because there has been a scarcity of markets—the market is largest just before the crisis—but because *from the capitalist viewpoint* there is occurring an unsatisfactory distribution of "income" between recipients of wages and those of surplus value or profits. The capitalist decreases his investments and the resulting stagnation of production appears as overproduction. Of course, there is a contradiction between production and consumption. Of course, there is the "inability to sell." But that "inability to sell" manifests itself as such *because of the fundamental antecedent decline in the rate of profit, which has nothing whatever to do with the inability to sell.*

What Marx is describing in his analysis of the "general contradiction of capitalism" is (1) the degradation of the worker to an appendage of a machine, (2) the constant growth of the unemployed army, and (3) capitalism's own downfall because of its inability to give greater employment to labor. Since labor power is the supreme commodity of capitalist production, the only source of its value and surplus value, capitalism's inability to reproduce it dooms capitalism itself.

Thus the three principal facts of capitalist production which are reaffirmed not merely "implicitly" but *explicitly* in the real world in Volume III are: (1) decline in the rate of profit, (2) deeper and deeper crises, and (3) a greater and greater unemployed army.

One by one Luxemburg rejects these, either in part or in full, either implicitly or explicitly. As we have seen, she has entirely excluded any consideration of crises from her analysis of accumulation. She now dismisses the decline in the rate of profit as symbolic of capitalist collapse. She states that the tendency for the *rate* to decline is, if not entirely negated, at least strongly counterbalanced, by the increase in the *mass* of profit. Therefore, she concludes, we might as well wait for "the extinction of the sun"[29] as to wait for capitalism to collapse

29. **Anticritique, page 441, footnote.**

through a decline in its rate of profit. On the contrary, she writes, the historic process will reveal the "real" source of capital accumulation and hence the cause of capitalism's downfall when that source will have been exhausted:

> From the historic point of view, accumulation of capital is a process of exchange of things between capitalist and pre-capitalist methods of production. Without pre-capitalist methods of production, accumulation cannot take place. . . . The impossibility of accumulation signifies from the capitalist point of view the impossibility of the further development of the productive forces and consequently the objective historic necessity for the breakdown of capitalism.[30]

Here again Luxemburg was betrayed into this position by the one and only fundamental error she made to start with —the counterposition of "reality" to theory. This leads her to so fully depart from the Marxian theory of accumulation that she finally denies Marx the right to assume that labor power will always be on hand for purposes of expanded reproduction *simultaneously* with assuming a closed capitalist society. "Reality" would show, she writes, that it is the non-capitalist societies which are the "reservoir of labor power."[31] By denying Marx that right she is denying the Marxist theory of population. With a single stroke of the pen Luxemburg frees capitalism from its "absolute general law"—the reserve army of labor—which, says Marx, is all-dominant even when the entire social capital has been concentrated in "the hands of one single capitalist or one single corporation."[32] That is the blind alley to which Luxemburg was led by the phenomena of imperialism which had driven her to substitute "reality" for theory.

2. Once Again, Theory and Reality

Theory and reality are not separable. Marxist theory is the conscious expression of the unconscious historic process. Distinction between the real world and general theory is false. The real world has significance only if you see it in relation to a certain theory. Essentially there can be only two modes of thought in contemporary society: bourgeois or proletarian-Marxist. If you develop consistently away from the Marxist you must inevitably fall prey to the bourgeois theory. That is what happened to Luxemburg. That is what happens to anyone who comes unarmed by Marx's fundamental premise into the broad sphere of exchange and consumption where the capitalist hides behind the guises of "consumer," "buyer", and "seller."

Wherein lay the importance of the imperialist phenomena that Luxemburg said contradicted the Marxist theory and

30. **Accumulation**, page 297.
31. **Ibid.**, page 259.
32. **Capital**, I, page 688.

diagrammatic presentation of accumulation? Obviously in the fact that the phenomena brought into view "not only" a closed capitalist society and *its* contradictions, "but also" the non-capitalist strata and societies and its relation to *them*. And not merely "also," but "first of all." And from this "first of all" Luxemburg did not hesitate to draw the logical conclusion that accumulation was "inconceivable in any respect whatever" without these third groups. But if accumulation is "inconceivable" without this outside force, then it is this force, and not labor, which will bring about the downfall of capitalism. The historic necessity of the proletarian revolution falls to the ground.

Luxemburg, the revolutionist, feels the abysmal gap between her theory and her revolutionary activity, and comes to the rescue of Luxemburg, the theorist. "Long before" capitalism would collapse through exhaustion of the non-capitalist world, writes Luxemburg, the contradictions of capitalism, *both* internal and external, would reach such a point that the proletariat would overthrow it.

But it is not a question of "long before." No revolutionist doubts that the *only final* solution of the problem of expanded reproduction will come in the actual class struggle, on the live historic stage, as a result of class meeting class on the opposite sides of the barricades. The question *scientificially* or *theoretically* is: does the solution come *organically* from your theory, or is it brought there merely by your "revolutionary will." In Marx the granite foundation for socialism and the inevitability of capitalist collapse come from the very laws of capitalist production: capitalism produces wage labor, its grave digger. The organic composition of capital produces, on the one hand, the decline in the rate of profit, and, on the other hand, the reserve army of labor. The inability of capitalism to reproduce its only value-creating substance sounds the death-knell of capitalism.

With Luxemburg, on the other hand, death comes not from the *organism* of capitalism, but from an outside force: "non-capitalist strata and non-capitalist societies," while the revolution is dragged on by her indomitable revolutionary will. The socialist proletarian revolution, which, with Marx, is rooted in the *material* development of the conflicting forces of capital and labor, here becomes a wish disconnected from the increasing subordination of the laborer to, and his growing revolt from, the capitalist labor process.

3. A Single Capitalist Society and "A Different Distribution of National Capital"

Lenin, in his voluminous writings in defense of the abstraction of a closed capitalist society, wrote that not only had Marx the right to his assumption, but that it was the *only*

scientific method possible to illustrate (1) the law of realization, which held true "whether we take one nation or the whole world,"[33] and (2) to prove that distribution was *not* the problem. By projecting an ideal capitalist society in which the capitalist has absolutely no headaches about markets—everything produced is "sold"—Marx proved, says Lenin, that the capitalists' search for markets is motivated by the search for greater profits, and not because it is absolutely impossible "to realize" the goods produced within the capitalist society.

"Under a *different* distribution of the national capital," writes Lenin, "the same quantity of products could be realized within the country."[34]

When Engels had postulated a similar "distribution of national capital," he too had done so without changing the basic capital-labor relationship:

> The modern state, whatever its form, is an essentially capitalist machine; it is the state of the capitalists, the ideal collective body of all the capitalists. The more productive forces it takes over, the more it becomes the real collective body of all the capitalists, the more citizens it exploits. The workers remain wage earners, proletarians. The capitalist relationship is not abolished; it is rather pushed to an extreme.[35]

Because this capitalist relationship would not be abolished but would rather be "pushed to an extreme," Marx would not budge from his premise of a society consisting only of workers and capitalists. By being solidly based on the capital-labor relationship Marx sees that the decline in the rate of profit cannot be obviated either by an increase in the mass of profits or by an increase in the "effective demand" for the extra products created. No matter what the market is, the technology of production is such that the capitalist needs relatively less workers to man the new and ever larger machines. Along with the technology of production, the production relationship is such that surplus value comes only from living labor (variable capital in the process of production), which is now an ever smaller part of total capital. Hence the tendency to decline reveals ever clearer the *law of surplus value* behind that tendency.

The logical development of this tendency, writes Marx, will reveal that ultimately *not even the full twenty-four hours of labor* would produce sufficient surplus value to turn the wheels of expanded reproduction on a *capitalist* basis:

> In order to produce the same rate of profit when the constant capital set in motion by one laborer increases ten-fold, the surplus labor time would have to increase ten-fold and soon the total labor time and finally the full twenty-four hours a day would not suffice even if wholly appropriated by capital.[36]

33. Collected Works, II, Lenin, page 451 (Russian edition).
34. Cf. translation of the first chapter of Lenin's The Development of Capitalism in Russia in the December, 1943, NI, page 349.
35. Anti-Duhring, page 349.
36. Capital, III, page 468.

We have reached the theoretic limit of capitalist production. It is as inextricably connected with labor as is the theory of the abolition of capitalism with the proletarian revolution. That is why an organic part of Marx's theory of accumulation is the mobilization of the proletariat for the overthrow of capitalism. That is why Marx would not be moved from his premise of a closed society. It was the basis not only of Volume II of *Capital* but of Volumes I and III, as well as of his *Theories of Surplus Value*. Moreover, it was the basis not only of his entire theoretical system but also of his whole revolutionary activity.

4. The Breakdown of Capitalism and the Decline in the Rate of Profit

Marx developed his analysis of capitalist production on different levels of abstraction. In Volume I of *Capital*, the most abstract of the three volumes, he projects the ultimate development of the economic laws of capitalism, the concentration and centralization of the means of production until they reach the limit, "the concentration of the entire social capital in the hands of one single capitalist or one single corporation."

This single capitalist society becomes the ideal capitalist society which is the premise of Marx's famous formulae in Volume II. Even in Volume III, where we are introduced to the "real" world, with its bogus transactions, credit manipulations and all other complicating factors of a complex society, Marx's vantage point remains the sphere of value production of a closed capitalist society. The main conflict in society, as in production, remains the conflict between capital and labor. It becomes aggravated, not modified, with the expansion of production and expansion of credit, and none of the laws of production whether reflected in the declining rate of profit, or in the reserve army of labor, are attenuated by market manipulations. Rather the abstract laws themselves come to full fruition.

Today we can see that clearer than ever. Even should, for instance, Britain and France nationalize production and take complete control of credit, that being a *given* capitalist society, i.e., a society existing within the environment of a world market, the fundamental factor remains the labor-capital relationship over which the law of value dominates. Atomic energy may be the secret discovery of the United States, but France must follow suit or perish. The given society is subject to any technological revolutions, no matter where these originate. The capitalist of the given country remains the agent of value production and is caught in the vise of value production. On the one hand, the only source of value and surplus value is living labor. On the other hand, his method of production is

such that he constantly uses less living labor in relation to dead labor (machines). These highly contradictory laws are inextricably connected. When the capitalist—whether he is one, one thousand or one single corporation in any given country—obeys these laws, he is subject to the decline in the rate of profit—ratio of surplus value to total capital. Yet the disobeyment of these laws would only bring about his downfall the sooner. Supposing that the single capitalist society tried either to give greater employment to labor or to raise the standard of living of the worker, who, being paid at value, becomes a cheaper commodity the more commodities he produces. The moment it attempted to give the worker a value for labor power greater than is *socially* necessary for its production, the cost of *all* commodities would go up. The amount of value above value, or the surplus, therefore, would get less and the single capitalist society, existing in the environment of the world market, would be made to understand that it is part of a value-producing "one world" and must obey its laws or perish—either in competition or on the battle fronts.

Marx considered the theory of the declining rate of profit to be "the *pons asini*" of the whole of political economy, that which divides one theoretic system from another.[37]

The protracted depression following the 1929 crash silenced the vulgarizers of political economy, who denied that there is such a tendency. However, it was inconceivable to this "new political economy," as it is to all bourgeois, that the decline in the rate of profit comes from the very vitals of the productive system. Marx, based as he was on the capital-labor relationship, saw the decay in capitalist production in the tendency in the *rate* of profit to decline despite the growth in its *mass*. The bourgeois economists, on the other hand, see the decline in the rate not as a result of the organic composition of capital, reflecting the relationship of dead to living labor, but as a result merely of "a deficiency in effective demand."

Paul Sweezy, a "Marxist" professor tainted with a good deal of Stalinism, thinks that, although Marx wrote some 4,000 pages on the capitalist method of production (*Theories of Surplus Value* were written as Volume III of *Capital*, and must be considered as part of the monumental work), he was all the time feeling his way to an under-consumption theory, without having had a chance to develop it. However, even Sweezy has to admit that as Marx's work stands, his theory of the falling rate of profit is opposed to the under-consumptionist theory. He correctly summarizes the differences in the two positions:

> It is important to grasp the difference between the crises associated with the falling tendency of the rate of profit and the realization crises. . . . In the one case, we have to do with movements in the rate of surplus value and the composition of capital, with the value system remaining intact; in the other case, we have to do with as yet unspecified forces tending to create a general shortage in effective demand for commodities, not indeed in the sense that the demand is insufficient to buy all commodities offered, but that it is insufficient to buy them at a satisfactory rate of profit. The starting point of the crisis is in both cases a decline in the rate of profit; but what lies behind the decline in the rate of profit in the one case requires a very different analysis from what lies behind the decline in the rate of profit in the other.[38]

Simply stated, it all boils down to this. Either the decline in the rate of profit results from the preponderance of constant capital over variable and is incapable of resolution except through the abolition of this capital-labor relationship. Or it is due to an external force, effective demand, and thus can be doctored up *outside of* the production relationship of capital to labor.

Such a theory is an absolute necessity to the bourgeoisie. Capitalism not only centralizes the means of production, it socializes the labor process. Capitalism not only degrades the worker to an appendage of a machine, it also disciplines him. Capitalism not only throws the worker out of employment, it also prepares him for revolt. Capitalist rule is becoming unacceptable to its wage slaves. Hence the bourgeois theorists, faithful servants to the bourgeois class, comes to its rescue with a theory that the worker need not revolt. The evils of capitalism, they say, can be eliminated and the capitalist production system can be doctored up to work.

Needless to say, Luxemburg was not seeking means to doctor up capitalism. Nevertheless, such is the logic of thought that, once she denied the Marxist theory of accumulation, she was forced to come to a conclusion which anticipates the latest *bourgeois* economic theory! Where the bourgeois economists look for a rising standard of living to supply "the effective demand" and thus stifle the decline in the rate of profit and "induce" the capitalist to increase his investments, Luxemburg, being a Marxist and *taking for granted* that the laborer can present a demand for no more products than those equivalent to his being paid at value, looked for a "non-capitalist milieu" to supply the "effective demand." What is common to both these theories is that both look *outside of* capitalism's direct exploitative process, outside the process of *value* production. That is why the modern economists seized upon Luxemburg's theory. A leading British economist informs us that Luxemburg "most clearly" developed "the under-consumption element in Marxist theory."[39] Although this worthy bour-

37. Cf. **Marx-Engels Selected Correspondence**, page 224 and **Capital**, III, page 250.

38. **The Theory of Capitalist Development**, Paul M. Sweezy, page 145.

39. **An Essay on Marxian Economics**, Joan Robinson, page 86.

geois admits that among Marxists Luxemburg is regarded as "heretical" on this question, she nevertheless hopes through this connection to give underconsumptionism a "Marxist" flavor.

IV—Conclusions to Be Drawn

Luxemburg began her *Accumulation,* which she considered a "supplement" to Marx's *Capital,* by abandoning Marx's premise. The latter, however, is the foundation of Marx's entire theoretical system. Rejecting it, Luxemburg must reject his whole method of political economy. Her book is the first attempt to give a Marxist flavor to a distribution theory. The tendency has existed before, but it is only after the appearance of her book that it has gained theoretic credentials. *Luxemburg's Accumulation of Capital is not a supplement to, but a revision of, Marx's Capital.*

Luxemburg's work is a theoretic test for revolutionary Marxism's ability to answer the challenge that has appeared from within its own ranks. It is also a theoretic test for Luxemburgians who contend that hers is the only revolutionary solution to the problem of expanded reproduction.

How has Luxemburg's theory stood the test of time? On the one hand it has served to disorient the Marxist movement. In his Introduction to *Imperialism and the Accumulation of Capital,* Bukharin states that he was prevented from writing the draft of the CI program because of the Luxemburgians' insistence that her theory of accumulation become the theoretical foundation of the program of the Third International. Hence, he had first to expose her errors. On the other hand, Luxemburg's theory of accumulation, a misnomer for "realization," is being used by underconsumptionists for a Marxist decoration.

Surely Rosa must be tossing restlessly in her grave at the sight of bourgeois economics embracing her theory. Unfortunately, she herself never made clear how she reconciled her theoretic and revolutionary positions. This has not become clearer in the narrower vision of her disciples. They can do no more than point to her revolutionary martyrdom, although one has been so bold as to say that her theory of accumulation has solved a problem which "had exhausted even Marx's huge powers" and that only with her book, "the idea of socialism had shed the last vestige of Utopianism."[40]

It is not insignificant that the anti-Leninist Luxemburgian, Paul Mattick, has nothing to say about the acceptance by bourgeois economists of Luxemburg's underconsumption theory,

40. Cf. **Rosa Luxemburg,** Paul Frohlich, page 185.

although this runs directly counter to his curious theory, to wit: although Lenin was right, he was wrong, and although Luxemburg was wrong, she was right because her theory led to "truly revolutionary conclusions."[41] The truth is that no matter what revolutionary conclusions *she* drew, her *theory* that expanded reproduction depends upon effective demand rhymes precisely with the current theory of bourgeois economics.

The Stalinists, who have in the past boosted the Keynesiar theory, now, in their new-found desire for "socialism," find it necessary to oppose it. In the *Daily Worker* of January 15, 1946, "a letter from a comrade" is published demanding that the Keynesian theory of political economy be exposed for the dangerous fraud that it is. With the new turn, the American Stalinists are recognizing the necessity for restoring "Marxist" education to their armory of corruption of the working class. At the same time, their masters in Russia, who have no necessity for even pretending to be revolutionary, have entirely abandoned the Marxian theory of value.[42]

Rosa Luxemburg was a revolutionary. Her great services to the movement and what Trotsky called her luminous mind will always remain the indestructible heritage of the Fourth International. Precisely for this reason, however, it has been necessary to disentangle the error she has committed on the theory of accumulation from her revolutionary activity and her fight against reformism. Only a clear exposition of her erroneous theory will prevent the Stalinists from using the mistake of this revolutionary martyr for their own nefarious purposes.

41. Cf. **International Correspondence, No. 8, July, 1936,** where Mattick in his article on "Luxemburg vs. Lenin" writes: "In his writings against the Narodniki, Lenin had already anticipated many of his arguments against Rosa Luxemburg's conception. There is no doubt that Lenin's conception is much closer to the Marxian than is Luxemburg's.... Lenin's arguments against the Luxemburgian conception were sound and so far as they went completely in harmony with Marx; nevertheless, he evaded the question as to whether capitalism is faced with an objective limit.... His theory, while more correct, did not lead to truly revolutionary conclusions. Rosa Luxemburg's theory, even though false, still remained revolutionary."

42. Cf. **Political Economy in the Soviet Union,** International Publishers.