

# THE CAMPAIGNER

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First English Translation

ROSA LUXEMBURG  
**ANTI-KRITIK**

The Accumulation of Capital  
or

What the Epigones Have Done  
to Marxian Theory

Part II

Summer 1972

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# Capitalism's Limits to Growth

Under "normal" conditions of capitalist development political democracy and liberalism are the norms of politics and social thought. Liberal ideology insists (among other things) that the answer to social ills lies in continued economic expansion. Today this notion finds itself under vigorous attack.

Indeed at first glance it does appear, superficially, that "economic growth" has produced the hydra of slums, pollution, crowding, resource depletion — in short, the much publicized and all too real "ecology crisis." A closer look reveals that actual economic stagnation rather than purported growth produced the present grim prospects.

Although GNP and capitalist profits have continued to accumulate almost unabated, the U.S. industrial production index indicates that industrial output has stagnated for the last four years at the 1968 level. The capital goods production index, an even more sensitive indicator of real economic growth, is still below the 1967 level. (The qualification must be made here that these figures are merely a conservative reflection of the real depths of stagnation since they include wasteful production such as the military sector; furthermore no consideration is given here to actual production requirements created merely through depreciation with respect to advanced technology.) Meanwhile cancerous, speculative expansion of all forms of credit (the "growth") coincident with this stagnation of real productive output has created the conditions for a classic general breakdown crisis or depression.

The rise in corporate profits reported for the last quarter of 1971 indicates the success of government wage gouging policies rather than any health of the capitalist economy. Likewise Hosannas recently heard around the Nixon administration praising improved unemployment and production rates merely reflect a desperate attempt to parlay short term results of massive inflationary credit extensions into political capital. This is indicated in part by a total GNP inflationary price index rise of 6.2% in the first quarter of this year compared to 1.7% in the last quarter of 1971. Phase II, and similar austerity measures throughout the advanced capitalist sector, are required to stave off runaway bankruptcies or monetary panic, either of which could now rapidly lead to exasperated depression conditions.

Austerity policies require for their implementation the breaking of organized labor's resistance. This requires the breaking of the trade unions themselves. It is this reality which has changed the face of politics in the advanced capitalist countries. In the United States sector this change is manifested in the break-up of the Democratic Party-labor-minority-group alliance as the economic conditions permitting such "concensus" politics have eroded.

Naturally enough such "material" assaults on pluralist politics are beginning to expose liberal thought for the mere ideology that it actually is. The universities, chief center for the production of the most advanced ideology, are, obligingly, mounting attacks on the now stale and increasingly

useless liberal wisdom. That old liberal humanism was mainly an abstract ethical notion, rather than an understanding of real material men in society, is now revealed by the failure of liberal science to effectively counter the proliferating outright fascist-tendencies represented by the likes of Jensen, Herrnstein, Koestler, and Skinner.

But all of this is not without its own rhyme or reason. As we have indicated, ruling circles now require a policy of austerity so that the capitalist economy can be propped up through the transfer of former wage and social service expenditures to profits. No ruling class has ever justified its rule on the basis of its openly declared self-interest. The capitalist class is no exception. The bungling crisis-mongering of the capitalist class must somehow be represented as policy in the interest of society as a whole.

Bourgeois economics is increasingly unable to apply the necessary progressive veneer to the rotting capitalist hulk. Last year's monetary shake-up and the continuing runaway "stagflation" have strained the credibility of any Pollyannaish Keynesianism to the breaking point. The working class finds it increasingly hard to swallow the notion that wage increases are responsible for inflation, as the relative success of Nixon's Phase II wage gouging is producing no let-up in both rising prices and unemployment.

More far sighted elements of the ruling class have been sloshing around in certain academic swamps, searching for a replacement for the failed economics professors. In this process the zero-growth ecologists have been fished out. This is not to suggest that ruling class propaganda requirements have automatically created the necessary innovations. The Zero Growth movement is a unique asset to present capitalist austerity policies, but it is social and economic forces rather than capitalist propaganda needs per se which have given rise to it. Various embodiments of capitalist "enlightened" self-interest have merely financed and encouraged ideas which have sprung "spontaneously" from the alienated consciousness of the bourgeois scientist contemplating the decay of capitalist society.

The support of the MIT business school's "project on the predicament of mankind" by Italian industrialist Aurelio Peccei's "Club of Rome" and the Volkswagen Foundation is an

instructive case in point. Dennis Meadows' "Limits to Growth," the published initial results of the MIT "project," envisions a breakdown of the "world system" within one hundred years, caused by exponentially increasing rates of population, industrial output, and pollution on a world-wide scale.

To achieve this result, "Limits to Growth" extrapolates world population and industrial production rates since 1900 into the future. With the help of a computer program designed by their MIT business school colleague Jay W. Forrester, exponentially-increasing population and industrialization are seen to run up against the supposedly finite store of world natural resources upon which industry depends, the capacity of the biosphere to absorb pollution, and the Malthusian spectre of mass starvation caused by the dwindling supply of arable land.

The MIT group's "solution" to this crisis is to halt economic and population growth. A policy which they call an "equilibrium state." Such a policy is seen as maintaining the population at a stable level through Zero Population Growth (ZPG) by limiting annual births to a level merely sufficient to offset annual deaths. At the same time, economic growth is halted by limiting capital investment to that level required to merely replace depreciated capital.

The question immediately arises, "what interest do prominent industrialists, the Volkswagen corporation, the OECD, and other capitalist interests represented in the Club of Rome, have in halting population and economic growth?" The answer is — none. Is Volkswagen interested in reducing its profits by cutbacks in economic growth; is it interested in losing prospective customers through a cutback in population growth? Obviously not.

The identity of interest between the Zero Growth movement and capitalist policy makers lies not in the latter's intentions to consciously adopt a zero-growth policy. The usefulness of Zero Growth ideology lies rather in the domain of propaganda, with which to break working class resistance to austerity measures, by clothing these measures in the sheepskin of "respectable" social theory.

The Zero Growth movement, seeing industrial

production inevitably leading to pollution and exhaustion of what they consider to be finite natural resources, recommends halting population growth and reducing consumption demand, as a means to slow down industrial growth and thus “prevent” ecological breakdown. The ruling class (that is its more prescient members) has been quick to pick up the notion of reduced consumption demand as anti-pollution and conservation measures, in order to produce strike-breaking propaganda. Now the “greed” of striking workers is not only “fueling inflation,” it is also “causing pollution and using up non-renewable resources.”

We warned against this potential insidious use of the ecology movement two years ago when that “movement” was almost universally lauded as the new Savior (see “Ecology Crisis: Who’s polluting Whom” *Campaigner*, May-June, 1970.) The use of ZPG ideology as a cover for attacks on the working class has now moved out of the realm of speculation and into the front lines of class warfare. The *New York Times*, always in the vanguard where attacks on the working class are concerned, joined the fray with an Anthony Lewis column attacking the British coal strikers with arguments gleaned from the British “Blueprint for Survival” ecology tract, which the *Times* had just editorially endorsed on February 4. (*New York Times*, February 14.)

More recently a *Times* editorial entitled “Energy Crisis Ahead” (*New York Times*, April 10) has called for either a “tax on all fuel and power [to] discourage frivolous (sic) energy consumption. . .” or “alternatively, the possibility has to be faced that eventually fuel and power may have to be rationed, perhaps by setting an upper limit per person on family electricity consumption.” Thus the *Times*, teaming up with Secretary of Interior Rogers C.B. Morton who has asked Congress for power rate hikes, adds fuel to the Power Utilities’ increasingly strident demands for rate price hikes. A *Times* article appearing several weeks earlier (see “We’re Running Out of Gas, *New York Times Sunday Magazine*, March 19) had, by the way, shown convincingly that the case for dwindling known reserves of gas and oil has been cooked up by the depletion allowance-bloated oil industry itself.

We do not by any means intend to suggest that the “ecology crisis” does not exist; we do insist that the crisis be seen for what it actually is. We

denounce the swinish ideological defense of capitalist economic and social relations that is the unifying element of the so-called “ecology movement,” from the “moderate” anti-technology stand of Barry Commoner, to the rabid and hysterical anti-human approach of MIT’s Meadows and Forrester.

The ecology crisis is actually subsumed by the general breakdown of capitalist economic relations and therefore only adequately comprehended in such connection. The question of ecological and developmental problems in the Soviet Union as an apparent refutation of this position often arises immediately. To merely indicate the solution here the Soviet Union and East European economies must be seen for what they actually are: worker state sub-sectors of the world capitalist economy trying to defend their limited existence in a profoundly economically hostile environment. Thus we are actually still dealing with problems of capitalism rather than of socialism (which does not exist in any real sense in the present “worker states.”) We here refer readers to E. Preobrazhensky’s *New Economics*, and the numerous works by Trotsky and Deutscher concerning this matter. The inherent capitalist tendency toward capital investment stagnation, as a means of self-protection against the devaluation of individual capital assets, mediated through declining consumer demand and apparent capital shortages, is especially exacerbated in the resulting present period of inflationary recession and monetary instability. The crisis is manifested as a general inability of the capitalist class to maintain its collective credit obligations (to itself) on the basis of declining income rates from stagnated real production.

In this situation, any income which can be shifted from actually necessary social reproductive costs to service capitalist debt can be accounted as profit, and thus as a short term “solution” to the immediate problem as it appears to the capitalist class. That this process is an essential feature of capitalism in general can be indicated by the fact that capitalist accounting does not even recognize the problem as it actually exists. To capitalist accounting as well as to its “theoretical” formulation — bourgeois economics — social reproductive costs are generally represented merely as immediate costs of production, the underpayment of same yielding the short term “optimum” result of increased profitability of the



individual capital.

This systematic blindness — the “price-earnings” ratio optimizing criterion of capitalist investment — fails to recognize the role of expanded consumption and environmental maintenance as regular requirements of continuously expanding social productivity. Thus in addition to normal or real accumulation of capital a “fictitious accumulation” occurs in the form of wage-gouging, social service cutbacks, “savings” at the expense to mankind of industrial pollution, and the imperialist looting of natural and human resources of the underdeveloped world. Luxemburg properly identified such behavior as the continual “primitive accumulation” feature of capitalist development which acts to “resolve” the capitalist “realization crisis.” This can otherwise be seen as the capitalist practice of attempting to resolve the discrepancies created by the necessity to maintain fictitious accumulation on the premise of stagnating real accumulation, through the intensification of the very fictitious accumulation which is the cause of the problem.

Thus, our presentation of the recent English translation of Rosa Luxemburg’s *Anti-Kritik* in this issue of *The Campaigner* (for the first half of this translation see *The Campaigner*, Winter, 1971) is especially appropriate for, and in a sense crucial to, an adequate understanding of the real forces underlying the “ecology crisis.”

Of course all this “cost-cutting” and fictitious growth actually reduces social productivity, artificially raising the price of all necessary social investments (including pollution control), thus limiting apparent “choice” to either “growth” with pollution or no growth at all. In part the Zero Growth argument for the notion of finite resources falls apart upon consideration of the question of the productivity of labor. As a careful examination of, for example, the Club of Rome’s “Limits to Growth” reveals, the “finiteness” of depleted resources appears in their analysis as “unsupportably high costs” of bringing new resources into use (marginal land, low grade ores etc.), rather than absolute exhaustion.

It is of course capitalist stagnation which makes such costs apparently untenable. By mislocating the problem in some kind of universalized, absolute cost barriers the “ecologists” hide from view the systematic historic untenability of

capitalist development. We do not mean to imply, however, that development limited to an extension of a qualitatively unchanging technology will not ultimately exhaust the finite resources appropriate to such development. No computers are necessary to adduce such a result. However, it is precisely on this point that capitalism stands condemned.

Successful human evolution has been characterized by periodic “productive revolutions” where mere quantitative extensions of man’s “energy capturing” capacities have led to qualitative transformations of established modes of life, and thus repeatedly saved mankind from apparently “inevitable crises.” The revolution which produced the human species as such, the invention of agriculture, the steam engine, nuclear power, all have created the so-called natural resources from previously “useless” nature.

Under the reign of capitalism humanity has produced countless revolutions of productive technology. If this process could continue unabated there would be no real, material basis in need for socialism, but such is not the case. The pressing question of alternatives to the finite supply of fossil fuels, to supply the ever-expanding need of developing humanity for energy, reveals the incapacity of capitalist economy.

It is not surprising that Zero Growth advocates give short shrift to the possibilities for developing a practical plasma fusion reactor for the production of electrical energy. The fusion of the nuclei within a deuterium (or deuterium-tritium) plasma releases enormous energy but yields no dangerous radio-active waste products. The fuel, deuterium, a “heavy” isotope of hydrogen, is easily separable from sea water and would be virtually inexhaustible, thus virtually eliminating the finite resource problem with respect to fossil fuels and fissionable materials. The great heats generated would provide such great efficiency in heat transfer methods of electricity generation that thermal pollution connected with energy production would cease being problematical. In addition, applications of the process such as the “fusion torch” might make the recycling of industrial materials cheap enough to be almost universal.

Is such a development possible? At present no theoretical obstacles remain to block the realization of this advance (for references on the matter of fusion power see the above cited

“Ecology Crisis: Who’s polluting Whom” and “Zero Growth” in *New Solidarity*, April 10-14.) Leading researchers in the field of plasma physics, Eastlund and Gough, have stated that a practical prototype fusion reactor could be created within ten years if such development were seen as a “national goal.”

Whereas in a rational world the “ecology movement” would jump on such a development and lend all its efforts toward propagandizing the need for development of fusion power, in the “real” world it is not merely that such a development would dissolve the case for Zero Growth that these warriors are mum on the subject. They cannot see the development of fusion power as a real possibility because it is not on the immediate capitalist investment agenda. Having limited themselves entirely to the outlook of the actual capitalist future, ZPGers can see no future that does not include stagnation of productive technology.

While vast expenditures of productive resources will be required to develop fusion power as a practical source of energy, the utility industry, eating itself through government porkbarrels in the form of “welfare” measures, such as “oil depletion allowances” and enormous capital advances by the AEC in the development of fission power, is spending next to nothing on fusion research. The AEC itself has so far spent less than the cost of one Apollo moonshot on fusion power research and the fiscal 1971 budget for such research of \$30 million was \$3 million less than the 1960 budget!

Again, it is capitalism and the private property nature of capitalist capitals that is responsible for this stagnation in research development. Capitalist optimizing criteria demand not only that “full value” be milked out of the development of fission power before its replacement, but also that the ancient plant and equipment of the fossil fuel generating plants be maintained at “book value” so that the edifice of the debt structure built on such rotten foundations does not crumble.

The “equilibrium economy” recommended by ZPGers would of course mean that adequate funds required for the realization of fusion power could never be generated. Thus, Zero Growth is a well argued case for the extinction of mankind.

Zero Growth unfortunately need no longer be studied from the standpoint of the future through the “creative” capitalist imagination of the ZPG ecologist. In many respects it has already descended upon us. Rather than the utopia predicted for it, it has turned out to be in different aspects both cause and effect of the economic crisis. We have already indicated that capitalist induced stagnation of industrial output is a primary source of the current economic crisis. This industrial stagnation, rather than moderating existing rates of pollution, makes the serious task of repairing damage done to the environment and prevention of future pollution through the development of pollution control techniques economically impossible under capitalism.

Not only has industrial production stagnated. The population growth rates of the “advanced” industrial countries have been moderating for a considerable period under the influence of both increased productivity and accompanied “cost” of producing labor power. This translates into decreased desire for large families, due to increased costs of education and longer social maturation times. However, in addition to this moderate long-term trend (which ZPGers blithely ignore), analysis of the 1970 United States Census reveals a sharp downturn in U.S. fertility rates which could rapidly produce Zero Population Growth within a few years!

Doubting readers are invited to read an analysis of the latest U.S. census data by George Grier, titled “The Baby Bust,” (Washington Center for Metropolitan Studies, 1971.) Entirely on the basis of published U.S. Census data, Grier shows that despite the fact that the generally fertile part of the population (15 to 34 year olds) has grown by 29% in the last ten years, due to the post-war baby boom (this increase was exceeded only in the 1870’s and 80’s, due to immigration), the under-five population has decreased by 15.5% in the same period (by far the largest of such decreases which have only previously occurred in 1920-29 and 1930-39.) Thus as the post war boom babies have matured to fertile age they have failed to produce the “population boom” that both most authoritative “sources” and ZPG crackpots alike have long been predicting.

Declining fertility rates are responsible for this drastic drop in the under-five population since death rates have in fact been only slowly

increasing. The recent decline in fertility rates (that is the number of children actually born per specified population unit) dates from the '57-58 recession, continuing in a long and sharp slide into the present economic crisis. The long slide into the Great Depression after WW I created a similar decline in fertility rates.

This decline has been so steep that if the rate of decline experienced since 1960 continues only two more years we could hit the population replacement level — the famous ZPG (see “The Baby Bust,” p. 22.) Far from ushering in an era of peace and light this threatening ZPG (and likely actual population decline) is a response to profound economic crisis. Families are increasingly, “voluntarily” limiting their size because of social instability, economic necessity, poor educational facilities, and so forth — due to a collapsing economy.

The rather consistent failures of “authoritative” demographers — including the U.S. Census Department — is a striking example of the dismal failure of empiricist method in the social sciences generally. Criticism of the rather naive statistical, computer program systems methods of the Club of Rome’s “Limits to Growth” from many scientific quarters should not prevent us from seeing that, in general, “Limits to Growth” is merely a caricature of the best of empiricist methods. Social science’s slavish committment to “objective fact” and “objective trends” among those “facts” in the behaviorist schools, and to pure subjectivity in the “idealist” schools, prevents a real comprehension of the essential duality of all social processes. It is precisely a comprehension of this duality — the subjectivity of human deliberative processes and actions and the resulting objective consequences for social reproduction — that is required for making any sorts of predictions whatsoever. And the character of such predictions is, therefore, inevitably “political.”

The zero growth ecologists, however, are at least consistent with reality in their pessimism as long as they view capitalist social and economic relations as the only reality. But they are unwittingly (or not, as the particular case or morality is concerned) projecting capitalist relations of production into the future to predict a crisis which is already upon us. Not only are they doing that; they are embracing its negative aspects (stagnation of production and population) as a solution, while

falsifying and hiding from criticism the actually crippling nature of capitalist “economic growth.”

Liberal critics of the “ecology” doomsayers criticize from the point of view of “progressive capitalism.” Those who claim that technology and continued “growth” will solve the problem in and of itself are probably more foolish (or deceitful) than their ZPG quack antagonists, in that they utterly fail to see the immediate political threat to human existence generated by impending economic collapse. (The London Economist and Nature attacks on “Limits to Growth” must be seen as such). Under such conditions (we must realize that we have in a sense already reached such conditions) no technological breakthroughs nor rapid real economic development necessary to avert crisis are going to take place.

The Nixon administration’s official attitude toward ZPG appears well calculated. While the ZPG movement will be an essential part of the propaganda attack on the working class, it uncomfortably indicates in an indirect way the present crisis of world capitalism. In addition, cretaceous layers of the capitalist class, not possessing much subtlety of thought, tend to take ZPG pronouncements seriously rather than as useful propaganda (“an end to accumulation, what kind of capitalism is that?!”) Thus a balancing act results. The President’s Commission on Population headed by John D. Rockefeller III gives ZPG Inc. rope by endorsing eventual ZPG, and Secretary of HEW Elliot Richardson has been running around the country attending ZPG forums and symposia decrying the undemocratic implications of ZPG while endorsing its “ultimate aims.”

The official attitude that no crisis actually exists is an echo of the “liberal progressive” view that no crisis exists for capitalism as such. The difference being that the former is a canny professional guise and the latter a true conviction. Again, we refer the reader to the striking modernity of Luxemburg’s analysis and its applicability to the question of the “ecology crisis” (which is not surprising since the proper concern of political economy and human ecology in the modern period are essentially co-extensive.) Luxemburg’s criticism of the “orthodox marxist” Otto Bauer’s theory that capitalist accumulation accomodates to population growth, rather than the contrary, is a sufficient critique of the view that “natural population” expansion is a solution to the “realization crisis”

(see the Anti-Kritik in this issue.)

Is there then any basis for optimism? If human productive forces remain constrained within the stranglehold of capitalism, there is not; however, if socialists use the present conjunctural crisis to wrest control of the economy from the capitalist class there is no reason why both economic and ecological crisis cannot be avoided and the vast unmet needs of mankind be satisfied.

Socialism, not having to maintain fictitious inflated value of past capital investments, will be able to carry out rapid industrialization of the underdeveloped world on the basis of re-industrialization of the stagnated "advanced" economies, and thus will be able to generate the required sufficient social surplus to rapidly improve world-wide living standards, while cleaning up the environment and maintaining it in a productive state. It will also be able to develop technical advances such as fusion power production which will create vast new (previously unexploitable) resources and give us capacities for recycling existing industrial materials.

Such investments will actually vastly increase the productivity of labor on a world scale, making real growth, without the negative aspects epitomized by capitalist accumulation, possible for the first time in human history. Such a transformation is definitely not of the pie-in-the-sky sort envisioned apocalyptically by both anarcho-"marxist" left sects and ZPGers alike. The tactical approximation of socialist investment policy and the social forces necessary to carry it out in this period, is the political strike-support policy of the NCLC. Both training in actual socialist economics and political organization are accomplished at the same time.

The "ecology movement" as it stands today is a deadly foe of such a policy, since it does not see the potential for human development in squandered capitalist speculative income and the unrealized social capital thus represented. By condemning expanded working class consumption (and thus production) the "ecology movement" becomes an ally of capitalist austerity regimes.

Socialist development will require the creative talents of every scientist to make creative contributions to theory and technology. The socialist movement now requires that Zero Growth

ideology be exposed as such, so that it is not confused with actual science. Scientists and scientific socialists, both students and teachers alike, who recognize that advances in human knowledge can only be predicated upon the actual material advance of society, must locate their counter-attacks against Zero Growth ideology upon support for working class-for-itself political strike activity.

Ironically, the "Blueprint for Survival," one of the more egregious ZPG tracts, calls for "a Copernican revolution of the mind" to deal with present-day world problems. We could not agree more with that sentiment, but we also recognize that such revolutions of the mind are not the autonomous result of the individual minds of isolated geniuses. To paraphrase Marx, human society only sets tasks for itself that it is capable of solving. Only a society based on continued, expanding material control over nature will produce the genius required to prevent our self-destruction. So-called "equilibrium economy" or "no-growth economy" only exists, or could exist, under present conditions of vast material deprivation, as disastrous stagnation. We have evidence enough of this fact as capitalist breakdown repeatedly produces "no-growth economy" for us in periodic depressions. The ZPG movement itself is evidence enough to show that such conditions make "Copernican revolutions" of the mind rare enough indeed.

Just as the question of the material expansion of society is inseparable from that of social relations, the production of human consciousness is also inseparable from the organization of human society. Empiricist method arises from the alienation of man in bourgeois society, which forces the individual to regard his limited domain of experience as the predicate for human knowledge in general.

The recent release of the Einstein papers refreshes our knowledge of how little scientific advance owes to empiricist "scientific method." That Einstein achieved his revolutionary breakthrough in the comprehension of the material universe on the basis of intuition of whole processes, rather than contemplation upon alienated "experimental conditions," is quite clear. To the call of the ecology freak of the academic or "communal" variety for "ecological conscience,"

we must counterpose "ecological consciousness" which is nothing but **class-for-itself** consciousness. The political working class for itself as the self-conscious producer of human ecology as a whole has an inherent understanding of the necessities of development and the consequently increasing freedom of the human spirit as these forces really exist for man. Since man's relation to nature is mediated through the totality of his social relations, the isolated man's "commune" with "natural nature" is merely a self-deception. Man's self-conscious willful development of himself as individual in and for the totality of human society can achieve "harmony with nature" as nature for man.

The idea of man in relationship to "natural nature" is a literally **bestial** conception. It rejects humanity, man's historical transformation of his technologies, his mode of existence, for a view of man as a beast-like hominid, whose mode of technology and social modes are "genetically," fatally, unalterably fixed. Thus, not accidentally, Zero-Growth ideology, which flows from the ideology of bestialization, can propose only intensified bestialization. It is under conditions of great capitalist economic crisis, as in the crisis of Nazi Germany, that capitalism seizes upon the endemic bestialized tendencies among its academicians to thus provide a "scientific" label for programs such as Nazi slave-labor/extermination camps, or the ultimately identical programmatic results of the "Blueprint for Survival" or Meadows-Forrester "Limits of Growth."

Man's relationship to nature is not that of some individual beast to his environment. Man's relationship to nature in general is a mediated connection, in which the individual significantly affects and is affected by his environment through the mediation of the totality of man's social relations. Therefore, the widespread conceit, that isolated man is in "communion" with "natural nature," is a self-deception. Man's self-consciousness, his willful development of himself as an individual in and for the totality of human society, is the only form of behavior and achievement which is in "harmony with nature" as nature exists, or could possibly exist, for man.

What distinguishes man from other animals generally, the mere beasts, is the principal fact of human existence. That is the fact, on the one hand, that lower animal species, such as rats, pigeons, and so forth, are governed by forms of behavior which are more or less narrowly fixed by their genetic inheritance and essentially inalterable forms of egg and uterine (and extra-uterine) gestation. Man is fundamentally distinguished from the lower animals by the fact of his historical existence, that he has shifted the focus of evolution of the dominant life-forms from the realm of genetic variations into the realm of more or less deliberately and successfully altering his basic modes of social organization and behavior, a fact which is merely epitomized by the accelerating progress of man's development of his technology from the early Pleistocene beginnings of a "baboon-like" existence. Whenever a group of individuals, deluded by the pathetic conceit that they are "scientists," takes extant modes of behavior and technology, such as those of present-day capitalist society, and projects future human development on the basis of a simple perpetuation of transient modes of individualized behaviors, such as technologies, that "scientist" has defined man, not as man, but as a mere hominid beast. Of course, consistence demands that his such conceptions be applied to himself. Man is not a hominid beast, but the "scientist" who proceeds on such assumptions has thereby demonstrated the actuality of his own bestialized world-outlook.

It is not accidental that Zero Growth ideology, which is itself a product of persons permeated with the ideology of human bestialization, can propose only intensified bestialization. As long as alienation persists, there have been and will be terminal cases of this ideology as exemplified by Meadows, et al. Ordinarily, such wretched persons are simply an endemic disorder of capitalist society in particular. It is under conditions of great capitalist economic crisis, as in the crisis of Nazi Germany, or the onset of a new monetary breakdown today, that capitalism seizes upon these endemic, most-bestialized tendencies among its academics — Skinner, Jensen, Herrnstein, Meadows, et al. — to thus provide a "scientific" rationale for programs such as the Nazi slave-labor/extermination-camp system, or the ultimately identical programmatic goals of Zero Growth, the "Blueprint for Survival," or the "Limits of Growth."



# The Self-Cannibalization of Capital in Europe

By NIKOS SYVRIOTIS

## 1. A Restatement of the Problem of Accumulation.

If the preceding period has been one of “prosperity”, it was government statistics bankers’ accounts that prospered, while masses of people were continually deprived of the material and cultural means of realizing their human potential: an empirical verification of the ultimate conflict between the accumulation of capitalists’ capital and the accumulation of real social wealth.

In one sense, this abortive process of accumulation of capitalists’ capitals results from the peculiar, perverted way in which capitalism historically attempts to realize its capitalistically produced and priced surplus product — i.e. by means of a global proliferation of promises to pay inflated past costs against future production.

At first sight, it would seem that capitalist accumulation takes place by the capitalists’ selling their surplus product to a world consisting exclusively of the capitalist class and the working class (and their dependents). As the capitalists sell their surplus product and receive their surplus value in monetary form, they are again ready to purchase labor power and means of production and re-engage in the next round of production; and this is how accumulation takes place — it would seem.

Yet as Rosa Luxemburg points out, there is something wrong here: who buys all this surplus product? Surely not the working class whose consumption is strictly limited to the variable capital. Maybe the capitalist class then? But if this class is made to exchange within itself all its

surplus product, i.e. spend all its money to buy it, how is capitalist accumulation to proceed without a previous incentive to enlarge production?

“If the capitalists as a class must themselves act permanently as the purchasers of their entire mass of commodities (except for the part that they are obliged to assign to the working class for its upkeep), if they must themselves constantly buy the commodities with their own money and “gold-plate” the surplus value contained in them — then the amassing of profit, accumulation, cannot take place for the capitalist class” (R. Luxemburg, the Anti-Kritik).

The workers and capitalists themselves cannot possibly realize that part of the surplus value which is to be capitalized. Someone “third”, outside the sphere of capitalist production proper, must provide the means of payment if capitalist accumulation is to occur at all. And this is what capitalism has been all about throughout history up to the present moment. If this central point is missed, i.e. capitalism’s dependence on the looting on non-capitalist sectors, no amount of effort will result in a coherent understanding of capitalism (and the very idea of socialist politics is reduced to a mere mockery).

It is the development of capitalist credit and banking that provides the ingenious solution to the problem of capitalist realization, transformation of the surplus value into its monetary form: capitalism advances credit to itself and effects payments by means of credit instruments. This of

course is only the beginning of the story: a credit instrument to be acceptable as a means of payment must itself be a title to real income, moreover, income that has to be provided (in our case) outside of the area of capitalist production considered. It is the business of capitalism as **organized violence** to secure the income promised by the credit instruments (bank-notes, bills of exchange, bonds, international loans etc).

Exactly this establishes the characteristic relation of the world sector of capitalist production to the non-socialist world sector of all non-capitalist production inside and outside of formal frontiers of the capitalist nation-state. It is also this that clarifies the historically specific relation between the USA (main center of capitalist accumulation) and the rest of the advanced capitalist sector since the end of World War II: the production of the latter is used to finance the growing world credit structure being generated in the former.

A case in point is the post-war U.S. dollar: it has been an acceptable **domestic** means of payment only because of its political power to purchase **overseas** productive wealth at bargain-basement prices dictated by the victor of World War II. Or, in another example, one can similarly explain the obsolete hysteria of post-war French governments in their attempts to force the EEC working class to pay ever-increasing prices for French agricultural products: land mortgages and farmers' debt is the basis of all domestic French credit (actually, as early as 1963, farmers' debt was about 80% of all farming income), which means that if French agricultural income is allowed to fall to any rational levels reflecting socially necessary costs globally defined, the whole of French banking will be reduced to a filthy heap of scraps of paper — this is the real threat of Eberle's penetration through the heavily barricaded agricultural market of the EEC.

What capitalist accumulation really is, is the amassment of all sorts of such paper-titles to income with a market-price tacked on, without any systematic correspondence whatever to the increase of real social productive wealth. To further aggravate the problem, the inevitable (under expanding social reproduction) increases in labor productivity tend to discount capitalist Fixed Capital (the collective price-tag the capitalist class assigns to the tools of production) — a tendency that is temporarily offset by a skyrocketing

demand for increased "means of payment", under-utilization of industrial capacity, etc.

The "price-tags", the capitalist valuation of titles, can be supported only as long as current payment to these titles is honored; otherwise bankruptcies and ultimate collapse of the entire system ensue. No correspondence between this fantastic accumulation of paper claims and real production is to be found, other than the fact that the growth of such generated credit and fictitious capital is ultimately limited by the rate of growth of real social wealth. It is a matter of elementary accounting that such an amassment of paper titles to income cannot spiral upward and onward forever. There comes an inevitable point when the (growing) current payments to such paper claims in the capitalist system as a whole significantly overtake, at an accelerating speed, the current extraction of real wealth.

It was at just such a point that the many imperialisms of the turn of the century attempted to steal from each other the areas of colonialist loot by a World War. It is at such a point again today that capitalist capitals flee from one area to the next, that gigantic speculative movements sweep the globe as ghost-capitals attempt to suck blood out of anything alive, anything tangible, anything other than imaginary promises to pay, promises that can no longer be honored. After all, vampires are not known to subsist off each other's blood and capitalist capitals (as property-titles) are no more substantial than pen and paper legends. When the entire produced surplus value and looted wealth no longer suffices to cover current obligations to fictitious capitals, then general capitalist ("illiquidity") collapse is in the making.

This, however, does not mean that capitalism as a system will necessarily come to an end. Indeed, the historic career of capitalism, since before it became the dominant mode of production until today, is a succession of triumphant, bloody solutions to exactly this sort of a problem: When one base of looting that supports capitalism's payments structures is materially exhausted, a general breakdown crisis has ensued and has finally been overcome by the establishment of a new base for looting, a new form of primitive accumulation. When, in more recent times, the looting base provided by the natural economies of Europe was exhausted by about mid-19th-century, the prolonged crisis that set in was overcome only

when the entire colonial world was opened for systematic looting. The exhaustion of this new base then led to the First World War, without any tangible results: it took the Second World War to provide the next form of primitive accumulation. This time, the solution didn't lack novelty — capital had started cannibalizing itself, primitive accumulation this time around being carried out by the undermining of the productive potential of one advanced sector by another. This article presents the general outline of just how this self-cannibalization came to happen, after victor and vanquished alike concurred with the victorious so-called “White Plan” at Bretton Woods, which designated the USA as the primary area of capitalist accumulation and credit generation.

In passing, one should note that the exhaustion of one looting-base appropriate to a historic form of primitive accumulation does not mean that this base has, after all, been spared of its predicament. Exhaustion means that the loot it provides is insufficient — but still necessary.

## 2. The Historical Record.

It took approximately two decades of cultural and general social chaos for the world financial intelligentsia to practically stumble into a hazy conception of what was to become the world Dollar Empire. The orderly world of the Old Imperialism was not immediately succeeded by a new, smooth order of things, nor did the international ruling class have any clear idea of what it had to do; the period between the two wars, and especially after the 1929 crash, was an interim period during which world capitalism was forced from experiment to experiment, was tossed from failure to failure into the **Pax Americana**.

The unresolved issue of World War I, i.e. the inadequacy of external looting-bases, left the post-war world with its pre-war legacy of over-extended and precarious financial structures to be serviced. A temporary lull was obtained as the U.S. sector managed to keep Europe afloat through credits based on the ferocious looting of U.S. agriculture and of Latin America. As this limited looting-base was exhausted, All Hell broke loose. In the midst of the general social collapse that followed, traditional bourgeois economic wisdom was one of the most conspicuous victims. Gold Standard notions (appropriate in a world of many imperialisms) collapsed together with their

associated basic assumptions. Large deficit financing in government, once anathema for all self-respecting bankers and statesmen, gained in status. The despised practice of competitive devaluations and trade wars now ruled (and shattered) world production.

An example of how the differences appeared: in the halcyon days of Old Imperialism and the Gold Standard, when all currencies were quoted in terms of their gold content and all international payments (mainly between Metropolis and colonies) were ultimately cleared with gold transfers, any area in deficit would experience a gold outflow, would have its domestic money supply contracted and fall in a “credit crunch” and subsequent bankruptcies — a situation that would be remedied by gold rushing in to buy up discounted stock. This was all right as long as those who found themselves in current payment deficit, so to speak, were the non-capitalist producing areas, or even some firms or industries of the capitalist sector proper. When the entire capitalist world found itself in just such a current payments deficit, the very capitalist sector had to be bankrupted, the imperial currencies themselves discounted — the old conservative bankers' gold-standard fixations could no longer effect the course of real social processes, they no longer worked.

After the collapse of the 1920's Dollar-Pound “gold-exchange” system had dissociated currencies from any sort of gold content, the classic financial solution was exemplified by Schachtian economics in Nazi Germany. The basic formula was to print State-guaranteed credit instruments (e.g., “Mefo Bills”) with which to meet current payments, to back them up by looting the working class, to import real values and pay for them with this worthless paper.

Characteristically, the Third Reich before the War had forced Balkan and other East European countries into a “Reichsmark Area”, in which members were forced to sell goods to Germany and receive payment in pure paper, which was accumulating to ever increasing amounts, without a chance of Germany's accepting it back as payment for the other country's imports. When one of the victims, Yugoslavia, once complained, she was told that the only thing available for her to buy was Bayer aspirins!!! Yugoslavia then bought a fantastic amount of aspirins hoping to resell them.

No doubt, part of that tremendous stock must be alleviating Tito's headaches today.

The ultimate necessity of that sort of incessant government printing activity was to expropriate the productive wealth of other capitalist countries by means of war, i.e. to loot other advanced sectors in order to sustain one's own paper capitals.

### Bretton Woods

Parenthetically, it is of no consequence that Hjalmar Schacht did not personally supervise in the ultimate military implementation of his economics. Modern bourgeois economists try to cultivate the myth that Schachtian economics was "autarky" economics, economics that cut Germany off from the world economy. On the contrary, Schachtian economics was an effort to overcome imposed autarky, the most sweeping sort of international economics, anticipating the necessity to have only one imperialist power regulate world credit by means of looting the rest of the advanced sector. He was a sort of a pioneer in his fashion, this Hjalmar Horace Greeley Schacht, and had he remained in the U.S.A. where he was born, he, instead of Harry Dexter White, would have probably personally dominated the Bretton Woods proceedings, where the core of his conception was salvaged with only the *personae dramatis* changed. The Balkans and Eastern Europe were to Germany, until 1939, what the world was to the U.S.A. from 1947 onward.

Yet, it would be wrong to imagine that the entire world setting was settled at Bretton Woods at a stroke. A whole developing nexus of conditions since before 1939 led to the correlation of forces represented at Bretton Woods, whose formal arrangements were completed, amended and improved by a series of official and unofficial arrangements afterwards.

Since the First War, Europe was increasingly in debt to the U.S.A. From the beginning of the 1930's a panic inflow of gold into the U.S.A. had started as investors were increasingly more apprehensive about the political instability (Weimar Republic collapse, French Pop-Front, etc). From 1930 to 1938, seven billion dollars in gold were transferred to the U.S.A.'s account. In 1939 alone — the year the War started — over three billion dollars in gold fled Europe for the U.S.A. With the onslaught of the War, European powers

were forced into massive liquidations of their long-term foreign assets in order to finance military operations. Great Britain itself, the greatest financial power of Europe, incurred over \$11 billion debt during the War, in addition to liquidating over \$5 billion of foreign assets. And practically all this in favor of the U.S.A. the "arsenal of democracy".

So, where the Bretton Woods documents, in their polite, objective jargon, speak of "debtors" and "creditors", "non-discrimination in international trade", "convertibility" etc., one creditor is meant, the U.S.A. with many debtors — all other capitalists, and the stipulations regulate how these others should behave to support the credit structure of the U.S.A. on which they directly depend. What was voted in July 1944 at Bretton Woods, taken in the proper context of financial realities of those days, was not the alleged set of seven abstract principles, but essentially the following:

By making all important currencies eventually convertible and their rates controlled by the IMF, it was in effect agreed that every country except the U.S.A. would devalue the collective book-value of her national wealth, and allow this wealth to be sold for dollars. At the same time, as non-dollar-denominated assets were partially bankrupted by devaluations, they were easing their grip on the world's real productive resources, thus providing further margins for primitive accumulation on the U.S. dollar's behalf.

Secondly, by *de facto* making the dollar a world reserve only formally pegged to gold, license was given to the U.S.A. to spread its inflation to the entire world: international payments would be cleared by paper-dollars and not necessarily by gold. This in a way is the same as the Schachtian arrangement of the Third Reich before 1939. Significantly (as viewed from later developments), the British pre-1944 negotiators had hotly contested this point by presenting an alternative proposal in Keynes' International Clearing Union Plan (similar to a later concoction of Professor R. Triffin), according to which excessive U.S. paper capital would be periodically wiped out, and, finally, an internationally equitably-spread inflation would be channelled into the U.S.A.

## What Followed

Theoretically, the masters of human destiny in capitalist Europe, having led mankind to two bloodbaths and permanent misery in between, could choose either the American hegemony or the putrescence of the world of the 1930's — its massive inflations, its trade wars, its continuous devaluations and all this augmented by the newly incurred obligations to the USA. In short, they could remain "independently" committed to final extinction. In practice, the armored divisions being on the side of the ocean that they were, and capitalists being what they are, the Dollar Empire was established as a matter of routine. From that point on, the European vassals of the dollar were the most fervent apostles of America's mission in the world. West Europe's financiers, France's included, have been more fanatical dollar-patriots than the U.S. Treasury itself.

And how did it come to be!

True, European production at the end of the War came to a grinding halt. Not because of war-destruction, as folklore has it. German industrial capacity, after the debris had settled and after the silly dismantling of plants came to an end, remained, in 1948, at ninety per cent of its pre-war level. But this was merely capacity. The raw materials were not there, nor the foodstuffs, nor the clothing and shelter for workers, items that Germany had traditionally obtained from imports. Similarly in the industrial triangle of Paris-Amsterdam-Cologne and also in Northern Italy. It was the impossibility of international trade that kept European factories and mines shut until about 1948, subjecting hundreds of thousands to death by cold and starvation. No currencies existed in Europe (that were worth anything) with which to conduct international trade. Only the dollar could buy anything and everything, and only the U.S. controlled the material and services that Europe needed to buy. But Europe didn't have dollars. It took the near-crisis emergency of 1947 in the U.S.A. to convince a capitalists' Congress that the implicit yet obvious consequences of Bretton Woods were not Rooseveltian "socialism," and to vote for the Marshall Plan with both hands.

Concurrently, as if to spite the erudite opinions of such economic experts of "inter-imperialist rivalries" as the empiricist Ernest Mandel, the European economies busied themselves with

discounting their currencies and capitals and assuming all sorts of obscene postures, in the hope of seducing American dollars to their shores (to prove the point that inter-imperialist "rivalries" are politically equivalent to the "sexual rivalries" that haunt the diseased fantasies of SWP's "women's lib" department). Mr. Mandel, to be sure, retorts that European economies had to devalue in order to become "competitive" and to overcome their "structural disequilibria," thus proving what we maintained all along: being in total agreement with the U.S. Treasury's fantasies, he, too, is incapable of seeing beyond his nose. The fact is that Europe was practically begging on her knees to be raped by dollars then, just as today she is ready to subject herself to all sorts of indignities to rescue the prodigal lover.

It is a matter of record that the British Pound, in exchange for the Anglo-American loan, was forced to devalue from \$4 to \$2.89 per Pound and accept convertibility to provide a buffer for the dollar. Similarly the French franc, whose tribulations are more complex: not only had the franc been devalued by 77% right after liberation, but in 1948 it was again devalued by another 44% (nor was that the end of it).

Yet the more important deliberations were taking place in Tri-Zone Germany. There, the Nazi Government's debt structure had of course been destroyed as the tanks rolled in. More significantly, with the 1948 currency reform, all sorts of remaining financial assets, including whatever administered currency remained, were devalued — by 93.5%.

America could now buy up Europe at forced liquidation prices. Moreover, productive potential that had been bled to death to provide props for the pre-war credit structures had been now liberated, only in order to become the looting base for paper capitals generated in New York. And to think that, oblivious of its "competitive position," the U.S.A. had raised the dollar price of its exports by 225% between 1938 and 1950, throwing up another riddle for Mandel to solve. . . .

The U.S. sector, the proper area of capitalist accumulation from the end of the War on, had no problem disposing of its surplus product. Europe for one, was an eager buyer. Credit could be extended liberally without fear, since it could be covered by getting hold of title to European



production — freely and cheaply. And Europe was starving for such credit. What followed was a massive outflow of dollars in the form of government-to-government loans. Europe needed dollars, not only in order to pay for badly needed imports from the U.S.A., but also to finance its own intra-European trade as well as its trade with the rest of the world apart from the U.S.A. So the dollar came to be the means of financing world trade, and its continuous outflow at all times far exceeded the requirements of U.S. export trade proper.

In this sense, the so-called dollar “shortage” hadn’t really disappeared until perhaps the late ’sixties.

Europe as a whole had been caught in a financial trap from the very start: needing liquid dollars to restore trade, she had to incur long-term obligations, whose current payment requirements increased the need for liquid dollars and so on. Foolish U.S.-partisan opinion like Kindelberger’s, tended to explain the fact that post-war interest rates have historically been higher in Europe than in the U.S.A., by rediscovering the “liquidity preferences” of the legendary tight-fisted continental miser who prefers liquid assets, while the satiated American takes a more sophisticated interest in long-term assets. Nonsense: Europe’s higher interest rates, her requirements for liquid assets and the massive dollar migrations were ultimately generated largely by the need to secure current payments to U.S.-held long-term assets.

From the very start, as soon as the European Recovery Program begun having its effect, Europe acquired its peculiar position as an intermediary between the U.S.A. and the rest of the world. Actually, Europe did not recover simply by means of American exports and loans to Europe *per se*, but mainly by the outflow of dollars to the entire capitalist world as a whole. “Aid” and other forms of American government loans to the Third World were instrumental in getting Europe on her feet. According to a Brookings Institution report: up until 1961, of every dollar of U.S. A.I.D. loans to underdeveloped countries, an average of \$.47 found its way to Western Europe, where those countries had to shop. Part of this money in Western Europe would stimulate further production, thus calling for further European importation of more capital goods from America, and so on.

Typical of this arrangement was the manner in which Krupp, before his 1965-66 bankruptcy, recouped his share of the world market. In the early part of the 1950’s Krupp started exporting whole steel and nickel plants to countries like India, Pakistan, Greece, building bridges on the Nile, factories, docks, harbors, cement and chemical plants in Iraq, Iran, Siam, Afghanistan, etc. A large part of these exports was financed by dollar loans to the victim countries by the World Bank and the Washington Ex-Im Bank, another part by dollar-based loans offered by the Federal Government of West Germany. The underdeveloped countries would sink knee-deep in debt to New York bankers, Krupp would get his money, pay up his running costs, borrow some more from the same banks and import more capital equipment from the United States to augment his business.

Krupp in this instance exemplifies the way in which West Germany as a whole has been exploited by American finance. In turn, the rest of Continental Europe’s production was geared to provide the supports required for the German performance. This is more or less the form in which the world capitalist post-war economy functioned up until the late 1950’s, with the U.S. Government extending official loans to underdeveloped countries with which they in turn would buy American and European products, and also extending loans to Europe which was importing American capital goods, etc.

Obviously, this sort of preliminary arrangement could last only so long as expanding reproduction in the U.S.A. itself could be financed without the fear of provoking a massive collapse in the paper values of already existing capital — a condition which existed up until the late 1950’s. As the U.S. Treasury Department charmingly describes the early 1960s, “since 1959 we had five years of an unprecedented degree of stability in U.S. industrial prices while creeping inflation was going on in the rest of the world.” The reason behind this boasting, of course, was that U.S. capital, overcoming the same Treasury’s schizophrenic measures, had been flooding Western Europe in a mad buying spree of every obsolete piece of junk it could find (and also building up some additional industrial capacity), as the only means of avoiding utter collapse. This actually is the period of massive U.S. private investments in Western

Europe, the second, and final, phase of the world order envisaged by Bretton Woods.

### The Common Market

The underlying logic, from the American point of view, was that it would be impossible to permit European capital to reap the fruit of increasing international trade opportunities stimulated by the massive outflow of U.S. "aid" — not while possibilities of productive investment inside the U.S.A. were being exhausted. Besides, so-called "local" European capital hardly had the resources to carry out such an undertaking. Yet, what U.S. capital needed before it could start such operations was a rationalized market, unburdened by customs duties, labor shortages and bureaucratic interference; in short, it needed a European Common Market. To any diligent reader of even the daily bourgeois press since the time of the European Recovery Program, it is obvious that the EEC was forced down the parochial throats of European statesman and capitalists. It is for fools like Mandel and his Kremlin co-thinkers to aggrandize the foolish Gaullist petit-bourgeois illusion of Europe as a rival of the United States.

If the empirical record of the EEC's coming into being is not enough to prove the point, merely examining who benefited from the formation of the EEC would provide the answer. It was the U.S.-owned "multinational corporations," mushrooming overnight, that took all the advantages that the Common Market arrangement had to offer. As the customary yardstick of the EEC's success is usually the tremendous increase in intra-European trade, it would suffice to give the example of Belgium, whose international trade in one year rose more than 20% on both exports and imports, largely as a result of shipments to and from between Ford of Cologne, Germany and Ford of Belgium.

Generally speaking, the success story of the Common Market is nothing but the story of American private capital's success in practically taking over the entire West European economy and reorganizing it across borders and despite local governments to its best interest. As Table I shows, by far the biggest part of U.S. investments abroad since the formation of the EEC was directed to Western Europe. The cumulative figures of that table, obtained from the officially reported relevant balance of payments entry, account for

three primarily "direct investment" activities: setting up of new business, buying up existing business, expanding existing business. This nevertheless exhibits merely the tip of the iceberg of U.S. ownership control in Europe.

Richard N. Cooper, former economic advisor to the Kennedy administration reports that by 1963, U.S. investments in Europe were financed only 18% from the "direct investment abroad" item (quoted in our table) of the Balance of Payments report of the Department of Commerce, 24% from American profits retained in Europe, 25% from depreciation allowances, and 34% from local borrowing (since the Interest Equalization Tax of 1963 and Johnson's "voluntary and compulsory" restraints of 1966-67, the locally financed portion has increased). Considering that by the end of 1971 the cumulative U.S.-financed portion of American investment in Europe reached more than \$25 billion, and conservatively guessing (based on Cooper's computations) that it represents about 1/5 of U.S.-controlled business, we can safely assume that the entire U.S. grip on European

TABLE I  
U.S. Private direct foreign investment  
(\$Millions, cumulative)

Year	World	Europe
1929	7,528	1,400
1940	7,002	....
1946	8,854	1,000
1950	11,787	1,700
1955	19,313	3,000
1959	29,735	5,300
1960	32,500	7,000
1961	35,000	7,500
1962	38,000	9,000
1963	42,000	10,500
1964	46,000	12,000
1965	49,000	14,000
1966	55,000	15,400
1967	60,000	17,500
1968	65,000	19,700
1969	71,000	22,000
1970	75,500	n.a.
1971 (June)	78,000	n.a.

Sources: R.F. Mikesell, *U.S. Private and Government Investment Abroad*; Dep't of Commerce, *Survey of Current Business*; Federal Reserve Board, *Federal Reserve Bulletin*.

business is of the order of \$125 billion. To appreciate the significance of this figure for the European economy, compare it with the \$300 billion total value of all West European listed securities outstanding at the end of 1962.

Nothing of this reorganization of European production under American auspices will be understood if the central point is missed: that the entire West European reproductive process is geared to support the industrial output located mainly in West Germany (precisely as Hitler had envisaged!). France, for example, imports tractors and other agricultural implements to raise food production needed to feed the working class in Germany (imports financed by farmer indebtedness which forces peasants out of the land by droves). Similarly, Italy is provided with industrial equipment for fertilizer plants, power factories etc., aiming to increase agricultural productivity and so to augment the supply of foodstuffs and raw materials for Germany. Similarly, Yugoslavia, which provides both mineral wealth and labor power for West Germany, etc. Quantitatively, the Common Market's international trade is to a large proportion intra-EEC trade. The ultimate result of this fabulous give-and-take is the tremendous industrial output of West Germany (mainly), available to be sent to the four corners of the world. It is precisely where American paper capital has gone to suck out real value.

Over fifty per cent of world trade is financed by U.S. dollars. The economic activity in Europe, overburdened by current obligations to American long-term assets, constantly requiring money to finance its exports, especially West German, has displayed until lately an insatiable thirst for liquid means of payment. It is a matter of record that this thirst has been satisfied by the massive outflow, in the last ten years, of U.S. private dollars as well as dollar holdings of central banks that have been used as the basis for extending domestic credit. Contrary to prevailing gossip, official Europe has always complained about its shortage of dollars (mainly needed to finance American undertakings), even when everybody was alarmed by the U.S. deficit and when the dollar tended to be under suspicion. The myth of "unwanted dollars" has been concocted by central bankers and economists to explain away the whole nexus of problems arising out of the fact that further profitable possibilities for productive expansion in Europe no longer exist!

The base of all West European currencies is the dollar, as is the base of all credit that has kept capitalist production going. After all, "European" currencies are ultimately nothing but expedient arrangements to facilitate American undertakings in Europe. The story of the fabulous "Eurodollars" is perhaps particularly instructive: these ordinary dollars held by banks outside the U.S. (mainly London) are used for ordinary banking business as any other (what other?) acceptable means of payment, i.e., to discount commercial bills of exchange, make loans and create credit generally. R.N. Cooper estimates, on the basis of data provided by the Bank for International Settlements, that each dollar deposited with banks in Europe, created an additional credit of three dollars. In other words, on the basis of the \$51 billion Eurodollars in June 1971, banks in Europe had extended another \$150 billions in credit.

The mere existence of the Eurodollar financial market makes a mockery of the myth of "inter-imperialist rivalries."

#### In The Bourses

Most of the Eurodollar business is done in financing international trade as banks discount commercial bills of exchange with these dollars. Another part of the business has been the financing of medium-term (7-9 years) loans to corporations and governments, loans which are usually consolidations of short-term debts that arise out of international trade (i.e., accumulations of commercial bills of exchange that cannot be honored immediately). Within the ten years of U.S. takeover in Europe during the 1960's, the volume of Eurodollars increased by about 1300%!!! How did these dollars get there in the first place?

At about the time of restoration of all major currencies to full convertibility, and when the EEC was just coming into existence in 1958, the British government forbade its country's commercial banks to use the Pound as a means of financing international trade not involving Britain. To our Lombard Street bankers, this would mean losing an 150-year-old lucrative business, unless they could find an alternative medium with which to conduct transactions. The restoration of full convertibility saved them, as they could thus borrow dollars from the U.S. and elsewhere and then lend these out by discounting their customers' bills. Actually it was easy to attract dollar depositors from the U.S.A.,

especially since Regulation Q of the Federal Reserve was allowing only 2.5% interest to be paid (for 90-day deposits) or 1% (for 30-day deposits) by the banks. London bankers, pressured to service customers (mainly Americans), were paying more interest, so the dollars started flowing to London.

In 1963 the Eurodollars had soared to \$10 billion and they went further to \$12 billion when the U.S. Government, worried about the balance of payments, tried to do something about the outflow by imposing the Interest Equalization Tax. But it didn't solve anything. As soon as European securities had a hard time buying dollars in Wall Street, dollars went to Europe to buy securities and thus avoid the tax.

After the U.S. government failed to restrict foreign portfolio investment, it tried its luck with restricting direct investment.

In 1965, a voluntary plan was put into action, asking U.S. international firms to kindly send less dollars abroad if they would. Yet Eurodollars continued, unaffected, to accumulate to new heights above \$15 billion, mainly to support acquisitions of old European businesses whose bloated prices were soaring ever higher because of the mad demand. So the voluntary plan became mandatory. American firms, rather than draw funds from the parent company, were forced to borrow in Europe. This sent European interest rates up, and these interest rates attracted even more dollars (do what you will, no dollars could stay to be invested in the U.S. — what else but the “falling rate”?). Of course regulation Q had been relaxed, but European interest rates continued soaring still higher than American. Europe-based U.S. business was starving for credit and ready to pay for it, especially in West Germany, which was trying to get out of its credit-squeeze recession of 1966-67.

By 1967 the Eurodollars had soared to \$21 billion and panics started breaking out.

By 1968 things started getting out of hand. Nixon was trying his luck with tight credit, which he kept up until the Penn Central collapse in 1970. Yet Europe was even more starved for credit. Masses of debtors, coming out of a credit crunch, wanted to consolidate their previously incurred short-term debts into medium-term loans. The Eurodollar rate skyrocketed to 11½% by

TABLE II  
Growth of Eurodollars  
(\$Millions)

Year	Amount
1958	1,500
1960	4,000
1961	6,000
1962	8,000
1963	10,000
1964	12,500
1965	14,500
1966	17,500
1967	21,000
1968	30,000
1969	37,500
1970	47,500
1971 (June)	51,000

Source: Bank for International Settlements estimates, quoted in Business Week and the Financial Times.

mid-1969, and within a year the Eurodollar market had amassed \$47.5 billion. The bankers in Europe had been lending all over the place at exorbitant rates.

An example: the Greek Government got a \$60 million loan to repay service charges to previous loans, at the rate of 12% plus 1% arbitrage, not to mention that of the \$60 m. nominal it only got \$50 m. These millions never went to Greece: they stayed with the banks that advanced them, as repayment to older loans. The banks still had the initial \$60 m. to make another loan of the same integrity!

What epitomizes the actual reality of Europe was the case of a Greek banker, working for an American bank, in Great Britain, who taxed his wits to squeeze money out of Italy. The case of Manufacturers Hanover Ltd's “Zombanakis Plan”: Italy in 1969 had experienced a speculative outflow of about \$4 billion. Government officials were worried about the future of the Lira. In came the London branch of U.S. Manufacturers Hanover Trust, to propose to the Italian Government a solution that would get at least one billion dollars back to Italy. Zombanakis, the bank's London director, suggested that the various

government-owned corporations of Italy could borrow from a consortium of banks that he would organize *gratis*. That would cost something like 10%, and then we have various operational costs etc., etc. As a first installment, the Istituto Mobiliare Italiano got a loan of \$200 million. Then the Ente Nazionale per Energia Elettrica, ENEL, borrowed another \$425 million on similar terms. Later, state-owned Istituto di Credito per le Imprese di Publica Utilita got another \$100 million. The Lira was saved! About a hundred different banking firms of Europe participated in these and the following loans that brought the total to over a billion dollars, securing for these banks an addition to their annual income of at least \$100 million.

Actually, over 400 different banks are estimated (by the London Economist) to participate in the Eurodollar loot. Most of them are American or American-controlled. As is, Europe had been laced with American subsidiary banks since the end of the war (see Magdoff's *Age of Imperialism* for up to 1968). From 1968 onward, banking "multinationals" start mushrooming, generating a new banking species, the truly international banks, based on no particular country, having no special loyalties and interests. As the Economist puts it, "it is without precedent that banks should have joined forces across national frontiers to establish multinational institutions with their own separate identities." This kind of European "financial community" is held on tip-toe by the \$150 billion Eurodollar loan business on which it depends. They stand and fall together with the American dollar. They have demonstrated their capacity to fight their "own" governments tooth and nail in order to impose the American will — and also to inject some rational moderation into the Washington administration.

The Gaullist idiocy of a "Europe of the Fatherlands" is already buried by the Gaullist epigones; Britain has been accepted into the Common Market and M. Pompidou, Rothschild's secretary, shut up and agreed to try a European "monetary union," killed his own agricultural policy, while London's "square mile" bankers are raving to get into Europe and structure a unified, Europe-wide capital market which alone would muster sufficient capital resources to make the continuous outflow of capital from the U.S.A. unnecessary (!), and thus solve the American balance of payments problem. Capital in Europe is trying to find ways to keep refinancing its

monstrous, self-inflicted debt *ad infinitum*, without shattering the dollar in the process. Two obstacles stand in its way: its own dinosauric parliaments and the resisting working class — each for different and opposing reasons.

### 3. A Monster Eating Its Flesh.

The question is not why one should be complaining, since U.S. capital has brought such feverish activity and such prosperity to Europe. The real puzzle is how this paper Moloch had managed to stay erect for so long. Is the productive wealth of France actually as much as the fictitious quotations of the Bourse pretend? Is the wealth of the dilapidated Italian South as fabulous as the mass of paper accumulated by the Casa per il Messogiorno? Or even in West Germany, has society there really been able to afford the payment of profit, interest etc. claimed by capital? German industry, by the end of 1971 had a total indebtedness, short and long term, practically equal to the book value of its annual product. Or in Britain, where as early as 1956 total public debt was 132% of the GNP, could society really afford to pay up capitalism's insatiable claims? How did this mass of paper manage to retain its book value for so long?

Indeed, the payments that have been made in order to sustain the collective price of capital have been over and above any surplus that could be left had the required maintenance of society's labor force and society's material productive environment been paid for. Such payments to society's productive potential have not been made. The European economy has been looted to the marrow and lies exhausted, unable to provide the material means for reproducing itself on even the existing qualitative level — under capitalism. It sounds strange to "radical" ears that Europe with all its pompous pretensions should be a wasting pauper.

### Europe's "Economic Miracles"

One takes the boat from the Continent and lands on fair Britain, takes a modest train dating from the days of Sherlock Holmes, and on the way to London sees from the window green pastures where man and horse labor together, to pull a . . . tractor held together by scotch tape. In London, one is greeted by a train station bearing the name of the great Queen Victoria, built with



bright red bricks at about her time. Only the bricks are no longer bright, they are covered with fungus; fungus actually is the first vivid impression of the visitor — miles of fungus-covered tunnels on the way from Harwich to London, with filthy water dripping all over, with discarded cables hanging, with congested trains ahead and patient trains behind you, waiting, like you. Yet you remember this fungus pasture with affection when you are confronted with the hell at the East End, where Pakistanis, Indians, English, Welsh, Cypriots crowd together under ancient ruins — their homes, gray faces, gray dresses, with a groan resembling human speech, yet not speaking, aloof, defensive, watching out for the muggers or the dehumanized “skinheads” at the fish-’n-chips corner. In Soho, a lucrative business still blossoms as their daughters peddle their skin for a sixpence (decimalized) — prices low, business brisk; Prosperity, you reckon.

Further North in the Island, one comes to Manchester, in the industrial heartland of the Empire. At first sight one imagines that Engels’ Manchester must have been idyllic by comparison to this burned out, ruined, unemployed Manchester. Working class “houses,” built at the dawn of capitalism, have their windows covered with zinc, filthy water runs through some streets; although it is eleven in the morning, there are workers in the nearby pub throwing darts. Finally, one gets inside a dilapidated ruin of a house and meets with a member of “International Socialism,” who volunteers the information that it has been the post-war PROSPERITY that has kept workers away from his organization. It is the time of the coal miners’ strike. . . .

Italy’s Messogiorno is at least \$20 billion worth — so much is the cumulative debt advanced by international finance for the “development” of the South. Nine million peasants and others, drained to the marrow and bankrupted by the leech of debt (remember the “Zombanakis Plan”?) have been driven to the North, or to Switzerland, or Western Germany, to work in factories for a meagre existence and for repayment of the debt. Tens of thousands such emigrants are completely homeless or live in homes made of carton-paper and flattened-out petrol-containers. Just outside Turin, beds are rented to workers: three tenants per bed, one for each shift (the information is volunteered by the London Economist). From there to the factory it takes about two hours by train — through congestion, overcrowding, traffic jams

indicative of the state of public transports. And two hours back, Italian capitalism thrives on two kinds of ruins: the ones left by the Roman emperors, and those modern ruins encircling every industrial town, the post-war slums. In the meantime, the labor power is being depleted at alarming rates.

West Germany, according to current legends, must be an oasis in the midst of this Hell.

Up until 1959, the German worker was paid less than his wage under the Third Reich. Burdened with all the Nazi anti-labor laws retained by the allies, he had nevertheless increased his productivity by 35%, the rate of industrial accidents by 66%, the rate of sickness by 25%. The average caloric consumption per capita in Germany is the lowest in industrialized Europe (the OECD Observer). The education budget, 3% of GNP, is the lowest in Europe excepting Greece, Spain, Portugal. The ratio of scientists per 10,000 of population is 6 in West Germany (compared to 25 in the USA, 22 in Sweden, 18 in Great Britain etc.). As the Financial Times of London put it, “West Germany is far from producing an educated proletariat.” A 1955 survey showed that 40% of the German youths medically examined suffered from neuroses requiring treatment. Youth criminality had increased by 250% in comparison to 1938. Prostitution of girls under 15 increased by 1000% compared to 1938, and so on. As Ivy League economist Wallich shrewdly observed in his *The German Revival*, “for the economy as a whole, labor’s muted and unaggressive policy has been an inestimable advantage.” Surely the income of a 14-year-old prostitute is added to the G.N.P. to keep German economists happy in more than one way.

This is what gives the whole secret of the *Wirtschaftswunder* away. Prosperity of capitalist bookkeeping depended on the physical and cultural extermination of the productive population. As one looted layer of the class wasn’t sufficient any more, and as it hadn’t had the chance to reproduce itself, either materially or culturally, new layers were thrown in: the *Gastarbeiter* were herded in from the looted agricultural areas of Europe — Italy, Turkey, Greece, Yugoslavia, etc. Lest one make the mistake of considering the effect of foreign workers on the German economy only marginal, we remind: of the 8.5 million workers in industrial manufacturing, 2.1 million are foreign.

They themselves live in conditions far worse than those of their German fellow-workers.

Nor is this Europe-wide policy of labor-power depletion the only source on which capitalist accumulation has depended. The “contemporary” mass of junk that fakes as capital plant and equipment in France, England and elsewhere, hasn’t been preserved down to our days out of capitalism’s tender regard for the archeologists’ edification. Working the material productive wealth of society to ruin without providing for the future requirements of the reproductive process, capitalism has thus looted its own constant capital. This, in addition to the looting of its variable capital, has provided, until recently, the material supports for the world credit system managed by the U.S.A. This cannibalistic orgy has euphemistically been called “prosperity,” “mass consumer society” etc. It has been indeed a mass-consuming society — a society consuming its masses.

#### 4. And Now What?

The series of monetary and related crises that started about 1967, reached a dramatic climax in August 15, 1971 and continue to decompose the rotting corpse of the Bretton Woods world, are mere empirical verifications of the assertion that the process of capitalist accumulation is coming to an explosive end.

As the reproductive base is increasingly restricted in comparison to the ever growing paper, wild and desperate speculations take the place of orderly economic activity. Monies are shifted out of production into speculation. The capitalist system everywhere in the advanced sector has found the massive further restriction of working class consumption as an expedient temporary solution. Expenditures for health, education, welfare, social services and for wages have been shrinking to provide further profitable margins for capital.

With population growth having frozen to zero throughout Europe, with growing ranks of millions of unemployed and unemployable, with production declining, especially in heavy industry and machine tools, the sure conclusion is emerging that capitalism can no longer secure even the

simple reproduction of society. Man is taking again the first uncertain steps back to barbarism.

Yet, between here and there, there remains a long distance to traverse. It would be a fatal mistake to expect the coming collapse to be anything as “lenient” as that of the 1930’s. For one thing, the ultimate solution toward which capitalism will be forced to gravitate (barring Socialist victory in the meantime), is not going to be anywhere nearly as “idyllic” as the preceding Dollar Empire.

The current period is like the 1919-47 period in that capitalism has already entered the long, agonizing path of fumbling, stumbling and bungling towards a next solution, in search of a new looting base. In spite of the countervailing short-term tendencies toward economic nationalism, many in the financial and political intelligentsia of capitalism have begun arguing in favor of a World Central Bank, Keynes’ original vision, a central credit mechanism for the entire capitalist world, accompanied, of course, by a global sort of government. The next form of primitive accumulation will be massive looting of the world working class under an international fascist regime, with massive looting of the Socialist world to follow — unless a thermonuclear exchange carries the whole drama to a mangled end.

Between that eventual capitalist solution and today’s erupting class struggles, only a victorious Socialist revolution in the developed capitalist sector can stand. It may take a few decades perhaps before capitalism can streamline itself to a smoothly functioning unified fascist dictatorship. But the opportunities for Socialist victories will run out long before that. History will judge the present generation of Socialists by what they do or do not do during this decade. If they choose to continue cherishing the criminal idiocies that have been dividing the European working class into fictitious nations, Socialist power is not going to drift our way, even if the capitalists were to hand it over to us on a gold platter. If, on the other hand, we draw the political conclusions that flow out of understanding Europe as the indivisible social process that it is, we can sweep away the criminal present leaderships of present “socialist” parties by building the foundation of one unified Socialist organization in Europe, thus providing the first precondition for victory.

# ROSA LUXEMBURG

## The Accumulation of Capital, or What The Epigones Have Done to Marxian Theory (Anti-Kritik)

### Part II

Unabridged English translation by Tessa De Carlo, Louise McAllen, and Christine Berl, of *Die Akkumulation des Kapitals, oder Was die Epigonen aus der marxschen Theorie gemacht haben — eine Anti-Kritik*. The original German text is the Vereinigung International Verlagsanstalten GmbH edition of *Die Akkumulation des Kapitals* (Berlin, 1923).

## *Preface*

As was noted and examined in some detail in the preface to Part I of our translation of the *Anti-Kritik*, the publishing history and fate of some of Rosa Luxemburg's major writings has been a "curious" one indeed. The almost universally negative reception and continuing deprecation of her theoretical work throughout much of the socialist movement — discounting the opportunist falsification and use for anti-communist purposes of her comments on the "organizational question" by certain elements of the "left" social-democracy as in West Germany today — constitute the most telling indictment of the movement's theoretical bankruptcy and moral degeneration.

The latest, though undoubtedly not the last, "deadly blow" delivered to date against Luxemburg's major theoretical conceptions come from the quarters of the East German Socialist Unity Party (SED). In commemoration of the 50th anniversary of Rosa Luxemburg's (and Karl Liebknecht's) murder by the counter-revolutionary soldateska in Berlin in January 1919, the SED, worthy successor organization of Ernst Thälmann's miserable KPD (Communist Party of Germany) of the late 1920's and '30's, commissioned a project which, considering the political practice of the SED and its West German counterpart, the DKP (German Communist Party), may yet prove a source of acute embarrassment to the party's leadership: the publication in eight volumes of Rosa Luxemburg's *Collected Works*. The first volume of this, in two parts, appeared in the Dietz Verlag, Berlin, in 1970.

Of course, one might be tempted to explain the publication of the *Collected Works* by the "official" German Communist parties at this point in time simply by reference to the cited occasion — as, for that matter, the occasion of the 1971 100th anniversary of Rosa Luxemburg's birthday, as is done explicitly in the preface to volume one of the DKP's paperback edition of Luxemburg's *Selected Political Writings in Three Volumes* (Verlag Marxistische Blätter GmbH, Frankfurt/Main 1971). We would then have to credit an act of potentially severe and far-reaching political consequences to the thoughtless bungling of a group of overly eager literary executors.

A mere cursory glance at the preface to volume one, part one of the *Collected Works* (religiously reprinted in West German DKP selections as an introductory essay) convinces us otherwise. What at first appeared just folly, is seen to be not without method. And what a familiar method it is! In the best tradition of the early Comintern and KPD attempts of ridding the German movement from the "virus of Luxemburgism" and readily plagiarizing from Bukharin's unprincipled 1925-6 attacks on Luxemburg's theoretical positions, a certain Günter Radczun, head of the editorial collective, proceeds to portray Luxemburg as a valiant fighter against German militarism and imperialism and Bernsteinian revisionism, while otherwise denouncing her as a heroic but intellectually incompetent woman.

While the scribblings of Radczun's preface are immediately intended to save the party faithful from possible "confusion" and the embarrassing tasks of thought and judgement, his portrayal of Luxemburg exclusively in terms of her anti-militarist, anti-imperialist and anti-revisionist stance — simultaneously discussing and slandering her profound intellectual accomplishments — provides us with a most telling hint at the real reasons behind the SED's and the DKP's publication of Luxemburg's works in this particular period.

When the 1969 "International Conference of Communist and Workers Parties," and later the 24th Congress of the CPSU, officially resurrected Georgi Dimitroff's 1935 popular front strategy on a global scale ("peaceful coexistence" etc.) — with the "broad anti-monopoly coalition" as its correlative in the national sectors — the two German parties, finding it inconvenient to refer to the authority of Joseph Stalin to legitimize these policies, discovered that an appropriately "corrected" Rosa Luxemburg might be an adequate reserve. This choice recommended itself for other reasons as well — reasons, which should soon take on a great deal of added significance.

By 1969, Walter Ulbricht, last of the post-war Stalinist CP leaders in Eastern Europe and noted hard-liner on East-West relationships (specifically East German relations to West Germany) was increasingly proving an obstacle to Brezhnev's "peace offensive." Thus, when Willy Brandt's liberal/social-democratic coalition government came to power in West Germany, opening up the

immediate possibility for implementation of the “peace policy” through a rapprochement between West Germany and the Soviet Union, Ulbricht was dumped in favor of the more malleable former CP youth leader Erich Honecker.

But the imposed East-West German honeymoon soon turned into a nightmare for the Honecker leadership. In the course of a Willy Brandt political visit to Erfurt, East Germany, the East German population left very few doubts where its sympathies for political leadership lay — and overnight Honecker and the SED rediscovered the menace of “social-democratism.” Along with it — you guessed it — they uncovered an eminently useful political trait of Rosa Luxemburg’s and her Spartakus associate’s, Karl Liebknecht: her struggle against the revisionism of Eduard Bernstein, and their joint battles against the World War I and post-World War I treacherous right SPD leadership of Ebert and Scheidemann. It is in the context of Honecker’s and the SED leadership’s titanic struggle with the social-democracy’s seductive power over their own citizenry that the recent publication of Luxemburg’s works must actually be located.

In line with the new political recipe of peaceful coexistence plus strict ideological demarcation, Luxemburg and Liebknecht have been pressed into battle on the broad front of a cultural offensive, the likes of which has not been seen in Germany

since Bismarck’s “Kulturkampf” with the Catholic Church. There are historical exhibits (as in the Berlin Museum for German History) on Luxemburg’s and Liebknecht’s life and work, “fighting” (“militant”?) demonstrations (the German is “Kampfdemonstrationen”) in commemoration of their death, and most importantly (!) a recently released moving picture account of the last three months of Liebknecht’s life. Production of a sequel on the last days of Rosa Luxemburg is already underway.

The purpose of it all was summarized before the premiere of the “Liebknecht Story” by East German deputy minister of culture, Guenter Klein, as offering the citizen “the opportunity to come to grips with social-democratism as an anti-revolutionary tendency,” making it less difficult to understand who are our friends and who are our enemies, and exposing the whole scope of the treason of the right social-democratic leaders. Such an understanding is necessary indeed. And there will be those handfuls of potential revolutionaries in the East and West German Communist parties, who will read on beyond the falsifications and lies of the Radczun preface to the Luxemburg edition, who will catch a glimpse of Luxemburg’s genius, and who will be inspired — in spite of all! — to take up the fight against the petty philistinism and the treacherous policies of their present party leadership, much as Rosa Luxemburg fought against the Bebels and the Kautskys who made Ebert, Scheidemann, and Noske possible.

*Following is Part II of The Accumulation of Capital, or What the Epigones Have Done to Marxian Theory (Anti-Kritik) by Rosa Luxemburg. A translation of Part I appeared in the Winter 1971-72 Campaigner (Volume 5, No. 1).*

1.

I obviously have no intention of going into [Otto] Bauer’s tabular computations. The mainstay of his position and of his critique of my book is the population theory, which he pits against me as the basis of accumulation and which actually has nothing at all to do with any mathematical schemata. This theory calls for the examination of other aspects. Before this, however, it is necessary to first become acquainted with the ways and means, the method with which Bauer

produces his tabular manipulations. Even though they add nothing to the solution of the purely economic and social problem of accumulation, they are nonetheless very characteristic of Bauer himself and of the level of understanding which he brings to the solution of the problem. And this procedure can be illustrated by a few very simple examples, capable of being easily assessed by even ordinary mortals who are terrified by dumbfounding tables and cabalistic symbols.

I will pick out just three examples for this purpose.



On page 836 of the *Neue Zeit* (1913), Bauer demonstrates how the accumulation of social capital takes place. Following Marx, he takes the two major Departments of production (I—production of the means of production; II—production of the means of subsistence), assuming from the outset for Department I a constant capital of 120,000 and a variable capital of 50,000 (which is supposed to represent thousands or millions of marks, in short, a monetary value). For the second sector he assumes a constant capital of 80,000 and a variable capital of 50,000. It's self-evident that the figures are arbitrary; it's their ratio to each other which is important because this expresses specific economic hypotheses from which Bauer proceeds. Thus the constant capital in both departments is greater than the variable capital in order to express the level of technical progress. Moreover, this preponderance of constant capital in relation to variable capital is even greater in the first department than in the second, since technical progress is generally more rapid in the first. Finally the total capital in the first department is correspondingly greater than in the second. Remember, these are all Bauer's own hypotheses and very laudable at that since they are consistent with Marx's. So far, so good.

Now for accumulation. Bauer begins by increasing both constant capitals by the same sum of 10,000 and both variable capitals by the same sum of 2,500 (*loc. cit.*). However, this immediately annuls the above economic hypotheses, since 1) the smaller total capital in the second sector cannot possibly increase its new capital by the same sum as the larger total capital in the first sector can, because in this way the reciprocal, technologically determined ratio between the two capitals is shifted backwards; 2) the capitals added to each sector cannot possibly have the same ratio between constant and variable capital, because the two original capitals did not have the same ratio between constant and variable capital. Here too Bauer upsets the technical basis which he had accepted.

Thus right from the first step in his analysis of accumulation, Bauer quite arbitrarily throws his own economic hypotheses to the wind. And why? Simply for the sake of arithmetic results, to keep the calculations nice and simple so as to avoid the complications he otherwise couldn't have coped with.

There's more. After the expansion of production arrived at in this manner, Bauer claims to show us how the second decisive act of accumulation occurs, that famous "salto mortale," i.e., the realisation of surplus value. He attempts to present the exchange of the expanded mass of commodities in such a way that a further stage of accumulation, i.e., repeated expansion of production, is reached. This happens on page 863.

The problem here is to exchange the two masses of commodities resulting from the first year of production: 220,000 means of production and 180,000 means of subsistence. At first things proceed in the usual way: every sector uses the largest portion of its mass of commodities, in part directly, in part through exchange, to replace the old expended capital as well as to insure the capitalist class's own consumption. So far everything is all right, and Bauer has of course been following in Marx's footsteps. Now comes the sore point: the expansion of production for the next year, accumulation. Bauer launches the discussion with a sentence we have already quoted: (Campaigner, V, 1 (1972), p. 55) "In addition the capitalists want to use the surplus value they have accumulated in the first year for the expansion of existing factories or the creation of new ones." Whether the "will" of the capitalists is sufficient is a question we have already answered and we don't need to deal with it here. We'll agree with Bauer that through his will man can attain to the kingdom of heaven; we only want to concentrate on the manipulations through which the capitalists' superior will generates itself.

So Bauer's capitalists "want" to reinvest 12,500 of their surplus value in production units. Why so much? Because Bauer needs just this figure for his nice and simple calculation. Well then, we resign ourselves to Bauer's will without grumbling and will probably only be permitted one thing: the right to stick to his own freely-chosen hypotheses. All right. The capitalists in the first department have decided to invest 12,500 of their surplus value in production. However, it now happens that after having already invested 10,000 of their commodities in their own constant capital and another 2,500 of their commodities in the other department to exchange it for means of subsistence for the additional workers in their own expanded production units, they still have a remainder in stock from the original mass of commodities — to be exact 4,666. They have already consumed,

renewed their old expended capital and invested more new capital for expansion — precisely the amount they had planned on after conferring with Bauer — and still they have “a remainder heavy to bear.” What can be done with this remainder of 4,666?

But let's not forget that the capitalists “want” to accumulate not merely in the first department but also in the second. There too, although they have far less capital as we have seen, they have the ambition to invest the same amount of 12,500 and even to divide it up in the same proportions — the vanity of imitating their richer colleagues even induces them to disregard technical aspects. However that may be, for this increase they need an additional portion of means of production from the first sector; perhaps this offers the opportunity for disposing of the indigestible remainder of the first section in the simplest way. But no, all of this has already been taken into consideration. The expansion of Department II has been carried out “as planned,” namely according to Bauer's self-contrived plan. There is no room for the slightest adjustment. And yet after all of this there is still a remainder of 4,666 in the first department! What's to be done with the deposit money left in our hand? “Where do they find their market?” asks Bauer (*loc. cit.*, page 863). And he concludes the following:

“The capitalists in the consumer goods industries transfer one part of the surplus value accumulated in the first year to the means of production industries: either they set up factories themselves in which means of production are produced, or through bank intermediaries they transfer a part of their accumulated surplus value to the capitalists in the means of production industries, or they buy stock in companies which manufacture means of production. The means of production industries thus sell 4,666 worth of commodities to that capital which has been accumulated in consumer goods industries but invested in means of production industries. Thus the consumer goods industries, in addition to the 85,334 worth of means of production (which fully supplies their own demands — R.L.), buy another 4,666 worth of means of production intended for the manufacture of means of production” (*l.c.*, p. 863).

So goes the solution: the first department sells the indigestible remainder of 4,666 to the second

sector, which does not invest it for its own purpose but “transfers” it — back to the first sector, investing it here for renewed expansion of Department I's constant capital.

However there is no need to go any further into the economic facts of Bauer's “transferrals” of surplus value from Department II into Department I. Here we will blindly follow Bauer over hill and dale, concentrating on just one thing: whether his own freely-chosen operations are carried out correctly, whether Bauer sticks to his own hypotheses.

So capitalists-I “sell” their commodity remainder of 4,666 to capitalists-II, and they “buy” it by transferring “one part of their accumulated surplus value” to Department I. But wait a minute! What do they “buy” it with? Where is the “part of the surplus value” used to pay for the purchase? In Bauer's tables there is no trace of it! The entire mass of commodities in Department II has already been designated for consumption by the capitalist classes of both departments as well as for replacement and expansion of variable capital (see Bauer's own calculations on p. 865), except for a remainder of 1,167. This 1,167 in consumer goods is all that remains from the second department's surplus value. And this 1,167 is not just used by Bauer as a “down payment” on the 4,666 in means of production; it's also used as variable capital for the additional workers who are required for the supposedly “purchased” 4,666 means of production! No matter how you look at it, capitalists-II have clearly expended their surplus value, and turning their pants-pockets inside out still won't produce one penny to buy the 4,666 remainder in means of production.

On the other hand, if in fact there had been a purchase, the 4,666 in consumer goods exchanged for it should be notated on the side of sector I. But where are they and what does Department I do with them? Bauer doesn't give us an inkling. The mystical 4,666 in consumer goods which obviously must have been exchanged at the time of “purchase” has vanished into thin air. Or should we imagine another solution? Perhaps the capitalists in Department II have reserve capitals which don't show up in the table; maybe they have deposits in the “Deutsche Bank” and now withdraw 4,666 in money to buy these means of production. But just a minute please! If Bauer imagined something like this, if he constructed his

tables as a representation of "total social capital" while keeping one eye on secret capital reserves he could rely on to solve the problem of exchange in his tables, this would be a real mockery of the Marxian schemata. Total social capital is total social capital! There is no getting around it. This means that all of society's capital, down to the last cent, must be included, and that means the "Deutsche Bank" and its deposits too. All circulation must take place within the framework of the schemata; in other words, the tables must clearly indicate which steps are involved and how they occur or else the whole schema and the whole business of calculation is not worth a grain of salt!

So the case is closed. The manipulations of Bauer's capitalists are nothing more than idle chatter; the gentlemen are only pretending to have bought and sold the 4,666 means of production among themselves, since there is in fact no means of payment available. So it's a matter of a donation for a "God be with you" which inspired the capitalists in Department I to pass on the remainder of their mass of commodities to the capitalists in Department II. And the capitalists in the second sector, not wishing to appear like cheapskates, respond to this magnanimous gesture with every bit as much generosity. They immediately return the present to their colleagues and even kick in their own remainder of 1,167 worth of consumer goods which they don't know what to do with either: Hey folks, hurry and get your instant variable capital for starting up your surplus machines.

Thus in accumulation's Last Act in Department I (after this ends "right on schedule" according to Bauer's plan), 4,666 in new constant capital and 1,167 in variable capital materialize somehow. And Bauer, turning toward the audience with a slight smile, adds the following aside: "In this manner the entire commodity value in both spheres is realized, thus the entire surplus value as well (l.c., p. 865). In the same way table IV convincingly demonstrates that not only in the first year but in each consecutive year the total value of the commodities in both spheres is sold without difficulty and total surplus value is realized. Thus Comrade Luxemburg's assumption that the accumulated part of surplus value cannot be realized is incorrect" (l.c., p. 866).

The result is most gratifying, but the manipulation behind it somewhat dampens our

pleasure. The plain facts of the matter are as follows. After both sectors of social production have completed the exchange necessary to renewal and expansion of production, Department I is left with an unsaleable remainder of 4,666 worth of means of production and Department II likewise has a remainder of 1,167 worth of consumer goods. What can be done with these two remainders? Exchange them for a start at least in the amount of the smaller number? First of all this still leaves a completely unsaleable remainder in Department I; we would be reducing the number but not the embarrassment. Secondly and above all, what would be the economic sense and purpose of such an exchange? After acquiring the consumer goods for additional workers in this way, what could Department I do with them, since after the exchange they would no longer have sufficient means of production at hand to employ these workers? And what could Department II likewise do with the new means of production acquired in this way, since precisely through the exchange they have given away the consumer goods necessary for additional workers? An exchange is therefore impossible, both remainders in the schemata are absolutely unsaleable.

To wriggle out of this predicament Bauer tries the following stunt. First he shams a "sale" of Department I's unsaleable commodity remainder to Department II without divulging a word about how they pay for it. Second, after this fictional "sale" Bauer has the capitalists in Department II undertake something even more original: they leave their own department, emigrate to the other with the newly acquired means of production and invest this there as capital. And third, they take their own unsaleable consumer goods along on this emigration, so they can immediately invest them as variable capital in the alien department.

One wonders why Bauer invents this complicated transaction, instead of simply leaving the extra means of production in the first department to be used for expansion, which finally happens anyway after these various detours. But Bauer would only be jumping from the frying-pan into the fire, into the embarrassment of having to explain how the necessary variable capital in the shape of 1,167 consumer goods could be maneuvered from the second sector into the first. Since this cannot be accomplished and since the total utilization of the commodities by means of exchange is absolutely impossible, Bauer creates a

situation hopefully muddled enough to conceal the tricks he uses to get his unsaleable commodity remainders into the first department for the last act of accumulation.

This is certainly a very audacious idea. Marx was the first person in the history of political economy to establish the difference between the two departments of social production and to schematically present it. This is a fundamental idea which places the entire problem of social reproduction on a new basis and makes its precise analysis possible. The pre-condition of Marx's differentiation and of his schemata was that only **exchange relations** exist between the two sectors, which is of course the primary form for precisely a capitalist or commodity-producing economy. Marx also strictly adheres to these basic terms in his operations with the schemata, just as he follows all of his hypotheses with an iron consistency. Along comes Bauer and just in passing upsets Marx's whole construction by "transferring" commodities from one sector to the other and back **without an exchange**, thrashing about in the strict schemata like a wild goose in the sky, as the Polish proverb goes.

Bauer supports his actions by explaining that with technical progress the manufacture of means of production increases at the expense of the production of consumer goods and that accordingly the capitalists in the latter department continually invest one part of their surplus value in one form or another (through banks, stock investments or by founding their own companies). This is all fine and dandy. But any "transferrals" of accumulated surplus value from one branch of production into another must be made in the form of **money capital**, which because of its indiscriminating and absolute character, is the indispensable form of capital for social fluctuation, for mediating the movements in the process of social commodity production. It is impossible to acquire stocks in a copper mine with a batch of unsaleable candles or to found a new machine factory with a warehouse full of unsaleable rubber shoes. What should have been demonstrated was how capitalist commodities are transformed into money capital through the process of universal exchange which alone permits fluctuation between two branches of production. At the moment when an exchange is patently impossible, it is a meaningless evasion to simply "transfer" the unsaleable products **without an exchange** to another sector of production.

No less capricious is Bauer's idea of having one sector of social production jointly "invest" in the other. The Marxian "departments" are not comprised of a list of the names of the entrepreneurs; on the contrary, they signify objective economic categories. If a capitalist from Department II wants to "invest" and accumulate in Department I with one portion of his money capital, this does not mean that the consumer goods sector co-produces with the means of production sector, which would be an economic absurdity; this only means that one and the same person simultaneously functions as an entrepreneur in both of the two sectors. Economically, it becomes now a question of **two capitals**, one of which produces means of production and the other consumer goods. The fact that these two capitals may belong to one and the same person, that the surplus value from both is lumped together in one pocket, is objectively, totally irrelevant for the analysis of the social conditions of reproduction. For this reason **exchange** remains the only connecting link between the two departments; if you stir them up in one pot as Bauer does, you destroy Marx's rigorous construction, the result of political economy's century-long struggle toward clarity, and the analysis of the process of reproduction regresses to the chaotic condition which fosters the antics of a Say and similar pranksters.

Remember that Bauer himself proceeds from this hypothesis at first. For example, right in the beginning when he's constructing his tables, he says: "Therefore, in the second year the value of the products in the consumer goods industry must total 188,000 because the consumer goods can **only be exchanged for the equivalent of this amount**" (l.c., p. 837). Likewise, upon the completion of his tables when accumulation should begin, he asks: "Who will buy these commodities?" (l.c., p. 863). Thus Bauer himself establishes the hypothesis that he will bring about accumulation by completely exchanging the total mass of social commodities between the two departments. But in the end, after various acts of exchange have not taken care of all of the commodities in both sectors, commodities which cannot possibly be exchanged, he gets himself off the hook by having both sectors foist presents on each other and fumble around in each other's business. Thus from the moment Bauer begins to use his tables, he abandons his own hypotheses as well as the fundamental condition of the Marxian schemata.



And now a third example.

It is well-known that when Marx develops his schemata to illustrate accumulation, he assumes the ratio between constant and variable capital to be constant and likewise the rate of surplus value to be constant, even when capital progressively increases. In my book I respond to this by pointing out, among other things, that it is this supposition, inconsistent with actual experience, which facilitates the smooth progress of accumulation in the Marxian schemata. The consideration of technological progress alone, i.e., of the gradual shifting in the ratio of constant to variable capital and in the rate of growth of surplus value — I wrote — would pose insurmountable difficulties for the representation of accumulation within the Marxian schemata and would show that capitalist accumulation could not possibly be confined merely within the reciprocal relationships of a purely capitalist industry.

Now Otto Bauer, in contrast to Marx, allows for technological progress in his tables; he explicitly recognizes this factor by assuming that constant capital increases at twice the rate of variable capital. Further on in his explanation he even assigns to technological progress the decisive role in conjunctural variations to technological progress. But what about the other factor? In the same breath “in order to simplify the analysis” Bauer assumes a fixed, unchanged rate of surplus value! (l.c., p. 835).

Obviously, for the purpose of simplification, those engaged in scientific analysis may disregard the conditions of reality or recombine them in new ways as suits their purposes. The mathematician may reduce or multiply his equation at will. The physicist who wants to explain the relative rate of fall of bodies may conduct experiments in a vacuum. In the same way the political economist may exclude certain existing conditions of economic life for specified purposes of investigation. In the entire first volume of *Capital* Marx proceeds from the hypothesis 1) that all commodities are sold at their value, and 2) that wages correspond to the full value of labor power expended, an assumption which, as everyone knows, contradicts reality at every turn. Marx employed this method for the purpose of demonstrating how capitalist exploitation is effected even under these most favorable conditions for the workers. His analysis does not

sacrifice scientific exactitude on this account; on the contrary, through precisely this method he first gives us an unshakable foundation for accurately assessing daily practice and its deviations.

What would you say, however, to a mathematician who multiplied half his equation by two and left the other half unchanged or divided it by two? What should be thought of a physicist who was comparing the relative rate of fall of two different bodies and observed one in an air space and the other in a vacuum? This is how Bauer proceeds. To be sure Marx always assumes a fixed surplus value in all his reproduction schemata and precisely this assumption can be regarded as inadmissible for the investigation of the problem of accumulation. But Marx's procedure was wholly consistent with his assumption and with the limits imposed by it: he always excluded the factor of technological progress as well.

Bauer handles the matter entirely differently: like Marx he assumes a fixed rate of surplus value, but at the same time and in contrast to Marx he assumes a rapid and constant technological progress! He takes technological progress into account but does not increase the rate of exploitation — two flatly contradictory conditions which are mutually exclusive. Then he generously leaves us reworking and verifying all his operations under the assumption of an increasing rate of surplus value, which he had left out of account “at first”; even so, he assures us, everyone will be satisfied with the results. It's a pity that Bauer didn't think it worth the trouble to take care of this little detail himself; instead he acted exactly like the other master arithmeticians, pleading pressing obligations as an excuse for interrupting the elaborate number games at just the point where the actual proof should have begun.(9) Only by continuing would Bauer have furnished at least an arithmetic “proof” of his assertions. What he leaves us with is not an aid to scientific analysis, but an ill-contrived mess which can neither clarify nor prove anything.

Until now I haven't even touched upon the economic content of Bauer's tables. I have only attempted to show in a few examples which methods he uses and how he deals with his own hypotheses. I didn't go into his manipulations so thoroughly to celebrate cheap victories over the clumsiness of his schematic operations. Some of his stumbling blocks could have been easily



circumvented through somewhat more cleverly constructed tables — Tugan Baranovsky, for example, was a great master at this — but obviously these wouldn't have added much more to the proof. The important aspect is the way Bauer uses the Marxian schemata, the fact that the confusion Bauer created in his tables also clearly reveals how little he understands of the Marxian schemata.

Bauer's colleague, the "expert" Eckstein, may scold him for "thoroughly misunderstanding the Marxian schemata," for his total "incapacity to work with the Marxian schemata," and so on. I am content to emphasize these few examples, not because I intended to condemn Bauer as harshly as his Austro-Marxist colleague did, but because Bauer naively declares:

"Rosa Luxemburg is satisfied to merely point out the arbitrary elements in the Marxian schemata. We plan to seek appropriate means for illustrating Marx's thoughts and to conduct our investigation with schemata devoid of arbitrary elements. To this end we have devised tables here which, once the hypothesis is accepted, no longer contain any arbitrary elements; on the contrary, the ensuing numerical quantities obey the laws of necessity" (l.c., p. 868).

After the specimens above, Bauer will have to pardon my preference for the uncorrected Marx and his "arbitrary elements." Toward the end we will again have an opportunity to see the distinction between the error of a Marx and the blunders of his "expert" epigones.

But Bauer wants to do more than just set me aright; thorough man that he is, he attempts to explain my error. He has discovered the source of my mistake: "Comrade Luxemburg's assumption that the accumulated surplus value cannot be realized is thus false," he writes, after having "entirely" resolved the problems in his tables through the manipulations described above. "How is it possible that Comrade Luxemburg arrived at this false assumption?" The explanation which follows is astounding.

"We have assumed that the capitalists already buy in the first year those means of production which will be set into motion in the second year due to the increased working population and that the capitalists already buy in the first year those consumer goods which they will sell in the second year to the increased working population. If this

assumption were not admitted, then it would indeed be impossible to realize the first year's surplus value in the following year."

And once again:

"Rosa Luxemburg believes that the accumulated portion of surplus value cannot be realized. Indeed it cannot be realized in the first year if the material elements of the additional productive capital are not purchased until the second year" (loc. cit., p. 866).

So that was the kernel of my mistake. I didn't know that if someone wants to set up a factory in 1916 and open it for business, they have to construct the necessary buildings in 1915, buy the machines and material then, and already have means of consumption for the workers who will be employed. I labored under the delusion that one first sets up the plans for a factory, then acquires the necessary property, then employs the workers and then sows the wheat from which their bread will be baked! Indeed, it is ludicrous that revelations such as these are served up in a scientific organ of Marxism.

Otto Bauer really believes then that the Marxian formulas have something to do with "years". The good man drudges on for two printed pages, availing himself of three-layered formulas and various Latin and Greek letters in the hopes of convincing me of the general validity of his interpretation. However, the Marxian schemata of capital accumulation have nothing at all to do with calendar years. What's important in Marx are the economic metamorphoses of the products and their sequence, the fact that the order of economic processes in the capitalist world is: production — exchange — consumption; production again — exchange — consumption, and so on indefinitely. Since exchange is the indispensable transitional phase of all products and the only connecting link between the producers, the point in time at which commodities are converted into money is not a matter of prime importance for profiteering and accumulation; what counts are the following two essential facts:

- 1) The capitalist class collectively, like every individual capitalist, cannot undertake any expansion of production before exchanging its mass of commodities.

2) The capitalist class collectively, like every individual capitalist, undertakes no expansion of production unless an expanded market is in view.

Now where does the collective class of capitalists find expanding markets as a basis for accumulation? This was the question. Bauer responds finally with the following more specific explanation:

“In reality accumulated surplus value is also realized within capitalist society, although the process is accomplished gradually, step by step. Thus, for example, the means of subsistence to be used in the second year for the sustenance of the increased labor-force is generally produced in the first year and sold to wholesale distributors by the producers; one portion of the surplus value which is incorporated in these means of subsistence is thus realized in the first year. The realization of the other portion of this surplus value would then occur when the wholesaler sold these means of subsistence to the retailer and he sold them to the workers — in this respect our schemata is a faithful picture of reality” (l.c., p.868).

Bauer at least furnishes us here with a concrete example of how he envisages the realization of surplus value, whether in the first or the second year: this occurs after the means of subsistence are sold by the producers to the wholesalers, by the wholesalers to the retailers and finally by the shop-keepers to the “increased” labor force. So in the last analysis it’s the workers who help the capitalist realize his surplus value, transform it into hard cash. “In this respect” Bauer’s schemata are a mirror image of the mental horizon of the individual capitalist and his Sancho Panza, the bourgeois vulgar economist.

Naturally it is irrelevant to the individual capitalist whether his customer is Smith or Jones, a worker or another capitalist, a native or a foreigner, a farmer or a skilled worker. The individual capitalist pockets his profit no matter who buys his commodities; the entrepreneurs in means of subsistence rake in profits just as easily by selling to the workers as the entrepreneurs in luxury items do by selling off their jewelry, laces and diamonds to the fair sex of the “upper ten thousand”. When Bauer nonetheless takes up this empiricist commonplace without even noticing that it applies to the individual entrepreneur and applies it to total capital, when he is incapable of

distinguishing the conditions of reproduction for individual capital — well then, for what earthly reason did Marx write the second volume of *Capital*? This volume contains the essence of the Marxian theory of reproduction and is the decisive achievement of the “astonishing work”, as Bauer’s colleague Hilferding calls it; from the jumble of contradictions and tentative efforts of Quesnay and Adam Smith and their popularizers, Marx for the first time established with classical clarity the fundamental distinction between the movements of the two categories of individual capital and total social capital. From this standpoint let’s check Bauer’s interpretation with just the simplest means.

Where do the workers get the money with which they supposedly realize the capitalist’s surplus value by purchasing means of subsistence? The individual entrepreneur could obviously care less whether his “client” got his money as a gift, by prostitution, or stole it, just as long as he has it. However the capitalist class collectively is faced with the undeniable fact that the workers only acquire the means for obtaining the necessities of life by exchanging their labor for wages, which they get from the capitalists themselves. As I already explained above, they receive them in a two-fold form corresponding to the conditions of modern commodity production: first as money, then as commodities, during the process of which the money always returns to its starting point, the coffers of the capitalist class. This circulation of variable capital completely exhausts the buying power of the workers and their possibilities of exchange with the capitalists. If means of subsistence are allocated to the working class, this does not mean from the point of view of society that the capitalist class realizes surplus value; on the contrary, the capitalist class is advancing variable capital in the form of commodities (real wages) during the process of which it recovers its own capital from the preceding period in an exactly equivalent sum of money. This pretended realization of surplus value according to the Bauerian recipe would consist of the capitalist class continually exchanging a portion of new capital in the form of commodities for their own previously appropriated capital in the form of money! Certainly the capitalist class regularly carries out these transactions in reality, especially since they are unfortunately obliged to allocate one part of the total product to its labor force as means of subsistence to insure that the labor force produces in return new surplus value in the form of

commodities. But the capitalist class has never pretended that they “realized” their initial surplus value through these dealings. This discovery was reserved for Bauer.(10)

Moreover Bauer himself has a vague feeling that the transformation of surplus value into variable capital represents anything but the “realization of surplus value.” For example he doesn’t mention one word about it as long as he’s dealing with the renewal of variable capital within his original framework. Only with the arrival of the “additional workers” does the sleight-of-hand begin. Workers who have been employed by the capitalists for years simply receive wages, first in money and then in means of subsistence, and produce surplus value in return. On the other hand workers newly employed in expanded production units accomplish even more: they “realize” the capitalists’ surplus value; namely by buying means of subsistence from those same capitalists from whom they have received wages in money! Ordinary workers only realize for themselves their own commodity — labor power — and do enough for the capitalists by **producing** surplus value for them. But once they become “additional workers,” they are supposed to accomplish this double miracle for the capitalists: 1) produce the surplus value in commodities, and 2) in addition realize this surplus value in money!

This leads us to the elementary concepts of the process of reproduction in the beginning of volume II of *Capital*; and it is now quite obvious just why Bauer feels called upon to not only elucidate Marx’s second volume but particularly to “liberate” the Marxian expositions from their contradictions and “arbitrary elements” and to furnish an “appropriate expression for Marx’s train of thought.”

Bauer crowns the general part of his critique of my book with the following passage:

“Comrade Luxemburg believes that the commodities in which alpha plus beta are embodied (for ordinary mortals: the commodities which contain the surplus value destined for capitalization —R.L.) must be sold outside the capitalist world if the surplus value objectified in them is to be realized. Well, what kind of commodities are these? They are those means of production which the capitalists need to expand their production apparatus and those consumer

goods which are used for sustenance of the increased working population.” And Bauer cries out, astonished at my denseness: “If these commodities were thrown out of the capitalist world, then no production on an expanded scale would be possible in the next year; neither the means of production necessary for the expansion of the production apparatus, nor the means of subsistence necessary for an increased labor force could be procured. **The removal of this portion of the surplus value from the capitalist market would not make accumulation possible, as Rosa Luxemburg thinks; on the contrary, any accumulation would be rendered impossible**” (l.c., p. 868. Emphasis in original).

And again at the end of his article he categorically repeats: “The portion of the surplus product which contains the accumulated portion of surplus value cannot be sold to farmers and petty bourgeois in the colonies, because it is needed in the capitalist motherland itself for expansion of the production apparatus” (l.c., p. 873).

Praise God from whom all blessings flow! Are there words for this sort of conception and critique? We’re in an economic garden of innocence! It’s the level of the true-hearted von Kirchmann or that honorable Russian arch dunderhead Voronzov. So Bauer believes in all seriousness that when capitalist commodities are “thrown out” to non-capitalistic strata or countries they simply disappear, as though they had been tossed into the sea, and leave a gaping hole in the capitalist economy! In his zealous contemplation of the Marxian schemata, he failed to notice what every child today knows: that commodities which are exported are not destroyed but **exchanged** and that as a rule those non-capitalistic countries and strata sell **other** commodities in exchange which in turn serve the purpose of supplying the capitalist economy with means of production and consumption! With pathos he describes as highly ruinous for capital and as my delusion a situation which is in fact the daily reality of the history of capitalism from the first day to the last!

Truly astonishing occurrences are contained therein. From the 1820’s into the 1860’s English capitalism continually “threw out” its own means of production: coal and iron were sent to North and South America, which were non-capitalist at the time, yet instead of falling into ruin England’s

economy flourished in pink-cheeked prosperity and in the process obtained cotton, sugar, rice, tobacco and later grain from this same America. With fiery enthusiasm German capitalism today “throws out” its machines, iron bars, locomotives and textile products to non-capitalistic Turkey, yet far from being ruined on this account it is **on the contrary prepared to set fire to the four corners of the earth for the sole purpose of greatly increasing its monopoly in this ruinous operation.** In order to establish the possibility of “throwing out” their own capitalist commodities to non-capitalist China, England and France waged bloody wars in East Asia for three decades and at the turn of the century Europe’s united capital undertook an international crusade against China. Moreover one of the commonest occurrences in every country in Europe itself is the trade occurring right under our noses with the peasants and handicraftsmen, that is with non-capitalist producers; this phenomenon, as everyone knows, is also one of the most indispensable conditions for the existence of capitalist industry. In the midst of this Bauer suddenly declares that if the capitalists “threw out” those commodities which they or their workers didn’t consume, accumulation would be possible! As if capitalist development would conversely have been historically possible if capital from its beginnings had been solely dependent on the means of production and consumption produced by itself!

Such can be the entanglements arising from zealous theoretical contemplation! However we shall find more than one occasion to confirm the fact that it’s quite in keeping with the theory and praxis of the entire epigone school of “expert” Marxists to lose all sense of reality in the depths of an abstract “schema”; the more boldly they poke around in theoretical mists, the more piteously they stumble over the concrete events of reality.

So much for Bauer’s preliminaries, his methods and technique. Now to the core of his argument, the population theory.

## 2.

“Every society whose population increases must annually expand its production apparatus. This necessity will exist for the socialist society of the future, just as it does for the capitalist society of the present and as it did for simple commodity

production or the peasant economy of the past which produced for its own needs” (l.c., p. 834).

The kernel of Bauer’s solution to the problem of accumulation is given here. For accumulation capital requires a constantly expanding market which permits the realization of surplus value. But where is this market found? Bauer answers: the population of capitalist society of course increases just like that of any other society; this creates an increased demand for commodities and establishes the basis for accumulation in general. “**The tendency of the accumulation of capital to adapt itself to population growth** is contained in the capitalist mode of production” (l.c., p. 871). With consistency Bauer outlines the characteristic movements of capital and its forms according to this central point.

First the state of **equilibrium** between production and population, i.e., that mean line around which conjunctures gravitate.

Bauer assumes, for example, that the population increases five percent annually.

“If the equilibrium is to be maintained, variable capital must also increase by five percent annually.” Since technological advances continually create a relative increase in constant capital (means of production) at the expense of variable capital (wages for labor power), Bauer decides to spotlight this phenomenon by assuming that constant capital increases at twice the rate of variable capital, i.e., by ten percent annually. On this foundation he builds those “unassailable” tables whose operations we already know; only their economic content will be of further interest to us. For better or worse Bauer projects a smooth and balanced increase in the total social product in these tables and concludes: “The expansion of the field of production, a fundamental condition for accumulation, is accomplished here by the growth of population” (l.c., p. 869).

The crucial point then in this “state of equilibrium” which fosters the smooth functioning of accumulation is the condition that variable capital increases as rapidly as population. Let’s dwell for a moment on this Bauerian fundamental law of accumulation.

In his example the population increases by five percent annually, and therefore variable capital must also increase by five percent. But what does that mean? "Variable capital" is a magnitude of value, the sum of wages paid to workers expressed in a certain sum of money. This can represent completely different amounts of consumer goods. Assuming general technological progress, that is an increased productivity of labor, it generally follows that the sum of variable capital corresponding to a specified amount of means of consumption will constantly decrease. Thus if the population increases by five percent annually, an annual increase in variable capital of, let's say,  $4\frac{3}{4}$ ,  $4\frac{1}{2}$ ,  $4\frac{1}{4}$  or 4 percent is sufficient to maintain the same standard of life. Now Bauer certainly presupposes general technological progress since he expressly assumes a double rate of growth of constant capital to illustrate this phenomenon. With this assumption a parallel increase in variable capital and population growth is conceivable in only one case: if, despite rapid and continual technological advancement in all branches of production, that is despite the increased productivity of labor, commodity prices remained constant. In theoretical terms this would mean the burial of the Marxian doctrine of value; moreover the practical implications would be incomprehensible from a capitalist point of view. After all, the fact that price reduction is an excellent weapon in the competitive struggle is precisely what stimulates the individual capitalist to assume the role of technological pioneer.

Or wait a minute! Maybe we should look at it this way: despite the increased productivity of labor and the resultant progressive decrease in the price of means of subsistence, wages in money (variable capital as a magnitude of value) remain unchanged, because with technological progress there is a corresponding elevation in the workers' standard of life. This would account for the social ascent of the working class. However if the rise in the workers' standard of living is so pronounced and sustained that variable capital (the sum of wages in money) must increase at exactly the same rate as population year in and year out, this signifies nothing more or less than that all the results of technological progress, all the benefits of increased productivity accrue exclusively to the workers, i.e., that apart from a concomitant rise in their own standard of living, the capitalists would not increase their rate of surplus value at all. In fact Bauer assumes, as we know, a constant rate of

surplus value in his tables. Of course he tells us that this is a "temporary" measure taken only "to simplify matters," to lend a helping hand to our mental lameness, so to speak, and ease our way up the first rung of his theory. However it is now apparent that in reality this assumption is the **economic foundation** of Bauer's theory of accumulation upon which the entire "state of equilibrium" between societal production and consumption is based! For Bauer himself explicitly acknowledges this:

"Our schema (table IV) presupposes that 1) the labor force increases by five percent annually, 2) that **variable capital increases at the same rate as the labor force**, and 3) that constant capital increases more rapidly than variable capital at a rate determined by technological progress: **once these hypotheses are admitted**, it is not astonishing that no difficulty arises in realizing surplus value" (l.c., p. 869). Of course not, but then what could be more "astonishing" than these hypotheses themselves? Provided we're not probing around in ethereal mists, but standing flat on the capitalist earth, what could possibly be the incentive for the capitalist class to utilize technological advances and invest vaster and vaster sums in constant capital, in dead means of production, if the fruits of these advances only serve the working class? According to Marx the creation of "relative surplus value," the increase in the rate of exploitation by decreasing the price of labor, is the only objective motivation for the capitalist class as a whole to encourage technological advances in production; for the individual capitalists it is the only objective goal toward which they unconsciously strive in their competitive struggles for extra-profit. The astonishing assumption of Bauer's is thus a pure economic impossibility as long as capitalism exists. If we accept his assumption of technological progress, in other words an increased productivity of labor, it is as clear as daylight that variable capital, the sum of wages paid in money, cannot possibly increase "at the same rate" as the population. If population annually increases at a fixed rate, variable capital's rate of growth will constantly decrease; if population increases by five percent annually, variable capital will increase, let's say, by  $4\frac{5}{6}$ ,  $4\frac{4}{5}$ ,  $4\frac{3}{4}$ ,  $4\frac{1}{2}$  percent, etc. And conversely if variable capital is to increase with this regularity at a rate of five percent annually, then the rate of population growth, assuming technological progress, will progressively increase — let's say by  $5\frac{1}{4}$ ,  $5\frac{1}{2}$ ,  $5\frac{3}{4}$ , 6 percent, etc.



With this Bauer's law of "equilibrium" collapses like a castle in Spain. It suffices to point out that his "state of equilibrium," the foundation of his entire theory of accumulation by adjustment to population growth, is erected on an alternative between two economic absurdities, both of which contradict the nature of capitalism and the goal of accumulation: either technological advances don't reduce the price of commodities, or this price reduction benefits the workers exclusively and not accumulation!

Now let's take a look at reality. Bauer's assumption that population increases by five percent annually is naturally just a theoretical example. He could just as easily have chosen two percent or twenty percent. But it's a different story when the question is the actual growth of population, to which according to Bauer capitalist development must faithfully adapt itself. His entire theory of accumulation, after all, rests on this principle. Just what is the actual rate of population growth, for example, in Germany?

According to official statistics the annual population increase in the period from 1816 to 1864 was 0.96 percent and during the period from 1864 to 1910 it was 1.09 percent. So in reality the annual increase in population from 1816 to 1910, practically a century, rose from 0.96 percent to 1.9 percent, a whole 0.13 percent. When we more closely examine the period of big capitalist development in Germany, it turns out that the annual population increase from 1871 to 1880 was 1.08%; from 1880 to 1890, 0.89%; from 1890 to 1900, 1.31%; and from 1900 to 1910, 1.41%. So the increase in the annual growth rate during the course of forty years was only a third of one percent. How similar is this to the frenzied, unprecedented tempo at which German capitalism developed in the last quarter of a century!

The view is even better if we consider the other capitalist countries. Here are statistics covering annual population increases compiled from the latest censuses:

Austro-Hungary	0.87%
European Russia	1.37%
Italy	0.63%
Rumania	1.50%
Serbia	1.60%
Belgium	1.03%

Netherlands	1.38%
England with Scotland and Ireland	0.87%
United States of N. America	1.90%
France	0.18%

You'll notice that a glance at the absolute figures for population increases as well as the comparison of various countries, produces miraculous results as regards this would-be basis for the accumulation of capital. If for the fun of it we'd like to find an existing example of Bauer's hypothetical five percent population increase, we'll have to wander off to warmer climates like Nigeria or the Straits Settlements. The actual figures for annual population growth after the last census are as follows:

Uruguay	3.77%
British Malaya	4.18%
South Nigeria	5.55%
North Borneo	6.36%
Hong Kong	7.84%

What a pity that such lush pastures for capital accumulation are located precisely in those areas where no capitalist production as yet exists and how woefully these prospects shrivel into barren wastelands the closer we get to capitalism's ancestral seat!

Let's analyze the matter more precisely. Capital accumulation — says Bauer — is dependent on the growth of population and faithfully adapts itself to it. What about the example of France? Its rate of population growth is constantly decreasing, the percentage after the last census amounting only to 0.18; population growth is thus slowly approaching a standstill, perhaps an absolute decrease. Despite this stagnation French capital merrily goes on accumulating, with such vigor in fact that France has enough capital reserves to take care of the whole world. In Serbia population increases twice as fast as in England, although capital in England, as everyone knows, accumulates at a much livelier pace than in Serbia. How do you reconcile this?

The solution to our dilemma certainly points up nothing more than our own stupidity: Bauer's theory cannot possibly refer to particular countries and their populations, he has population in general in mind. So it would only be a matter of the proliferation of the human race at large. Splendid. But this leads to even stranger conundrums.

It's certainly indisputable that the annual increase in the "human race" can only be significant for capitalist accumulation to the degree that this "human race" consumes and purchases capitalist commodities. There should be no doubt that for the time being the gratifyingly rapid population increase in South Nigeria or North Borneo cannot serve capital as a basis of accumulation. Now is the enlargement of capitalism's sphere of consumers somehow connected with the natural increase in population? This much is clear anyway: if capital staked its prospects for accumulation on the gradual increase of its original sphere of consumers through natural propagation, it would still be at the stage of manufacturing and probably not even that far. In actuality capital would never dream of waiting for this natural increase. On the contrary, it resorts to various short-cut methods to expand the base of accumulation: with every available means of political force it attacks 1) natural economy and 2) simple commodity economy; by the successive ruination of both these forms, it establishes constant new spheres of commodity consumers all over the world. However an examination of the relation of these methods to the population growth of the nations and peoples concerned produces startling results.

Thus the sphere of commodity consumers can increase while the population decreases. Indeed the capitalist method of establishing world markets by attacking primitive natural economy goes hand in hand with the decimation, even extermination of entire tribes. This process has accompanied capitalist development from the discovery of America up until the present: think of the Spanish in Mexico and Peru in the 16th century, the English in North America in the 17th century and in Australia in the 18th, the Dutch in the Malay archipelago, the French in North Africa, the English in India in the 19th century and the Germans in Southwest Africa in the 20th century. In the same way the wars waged by European capital for the purposes of "opening up" China led to large-scale massacres of the Chinese population, thus inevitably stunted the natural rate of growth.

Whereas the expansion of capital's base of accumulation into non-capitalist countries is linked with a partial extermination of the population, in the countries of origin of capitalist production this expansion involves other forms of demographic modification. The two determinant factors in

population growth, the birth and death rates, move in opposite directions in all capitalist countries. The birth rate is caught in a general and sustained decline. Thus for example the number of births per 1000 inhabitants in Germany was 40.7 from 1871-1880; 38.2 from 1881-1890; 37.3 from 1891-1900; 33.9 from 1901-1910; 29.5 in 1911; and 29.1 in 1912. The same tendency is thrown in relief upon comparison of the highly developed capitalist countries with those which are less developed. The number of births (in 1911 or 1912) per 1000 inhabitants was 28.3 in Germany, 23.8 in England, 22.6 in Belgium, 19.0 in France, 39.5 in Portugal, 40.3 in Bosnia and Herzegovina, 40.6 in Bulgaria, 43.4 in Rumania and 46.8 in Russia. The statisticians, sociologists and doctors attribute this discrepancy to the influence of metropolitan life, big industry, the precariousness of existence, rapid cultural development and so on — in short, to the influence of capitalist culture.

At the same time modern development of science and technology and this same cultural development provide means for successfully reducing the mortality rate. Thus in Germany the annual incidence of death per 1000 inhabitants was 28.8 from 1871-1880; 26.5 from 1881-1890; 23.5 from 1891-1900; 19.7 from 1901-1910; 18.2 in 1911; and 16.4 in 1912. The same picture emerges when we compare the highly developed capitalist countries with the less developed ones. The number of deaths (in 1911 or 1912) per 1000 inhabitants was 17.5 in France, 15.6 in Germany, 14.8 in Belgium, 13.3 in England; 29.8 in Russia, 26.1 in Bosnia and Herzegovina, 22.9 in Rumania, 22.5 in Portugal and 21.8 in Bulgaria.

The relative strength of each of these two factors determines the pace of population growth. However, in every case and in every aspect it is the development of capitalism with its attendant economic, social, physical and psychological circumstances, it is capital accumulation, which influences and determines the growth of population, not the other way around. Certainly the influence of capitalist development on population trends can generally be verified by the fact that it more or less slowly but surely leads to a decline in population growth. The comparison of Hongkong and Borneo with Germany and England, and Serbia and Rumania with France and Italy speaks for itself.

After all this the conclusion is self-evident: Bauer's theory inverts the actual relationships. By

assuming in his schematic constructs that capital accumulation adapts itself to the natural increase in population, Bauer has once more totally disregarded a universally recognized aspect of everyday reality: the fact that capital itself modulates the population: sometimes it provokes mass extermination, sometimes it accelerates growth and sometimes it impedes it, but the final result is always the same: **the faster the accumulation, the slower the increase in population.**

This is a nice quid pro quo for a historical materialist who has forgotten to take a peek at reality and ask himself: just what are the determining factors in population growth if this supposedly determines capitalist accumulation? In his *History of Materialism* Friedrich Lange had occasion to say: "We still have today in Germany so-called philosophers who produce great treatises on the development of imagination written with a sort of metaphysical pedantry; they even lay claim to 'exact observation by means of an inner sense' without for a moment considering that perhaps in their own home there are children in whom one could observe with one's own eyes and ears signs of the development of imagination." I don't know whether such "philosophers" still exist in Germany, but the species of "metaphysical pedantry" which claims to solve social problems by devising exact schematic calculations "by means of an inner sense", neglecting the faculties of seeing and hearing and the observation of the children and the world in the process, seems to have found in the "experts" of official Marxism the legitimate "heirs of classical German philosophy."

### 3.

But there are even better things in store. Until now we have considered the economic conditions of population growth because Bauer acts as if he had based his theory of accumulation on this. In reality his theory has another basis. While he speaks of "population" and "the growth of population," what he really means is the working class under capitalism and only this class! The following passages adequately demonstrate this:

"We assume that the population annually increases by five percent. If the equilibrium (between production and social need) is to be maintained, then variable capital (i.e., the sum of wages paid) must also annually increase by five percent" (l.c., p. 835).

If the consumption of the population, which determines the extent of production, is equal to variable capital, i.e., to the sum of wages paid, then this "population" can only refer to the working class. Bauer quite explicitly makes the point himself:

"The increase in variable capital (or of the sum of wages) signifies an increase in the production of means of subsistence for the increased population" (l.c., p. 834). The case is even more categorically stated in a passage I have already quoted: "Our schema presupposes that 1) **the labor force increases by five percent annually**, 2) that variable capital increases at the same rate as the labor force, and 3) that constant capital, i.e., expenditures for dead means of production increases more rapidly than variable capital at a rate determined by technological progress. **Once these hypotheses are admitted**, it is not astonishing that no difficulty arises in realizing surplus value" (l.c., p. 869).

Remember that according to Bauer's hypotheses, there are only two classes in society: workers and capitalists. For example a few lines later he writes: "Since in a society which consists **only of capitalists and workers**, the unemployed proletarians have access to no income other than their wages . . ." (l.c., p. 869). This assumption is no accident, nor was it merely written in passing; on the contrary it is of decisive importance for Bauer's position on the problem of accumulation. For he as well as the other "expert" critics are precisely interested in proving, in accordance with the "schema," that even in a society composed solely of capitalists and workers engaged exclusively in capitalist production the accumulation of capital is possible and can smoothly proceed. So in Bauer's theory the capitalists and the proletarians constitute the only two social classes. But capital accumulation adjusts its rate of increase only to the needs of the proletarian class. First Bauer explicitly reduces the population by assuming a society of only workers and capitalists; then he implicitly reduces it to just workers in the process of his operations. They constitute the "population" whose requirements determine the growth of capital. Thus when Bauer assumes a five percent annual increase in "population growth" as the basis of his schematic representation, it is to be understood that only the **working class population** annually increases by five percent. Or should we conceive of the

increase in the proletarian class only as a partial phenomenon reflecting the general uniform five percent rate of growth in the population at large? This would certainly be quite a discovery, since in today's society each class follows its own demographic laws, a fact theoretically established by Marx and long ago substantiated by the statisticians.

As a matter of fact Bauer doesn't have a uniform total population increase in mind. At least not for his capitalists, and their annual increase doesn't amount to five percent anyway, and easily demonstrable fact.

On page 835 Bauer indicates the following sums as the capitalists' funds for consumption during four consecutive years: 75,000; 77,750; 80,539; and 83,374. If Bauer assumes that the workers' wages increase in exact proportion to these figures, we may certainly assume that the capitalists' standard of life is at least equal to the workers' and that their personal income also keeps up with their increase in numbers. If we accept this hypothesis and then calculate the annual increase in the capitalist class according to the above figures, we come up with the following results: a five percent increase in the second year, a 3.6 percent increase in the third, and a 3.5 percent increase in the fourth. If things went on like this, the capitalist class would soon be on its way to extinction, providing a most original solution for the problem of accumulation. But it's not our business here to worry about the fate of Bauer's capitalists; our purpose was in establishing that when Bauer repeatedly speaks of population increase as the basis of accumulation, he always means the increase in the working class exclusively.

And finally Bauer says it himself in plain words on page 869: "Its (the rate of accumulation's) increase must continue in this way until the equilibrium between the growth of variable capital and the growth of the population has been reestablished." Then follows the explanation on page 870: "Under the pressure of the industrial reserve army, the rate of surplus value grows and with it society's rate of accumulation until this has become big enough, despite the increasing organic composition, to increase variable capital as quickly as the worker population. As soon as this is the case, the equilibrium between accumulation and population growth has been reestablished." Just as plainly and given as a general rule again on page

871: "In capitalist society the tendency exists for the accumulation of capital to adapt to the growth of population. This adaptation is achieved as soon as variable capital (thus, total wages) increases just as quickly as the worker population, while constant capital increases more quickly to the extent demanded by the development of the productive forces." Finally, perhaps at his pithiest, at the conclusion of Bauer's article, where he summarizes its quintessence: "Above all, **accumulation** (in an isolated capitalist society, such as his schema is based on) is **bounded by the growth of the worker population**. There at a given organic composition of capital, the **magnitude of accumulation is determined by the growth of the available worker population,**" etc. (l.c., p. 873).

So it's as clear as day: under the pretense of the adaptation of capital accumulation to population growth, Bauer allows capital to be governed solely by the working class and its natural growth. We say emphatically: by its natural growth, for in Bauer's society which knows no middle class, in which there are only proletarians and capitalists, recruiting to the proletariat from petty-bourgeois and peasant layers is excluded at the outset. Natural reproduction is accordingly the only method of increase. Bauer also makes this adaptation to the proletarian population the pivot of the variations of the capitalist business cycle. And from here we must verify his theory.

We've seen: the equilibrium of social production and consumption is attained if variable capital, thus the portion of capital earmarked for workers' wages, grows just as quickly as the worker population. But capitalist production automatically strives to dislocate this equilibrium, now down to "under-accumulation," now up to "over-accumulation." Let's consider the first move of the swing.

If the first "rate of accumulation" is too feeble, says Bauer, i.e., if the capitalists aren't laying up enough new capital on the side in order to employ it in production, "then the growth of variable capital remains behind the increase in the population seeking to work. The condition which then sets in we may call the condition of **under-accumulation**" (l.c., p.869). And now Bauer describes this condition with more detail. The first effect of under-accumulation, he says, is the formation of an industrial reserve army. A portion of the increased population remains unemployed.

The unemployed proletariat pushes down the wages of the employed, wages sink, the rate of surplus value increases. "In a society which consists only of capitalists and workers, the unemployed proletarians can find no other income other than wage income. As long as wages sink, the rate of surplus value must rise, until the working population as a whole has found work despite the relatively reduced variable capital. The changing distribution of produced value that then occurs is brought about by the fact that with the growing organic composition of capital, by which technical progress is expressed, the value of labor power has sunk, and therefore relative surplus value is formed." From this increase in surplus value it follows that the capitalists now have a fresher basis for renewed and more vigorous accumulation, and what goes with it: a lively demand for labor power: "Thus the mass of surplus value, which is employed in increasing variable capital, grows also." Its increase must continue in this way "until the equilibrium between the growth of variable capital and the growth of the population is reestablished" (l.c., p. 869). So we're led from under-accumulation to equilibrium once more. Here we've described one body of the swing of the pendulum of capital around economic equilibrium, and we'll tarry a while longer at this first act of the performance.

The condition of equilibrium means — let's recall once more — that demand for labor power and growth of the proletarian population counterbalance each other, thus that the total working class including its natural increase finds employment. Now production is thrown out of this equilibrium, the demand for labor remains below the growth of the proletariat. How is it thrown out? What causes this first movement of the pendulum away from the middle point of equilibrium? For ordinary mortals it's admittedly rather hard work to find the answer among Bauer's above-cited learned gibberish. Happily he gives our weakness a hand with a somewhat less obscure style on the next page, where he says: "The progress towards greater organic composition of capital gives rise again and again to under-accumulation" (l.c., p. 870).

This at least is clear and concise. Thus it's technical progress which brings about the displacement of living labor power by machines and thus periodically causes the relative slackening of demand for workers, the formation of an

industrial reserve army, the lowering of wages — in short, brings about the condition of "under-accumulation."

Let's confront Bauer with Marx.

1) In a condition of under-accumulation, says Bauer, "the value of labor power falls" and thereby "relative surplus value" is formed, which serves as a new basis for accumulation. Just a minute! If "a portion of the increase in the population remains unemployed" because of the use of machines, and if "wages fall" because of the presence of these unemployed, this absolutely does not mean that "the value of labor power" falls; rather, the price (money wages) of the commodity, labor power, falls below its value — i.e., the already attained general cultural level of the workers — as a result of oversupply. But according to Marx relative surplus value is absolutely not formed by the fall of wages below the value of labor power as a result of shrinking demand for workers, but rather — Marx repeats this countless times in the first volume of *Capital*—it is formed under the express condition that the price of labor power, i.e., wages, is equal to its value, in other words, that demand and supply are in equilibrium. This occurs, therefore, according to Marx, as a result of the cheapening of the cost of maintaining labor power, i.e., as a result of just those factors which Bauer, as we've seen, eliminated by defining "equilibrium of strict symmetry of growth of variable capital with the working population" as absolutely necessary. In plain words: the formation of new capital with which Bauer intends to supply future accumulation misleads him, under the pretense of "relative surplus value," in fact to the undercutting of wages which will be forced on workers during a business downturn.

2) What kind of remarkable economic law of the movement of workers' wages is this, that they must "continually fall" "until the total working population finds employment"? Here we are witnessing the original phenomenon that the more wages fall, the higher the degree to which employment grows. At the most extreme nadir of wages the entire reserve army is absorbed! On the level earth we live on it's usually just the other way around: a fall in wages go hand in hand with growing unemployment, a rise with growing employment. The industrial reserve army is usually the largest when wages are lowest; at a high point in wage levels it is more or less absorbed.



But there are still more curiosities in Bauer's schema.

Capitalist production helps itself out of the "vale of tears" of under-accumulation and back up to the heights by a means as simple as it is harsh: precisely the precipitous fall in wages helps the capitalists to get new savings (Bauer through a small understanding of the first volume of Marx's *Capital* calls this "relative surplus value"), which provides them again with a new basis for new investment to expand production and stimulate the demand for labor power. Again we find ourselves no longer on level earth but rather on the moon of Bauerian "society." Capital would no doubt need to drop wages generally in order to scrape together the little "nest-egg" before risking it in new investments and new enterprises! Capital, he says, must first wait for a general and lasting drop in wages to their lowest limit, in order to come by new investment capital for the expansion of production. On the moon of Bauerian speculation, where capitalism attains the highest conceivable stage of development, all middle layers have been absorbed and the whole population transformed into only capitalists and proletarians. In this society there are nevertheless no capital reserves; it still lives entirely hand to mouth as in the time of "good Dr. Aikin" in 16th century England. In this society there are evidently still no banks, such as down here on earth conceal giant long-accumulated hordes of capital which only while the time away for a favorable market in order to plunge into production at any wage level. The feverish accumulation on the highest scale which has just begun in all the belligerent and neutral states — begun, in a period of great increases in industrial wages, in order to hurriedly secure the bloody harvest of the world war in profiteering frenzies — is the most extravagant conceivable satire on the anemic capital of Bauer's fantasy, which can only scrape together the wad for its new risky ventures of accumulation during the periodical general depression of labor to the lowest level of poverty! For note well: Bauer in the description of the again-attained "equilibrium" underlines once more: "Under the pressure of the industrial reserve army the rate of surplus value grows and with it the social rate of accumulation until this is large enough, despite the growing organic composition of capital, to increase just as quickly as the worker population. As soon as this is the case, the industrial reserve army is absorbed (*nota bene*:

already for the second time, for it was absorbed once at the low point of wages, i.e. at the lowest point of "under-accumulation"! and the equilibrium between accumulation and population growth is reestablished" (l.c., p. 870).

From this regained "equilibrium" there now follows directly the second divergence of the pendulum up to "over-accumulation." This process is described by Bauer in extremely simple terms:

"As the social rate of accumulation increases (thanks to deliberate wage-cutting! —R.L.), it eventually reaches a point where variable capital grows more quickly than the population. The condition which sets in in this case we call the condition of over-accumulation."

With these two lines the case is closed; Bauer reveals no more about the origins of over-accumulation. Although he at least specified a tangible state of affairs, technical progress, as the stimulus which again and again brings about "under-accumulation," now with regard to the opposite swing of the pendulum he abandons us completely to our own insufficient common sense. We are told only that the increase in the rate of accumulation (i.e., the formation of investable capital) "ultimately" reaches a point where the demand for labor power exceeds the supply. Yet why must it "ultimately" reach this point? By some physical law of inertia, because it is still in the process of rising? But let's keep in mind where every increase comes from! Under the pressure of unemployment wages in general dropped. An increase in disposable capital was the result of this fall in wages. However this increase can continue only until all the unemployed have found work, and this comes to pass in this strange society of Bauer's at the low point of wages. But once the total working population is employed, then wages in this strange society stop sinking; in fact they even begin to rise gradually, as on our earth. And as soon as wages begin to rise once more, the "rate of accumulation", which according to Bauer is drawn only from this well, immediately stops increasing; indeed, the formation of new capital must in its turn decline. Thus how can it "eventually" reach the point of "over-accumulation" at all, after all the unemployed have found work? We wait vainly for an answer.

If we must remain in the dark about the beginnings of over-accumulation, we fare no better in the last act of the production: the process through which over-accumulation is conquered and led back to the middle-point of equilibrium.

“If the rate of accumulation is too great (it is understood: always only in relation to available labor and its increase! —R.L.), then the reserve army is quickly absorbed (thus for the third time), wages increase, the rate of surplus value falls.” Thereby the rate of profit falls even more quickly than it would anyway as a result of the growing organic composition of capital. From all this there then follows “a devastating crisis with immense desolation of capital, wholesale distinction of values and a steep drop in the rate of profit.” Now accumulation is slowed down again, “the growth of variable capital henceforth remains below the growth of population once more” (l.c., p. 871) and we skid once more into the already familiar “under-accumulation.”

But why of all things does Bauer’s “devastating crisis” break out at the height of over-accumulation? According to Bauer, over-accumulation means nothing else but that variable capital grows more quickly than the working population. In simple terms this means: the demand for labor power overtakes the supply of the labor market. And from this a modern industrial and commercial crisis is supposed to break out? To be sure, Bauer gives himself a hand at this point with a citation from Hilferding which is supposed to serve as an explanation for the outbreak of the crisis. Here is the citation: At the moment “when the tendencies for the rate of profit to fall, which will be described eventually overcome the tendencies which produced the increase of prices and profits as a result of increasing demand, the crisis begins.” Disregarding the fact that this citation of Hilferding’s can’t explain Bauer’s text because the citation itself presents no explanation, but merely a description of crises couched in complicated words — so in any case this sentence bursts into the midst of Bauer’s speculations as unexpectedly as a brick into a flock of hens.

In Bauer’s entire exposition there exists neither increasing or decreasing “demand” for goods, which could bring about an “increase in price and profit.” According to Bauer there is only the dance of two figures: variable capital and the proletariat

(“population”). The entire movement of accumulation, its middle-axis of “equilibrium,” its up and down around this axis, occur only because of the reciprocal proportion of both factors: variable capital and working population. There’s no talk of demand for goods, of the sale of goods and the difficulties of sale in Bauer’s text; he mentions not a syllable about it. Accordingly, over-accumulation in Bauer’s text consist in nothing else but simply the surplus of variable capital, i.e., the demand for workers in comparison to their natural increase. This is the only “demand” that Bauer brings into question the whole time. And from this a crisis, and a “devastating” one at that, is supposed to break out? Someone should show us how this clever trick works!

To be sure, to be sure, on the level earth which the rest of us inhabit, the outbreak of a crisis likewise is in the habit of following a boom — in which the demand for workers is strained to the utmost and wages are rising. But here on earth this last phenomenon is not the cause of the crisis, rather only its “stormy petrel,” as Marx said in the second volume of *Capital*, only a side effect that accompanies other factors, namely, the relationship of production and the market.

However else anyone wants to theoretically account for the most fundamental relationships involved in the modern periodic trade crises, in reality these crises result from a disproportion between production (the supply of goods) and sale (the demand for goods). But then according to Bauer, for whom the question of the sale of goods just doesn’t exist, periodic crises result from the disproportion between demand for labor power and the natural reproduction of the workers!! Because the workers do not increase as quickly as capital’s growing demand requires, “a devastating crisis” breaks out! The periodic shortage of workers as the sole cause of trade crises — certainly this is one of the most astounding discoveries of political economics, not only since Marx but since William Petty, and a worthy crowning touch to all the remarkable laws that rule accumulation and the business cycle on the moon of Bauerian society.

Now we are familiar with the movement of capital in all its phases, and Bauer synthesizes it all in the following harmonious conclusion:

“Thus the capitalist mode of production carries within itself the mechanism which adjusts accumulation, lagging behind population growth, to population growth (meaning: growth of the worker population)” (l.c., p. 870). And yet again, with great emphasis:

“If capitalist world-economy is considered as a whole, the tendency for accumulation to adjust to the growth of population (meaning growth of the worker population) becomes visible in the business cycle. Prosperity is over-accumulation. It annuls itself in the crisis. The depression which now follows is a time of under-accumulation. This annuls itself, as the depression brings forth from itself the conditions for the return of prosperity. The periodic return of prosperity, crisis, and depression is the empirical expression of the fact that the mechanism of the capitalist mode of production automatically annuls over-accumulation and under-accumulation, and adjusts the accumulation of capital again and again to the growth of the population (meaning: the worker population)” (l.c., p. 872. Bauer’s emphasis throughout).

Now there surely can’t be any more misunderstanding. The Bauerist “mechanism” consists simply in this: at the middle-point of the capitalist world economy stands the working class. It and its natural increase is the reality, the axis, around which economic life turns. Around this axis swings variable capital (and with it constant capital, in proportion as required by technical progress). As soon as existing capital is too small to employ all the proletarians, an increase is squeezed out by lowering wages; as soon as existing capital is too large to find enough proletarians, it partially nullifies itself by a crisis — in every case the entire movement of current production and its business cycle is only capital’s endless striving to adjust its size to the number of proletarians and their natural increase.

That’s the quintessence of Bauer’s “mechanism,” and his complicated tabulated arithmetic tricks and elucidations as well.

Here the reader with some Marxist training already divines the Copernican achievement with regard to the fundamental law of the capitalist economic system which this theory of accumulation of Bauer’s introduces. But to appreciate this achievement in all its splendor, we

must first get to know how Bauer is in a position to easily explain all the component phenomena of the capitalist economic system on the basis of his newly-discovered center of gravity.

We are already familiar with the business cycle, i.e., variation of capital in time. Now in space:

“The tendency of the adjustment of accumulation to the growth of population (meaning: growth of the worker population) regulates international relations. Countries with persistent over-accumulation invest a great and growing part of the surplus value accumulated each year in foreign countries. Example: France and England (Come now! hopefully Germany too! — R.L.). Countries with persistent under-accumulation attract capital from foreign countries and supply labor power to those foreign countries. Example: the agrarian countries of eastern Europe” (l.c., p. 871).

How wonderfully it all fits together! So clear and concise! One sees clearly the smiling satisfaction with which Bauer, thanks to his new fundamental law, unravels the most complex problems as though they were a child’s toy. Let’s try out the toy with a few gentle probings.

There are countries, then, “with persistent over-accumulation” and countries “with persistent under-accumulation.” What is “over-accumulation,” what is “under-accumulation”? The answer’s on the next page: “Prosperity is over-accumulation. . . the depression is a period of under-accumulation.” Therefore there are countries with persistent prosperity — France, England and Germany; and countries with persistent depression — the agrarian countries of eastern Europe! Wonderful, no?

Second experiment: What is the cause of under-accumulation? The answer’s on the preceding page: “The progress towards a higher organic composition (simply, technical progress) gives rise to under-accumulation again and again.” The countries with permanent under-accumulation must therefore be countries in which technical progress operates most persistently and energetically — “the agrarian countries of eastern Europe.” Those with persistent over-accumulation must be countries with the slowest and weakest technical progress — France, England, Germany. Wonderful, no?

The capstone of this edifice is evidently the United States of America, which manages to be simultaneously a country with “persistent over-accumulation” and “persistent under-accumulation,” with energetic technical progress and with slow technical progress, with persistent prosperity and persistent depression, for the United States attracts — oh what a miracle! — both capital and labor simultaneously and “persistently” from other countries. . .

## 4.

Let's confront Bauer's “mechanism” with Marx.

The quintessence of Bauer's theory is the tendency of capital to adjust to the existing working population and its growth. Over-accumulation, according to Bauer, means that capital grows too quickly in comparison to the proletariat; under-accumulation — that it grows too slowly in comparison. Overflow of capital and shortage of labor-power, shortage of capital and overflow of labor-power — these are the two poles of accumulation in the Bauerian mechanism. But what do we find in Marx?

In the middle of his exposition Bauer mentions a passage from the third volume of Marx's *Capital* which deals with “over-accumulation” thereby leaving the impression that Bauerian theory is only an “irrefutable” explanation of Marx's conception. Thus after he arrived at his condition of “over-accumulation” Bauer wrote: “Marx described the condition of over-accumulation in the following manner:

‘As soon as capital would, therefore, have grown in such a ratio to the labouring population that neither the absolute working-time supplied by this population, nor the relative surplus working-time, could be expanded any further (this last would not be feasible at any rate in the case when the demand for labour were so strong that there were a tendency for wages to rise); at a point, therefore, when the increased capital produced just as much, or even less, surplus-value than it did before its increase, there would be absolute over-production of capital; i.e., the increased capital C + augmented-C would produce no more, or even less, profit than capital C before its expansion by augmented-C. In both cases there would be a steep and sudden pull in the general rate of

profit, but this time due to a change in the composition of capital not caused by the development of the productive forces, but rather by a rise in the money-value of the variable capital (because of increased wages) and the corresponding reduction in the proportion of surplus-labour to necessary labour’ ” (*Capital*, III, Part I, 251-52).

Bauer pins the following little tail on this quote: “This point designates the absolute limit of accumulation. When this limit is reached, then follows the adjustment of accumulation to the growth of the population (meaning, as ever with Bauer, growth of the worker population) in a devastating crisis,” etc. After this the uninformed reader must assume that with Marx as with Bauer it's a question of the constant adjustment of capital to the working population, as if Bauer had only repeated it in a shorter form and in his own words.

Now, the passage quoted by Bauer is almost immediately preceded by the following:

“This plethora of capital arises from the same causes as those which call forth relative over-population, and is, therefore, a phenomenon supplementing the latter, although they stand at opposite poles — unemployed capital at one pole, and unemployed worker population at the other” (*Capital* III, 251).

What is to become of us? According to Bauer, “over-accumulation” means nothing else but the overflow of capital in relation to the growth of the working population. Thus overflow of capital is always identical to a shortage of the working-population. With Marx it's just the other way around. Overflow of capital is the same as overflow of the working population, and both proceed from yet a third set of circumstances.

And in the same chapter, a bit further after the place quoted by Bauer, on page 256:

“It is no contradiction that this over-production of capital is accompanied by more or less considerable relative over-population. The circumstances which increased the productiveness of labor, augmented the mass of produced commodities, expanded markets, accelerated

accumulation of capital both in terms of its mass and its value, and lowered the rate of profit — these same circumstances have also created, and continuously create, a relative over-population, an over-population of labourers not employed by the surplus-capital owing to the low degree of exploitation at which alone they could be employed, or at least owing to the low rate of profit which they would yield at the given degree of exploitation.”

On the same page, somewhat further, Marx continues:

“If capital is sent abroad, this is not done because it absolutely could not be applied at home, but because it can be employed at a higher rate of profit in a foreign country. But such capital is absolute excess capital for the employed laboring population and for the home country in general. It exists as such alongside the relative over-population, and this is an illustration of how both of them exist side by side, and eventually influence one another.”

This is certainly clear enough. But what is the chapter, of which Bauer quoted a short part, titled? It's titled “Excess Capital and Excess Population” (*Capital*, III, Part I, p. 250). And Bauer had the strange notion of adorning his “mechanism” with a quote from this chapter, and implying by means of a patched-together passage that he was only giving an elucidation of Marx's conception! Yes, the chapter's concise title, which is really the key to Marx's theory in this part, is itself enough to deal Bauer's construction such a powerful thump that the whole ingenious “mechanism” tumbles down.

It's clear: Bauer's “over-accumulation” and Marx's over-accumulation are two completely different economic concepts — indeed, antitheses!

According to Bauer, over-accumulation is identical to a period of prosperity, the greatest demand for labor-power, the absorption of the industrial reserve-army. According to Marx, superfluity of capital goes hand in hand with superfluity of workers, with greater unemployment; thus over-accumulation is identical to crisis and the deepest depression. Bauer explains: periodically there is too much capital

because there are too many workers. Marx explains: periodically there is too much capital and as a result too many workers. Indeed, “too much” of both in relation to what? In relation to the possibility of sale under “normal” conditions, insuring necessary profit. Since the market for capitalist goods periodically becomes too narrow, a portion of capital must lie fallow and thereby a portion of the labor force. Thus according to Marx the relationship between economic causes and effects is the following.

The market for capitalist goods (specifically sale at “normal” prices, thus those including at least the average profit) is at every moment the starting-point. The market and its movements govern the actual quantity of available capital. This in turn governs the actual volume of the employed working population. This appears throughout Marx's third volume, first part.

Thus on page 245 where he treats the “internal contradiction” of capitalist production, which adjusts itself “through expansion of the outlying field of production.” Bauer too speaks at one point about the “expansion of the field of production” which is necessary for accumulation, in what is plainly supposed to be a garbled replica of the sentence from Marx given above, and in turn he fastens on as a little tail his *idée fixe*: “The field of production is expanded by the growth of population (meaning the worker population)” (l.c., p. 872). But Marx gives a crystal clear explanation of what he means by the expansion of the “outlying field of production.” Already the immediately preceding sentence concisely: “The market must therefore be continually expanded” (*Capital*, III, Part I, 245). Likewise on page 255, after the description of crises and their resolution: “And thus the cycle would run its course anew. Part of the capital, depreciated by its functional stagnation, would recover its old value. For the rest, the same vicious circle would be described once more under expanded conditions of production, with an expanded market and increased productive forces.”

Likewise, as we saw, on page 256:

“The circumstances which increased the productiveness of labour, augmented the mass of produced commodities, expanded markets, accelerated accumulation of capital both in terms of its mass and its value, and lowered



the rate of profit — these same circumstances have also created and continuously created a relative over-population, an over-population of labourers not employed by the surplus-capital," etc.

Here it's as plain as the palm of your hand that by "expansion of the field of outlying production," i.e., of markets, Marx could not have meant the growth of the working population. For here the expansion of the market goes hand in hand as a parallel phenomenon with the creation of superfluous workers, the swelling of the army of the unemployed, thus with the contraction of the buying-power of the working class!

Thus on page 256:

"To say that (during crises) there is no general over-production, but rather a disproportion within the various branches of production" — thus "amounts furthermore to demanding that countries in which capitalist production is not developed, should consume and produce at a rate which suits the countries with capitalist production."

Thus here Marx explicitly presents crisis not as the disturbance of exchange between capitalist and non-capitalist nations; indeed, here he incidentally treats this exchange as the self-evident basis of accumulation!

And similarly a few lines further:

"How could there otherwise be a shortage of demand for the very commodities which the mass of the people lack, and how would it be possible for this demand to be sought abroad, in foreign markets, to pay the labourers at home the average amount of necessities of life?"

Here Marx says clearly and distinctly what the level of employment of workers in the capitalist countries depends on: the possibility of selling capitalist goods in foreign markets.

With this, Bauer's reference to the third volume of *Capital* would certainly seem to be set aside. But how do things stand with the little sentence from the *Theories of Surplus Value* (Vol. II, p. 477) that Bauer cited: "An increasing population appears to be the basis of accumulation as a continuous

process." Isn't this the whole Bauerist "mechanism" in a nutshell? Now here too Bauer has only plucked a raisin out of the cake. The complete passage runs somewhat differently.

Marx examined here the conditions of the "transformation of revenues in capital," i.e., the productive investment of surplus value. He explains that this could only be accomplished if the new additional portion of capital is converted into a much greater part of constant capital and a lesser part of variable capital. "To begin with, a portion of the surplus value (and the corresponding surplus-product in the form of means of subsistence) has to be transformed into variable capital, that is to say, new labor has to be bought with it. This is only possible if the number of labourers grows or if the labour-time during which they worked is prolonged." The latter occurs if earlier only a part of the employed workers were fully employed or if the work day is extended beyond the normal amount. The rest comes in regard to the ranks of the proletariat that until then had not worked productively; women, children, paupers. "Finally," says Marx, "together with the growth of the population in general, the labouring population can grow absolutely. If accumulation is to be a steady, continuous process, then this absolute growth in population — although it may be decreasing in relation to the capital employed — is a necessary condition." And now follows the little sentence ripped out by Bauer, "An increasing population appears to be the basis of accumulation as a continuous process."

Thus Marx, on the same page of *Theories of Surplus Value* that Bauer carried into the field as though it were classic evidence for his "mechanism"! If the reader recognizes anything at first glance in the cited passage, it is the following train of thought.

If accumulation, i.e., widening of production is to take place, then additional labor power will also be necessary. Without a growing worker population, therefore, no steady widening of production can take place. This, by the way, is understood by the simplest worker. Thus in this sense only the "increase in population" appears "as the basis of accumulation."

But according to Bauer the question was not whether an increase in the worker population is necessary to accumulation, which no mortal as far as we know has denied, but whether it is a sufficient condition. Marx says: accumulation can

not take place without a growing worker population. Bauer turns it upside down: for accumulation to take place, it is enough that the worker population grows. With Marx, accumulation is assumed, the possibility of sales without difficulty is given; he examined the forms in which this accumulation takes place, and there he found that increase in workers is one necessary factor of accumulation among others. With Bauer the increase in workers is the given, from which and for which the widening of production proceeds, without troubling itself further about the market! Thus exactly the same inversion of Marx's thought into its opposite, as in the classic evidence from the third volume of *Capital*.

Perhaps we deduce too much from the quotation of Marx? Perhaps Bauer was in the position of interpreting Marx's words in his own sense? Or, shall we say, misinterpreting? And yet — it is a real puzzle how anyone can misunderstand Marx on this point, assuming that he has really read the chapter from which Bauer quoted the sentence. For a few pages further Marx himself defined the fundamental idea and the essential problem of his analysis in the following clear words:

“The question has now to be formulated thus: **assuming general accumulation** (Marx's own emphasis), in other words, assuming that capital is accumulated to some extent in all branches of production — this is in fact a condition of capitalist production. . . what are the **conditions** of this general accumulation, what does it amount to?” And he answered: these conditions are that with the one part of money capital, labor power is bought; with the other, means of production. (*Theories of Surplus Value*, II, 483).

And as though to cast aside every doubt, as if he'd anticipated his “expert” disciples, he adds: “We disregard here the case in which more capital is accumulated than can be invested in production, and for example lies fallow in the form of money at the bank. This results in loans abroad, etc., in short speculative investments. Nor do we consider the case in which it is impossible to sell the mass of commodities produced, crises, etc. This belongs to the section on competition. Here we examine only **the forms of capital in the various phases of its process**, assuming throughout, that the commodities are sold at their value” (l.c., p.484).

This means: Marx assumed the widening of the market, the possibility of accumulation, and analysed only in what ways the process then resolved itself. One of these is the harnessing of new labor power, and for this the growth of the working population is of course necessary. Out of this Bauer constructs: for accumulation to occur, it is enough that the worker population grows; indeed, accumulation occurs because the worker population grows. The objective reason and aim of accumulation and its “mechanism” is to adjust itself to the growth of worker population.

Man can live only on condition that he breathes air. From this conclusion a la Bauer: Man lives on air, he lives in order that he might breathe, his whole life process is nothing but a “self-regulating” adaptation of his corporeal mechanism to inhaling and exhaling. Splendid results of the flapping around in the air of abstract meditation.

But here the merriment ends, for this business is truly anything but merry. Namely, it is no longer concerned with my humble self and my book but with the elementary principles of Marx's own teachings. Now we can also forsake the steep and fog-bound heights of the third volume of *Capital* and the *Theories of Surplus Value*, with which the Marxist public, with a few exceptions, is unfortunately still unfamiliar, and turn back to the first volume of *Capital*, which until now has formed the real political-economic basis of the Social-democracy. Here every reader familiar with the first volume of Marx's masterpiece can with little trouble test the whole Bauerian construction himself: he need only open to the twenty-fifth chapter to read on page 637:

“For Modern Industry with its decennial cycles. . . that would indeed be a beautiful law, which pretends to make the action of capital dependent on the absolute variation of the population, instead of regulating the demand and supply of labor by the alternate expansion and contraction of capital. . . Yet this is the dogma of the economists.”

Marx means bourgeois political economy's old “dogma” of the so-called wages-fund which considered the available capital of society at any moment as a specific given amount, and contrarily made the employed worker population dependent on its natural increase. Marx polemicized against this dogma in detail, and thereby fortuitously dealt

his “expert” adept one blow after another.

Thus he instructs Bauer on page 640:

“The demand for labour is not identical with increase of capital, nor supply of labour with increase of the working class. It is not a case of two independent forces working on one another. *Les dés sont pipés*. **Capital works on both sides at the same time.** If its accumulation, on the one hand, increases the demand for labour, it increases on the other the supply of labourers by the ‘setting free’ of them,” etc.

In the Bauerian “mechanism” the industrial reserve army is formed as a result of accumulation which, too sluggish, lags behind population growth. Bauer says categorically: “The first consequence of under-accumulation is the formation of an industrial reserve army (*Neue Zeit*, l.c., p. 869). Thus the smaller the accumulation of capital, the greater the industrial reserve army. Thus according to Bauer. Marx instructs Bauer four pages after the just-cited quotation:

“The greater the social wealth, the functioning capital, the extent and energy of its growth, and, therefore, also the absolute mass of the proletariat and the reproductiveness of its labourers, the greater is the industrial reserve army. The same causes which develop the expansive power of capital, develop also the labour power at its disposal.”

On the same page Marx grows sarcastic:

“The folly is now patent of the economic wisdom that preaches to the labourers the accommodation of their number to the requirements of capital. **The mechanism of capitalist production and accumulation constantly effects this adjustment**” (*Capital*, I, l.c., p. 644).

Now what is the greater “folly”: the old bourgeois, which preached to the workers that they should adjust their increase to capital, or the new “Austro-Marxist,” which gulls the workers by telling them that capital conversely adjusts itself constantly to their increase? I think the latter is the greater. That old “folly” was only the misunderstood subjectified reflection of actual relationships, while this new one is the turning of reality onto its head.

In the whole chapter treating the worker population and its growth, Marx speaks continuously about the “requirements of realization” of capital. To these, according to Marx, the worker population adjusts its growth, on these depend the degree of demand for labor power at any particular moment, the level of wages, spirited or subdued business conditions, prosperity or crisis. Now what are these “requirements for realization” of which Marx speaks continually and Bauer in his whole “mechanism” not a word?

In the same chapter, Marx speaks continually of “sudden expansions” of capital, to which he ascribes the greatest significance in the movement of capital accumulation. Indeed, capital’s capacity for sudden and limitless expansion is according to Marx its characteristic feature and the determining factor of modern industrial development. Now what’s to be understood about that “sudden expansion” of capital, which is so important for Marx and of which Bauer meanwhile says not a syllable?

Marx gives the same answer to both questions right at the beginning of the same chapter (on page 613) with the following plain words:

“...since lastly, under special stimulus to enrichment, such as the opening of new markets, or of new spheres for the outlay of capital in consequence of newly developed social wants, &c., the scale of accumulation may be suddenly extended. . .” etc.

The same in more detail on page 632:

“With accumulation, and the development of the productiveness of labour that accompanies it, the power of sudden expansion of capital grows also; it grows, not merely because the elasticity of the capital already functioning increases, not merely because the absolute wealth of society expands, of which capital only forms an elastic part, not merely because credit, under very special stimulus, at once places an unusual part of this wealth at the disposal of production in the form of additional capital. . . The mass of social wealth, overflowing with the advance of accumulation, and transformable into additional capital, thrusts itself frantically

into old branches of production whose market suddenly expands, or into newly formed branches, such as railways, etc., the need for which grows out of the development of the old ones. In all such cases, there must be the possibility of throwing great masses of men suddenly on the decisive points without injury to the scale of production in other spheres. Overpopulation supplies these masses."

Here Marx explains therefore not only how sudden expansions of capital come about — namely as a result of sudden widening of the market — but he also formulated the special function of the industrial reserve army: to be available to be "thrown" into production for that extraordinarily sudden expansion of capital. Herein Marx discovered the most important, the essential function of the industrial reserve army; for this function's sake he called it the condition of existence for modern capitalist production: the formation of industrial overpopulation "becomes the lever of capitalist accumulation, nay, a condition of existence of the capitalist mode of production. . . The whole form of the movement of modern industry depends, therefore, upon the constant transformation of a part of the labouring population into unemployed or half-employed hands." (l.c., page 632-33) Marx formulates his idea perhaps most plainly and concisely where he says:

"Once. . . general conditions of production corresponding to heavy industry are established, the mode of production gains an elasticity — a capacity for sudden expansion by leaps and bounds — whose only limits are raw materials and markets."(11)

How do things stand with all of the above according to Bauer? In his mechanism there is really no room for sudden expansions of capital, thus for its elasticity. No room for two reasons: First, because here production unfortunately regulates itself by the population and its growth — markets play no role at all, according to Bauer. But the population obviously exhibits no expansion by leaps and bounds in its growth by natural reproduction. The worker population certainly shows periodic sudden swellings of the industrial reserve army; this however occurs, according to Bauer, just in the period of "underaccumulation," thus of the slowest growth, of shortage of available capital in relation to the working class.

But second, not only is the sudden widening of the market necessary as a prerequisite for sudden expansion, but also, disposable already-accumulated capital reserves, reserves which, as Marx says, "credit, under very special stimulus, at once places . . . at the disposal of production in the form of additional capital." To Bauer such things are impossible. Yet in his "mechanism" a return swing out of a phase of "under-accumulation" is only possible to the extent that general wage-cutting under the pressure of unemployment permits a new aggregation of capital!

Since the sudden expansion of capital remains unexplained from the standpoint of Bauer's "mechanism," as does the outbreak of crises, there is then no real function for the industrial reserve army, Bauer has it emerging periodically as a product of technical progress but knows no other role to attribute to it than merely that which appears in Marx only at the second level: as dead weight to press down the wages of the employed workers. That which makes the industrial reserve army, according to Marx, a "condition of existence," a "lever" of the capitalist mode of production, on the contrary exists for Bauer not at all. And the fact that Bauer really doesn't know what he should do with the reserve army is proven by the humorous circumstance that he has it "absorbed" three times in the course of the industrial cycle: at the nadir of "under-accumulation", at the high point of "over-accumulation", and yet again at the average level of equilibrium!

These wonders arise from a simple basis: because according to Bauer the whole movement of the worker population is not for the sake of capital and its "requirements for realization", as in Marx and in actual reality, but rather turned upside down; the entire movement of capital revolves around the worker population and its increase. Capital, according to Bauer, is like the hare that raced the hedgehog: it runs panting after worker population, to and fro, and soon overtakes it in one bound, then lags behind, and hears at the finish line: Hey, I'm already here!

But according to Marx the idea that the worker population adjusts its increase completely to capital and its market prospects at the moment, which rule the worker population, toss it back and forth — this is the basic idea of the whole last part

of the first volume. From page 612 to page 648, on 36 printed pages Marx labors to make this epoch-making economic discovery clear. "This is the absolute general law of capitalist accumulation" he emphasizes in conclusion. Then follows a section of "Illustrations," which fills another 65 printed pages. And what is shown by the example of England, as the typical and leading country of capitalist production? That while the yearly growth of population in England from 1811-1861 continuously decreased, wealth, i.e., capitalist accumulation, continuously increased by giant steps. It was this that Marx illuminated with countless statistical examples from different aspects.

Perhaps Bauer will cry in the midst of this: but that gigantic growth of English industry in the 19th century was after all obviously not calculated for the English population alone, and therefore cannot be compared with the population alone as the economic basis. Look at the English sales in the United States, in South and Central America, look at the periodic crises in English industry, which from 1825 to 1867 yielded to the actual sudden widening of markets in those countries. Fine! But if Bauer knows that, then he knows it all, then he also knows that his theory of the adjustment of accumulation to the growth of the worker population is humbug, then he knows what Marx wanted to prove in the first volume of *Capital* and illustrate: that, on the contrary, the actual size of the worker population is adjusted to capital accumulation and the changing "requirements of realization", i.e. possibilities of sale.

Here indeed is the culmination of precisely the theory of the first volume of *Capital*. In this pioneering idea Marx combines the full genius of his theory of capitalist exploitation, the cardinal relationship between capital and labor, the special "law of population" of the capitalist period!

And here comes Bauer and with the most tranquil air in the world turns this entire edifice on its head and discloses to the world that the total movement of capital flows from its tendency to adjust itself to the growth of the worker population. In substance, Bauer's construction is, as we saw, a soap bubble. If one corrects Bauer by assuming as Marx did an elastic social reserve of capital and always unlimited capacity of capital for expansion, then it is all over with Bauer's "under-accumulation." If one corrects him, by

assuming as Marx did a constant formation of the reserve army of labor whose function it is, also during the greatest prosperity, to satisfy the demands of capital, then it is all over with his specific "over-accumulation." If one corrects him, by assuming as Marx did a steady relative decrease of variable capital in relation to the number of workers as a consequence of technical progress, then it is all over with his "equilibrium." The "mechanism" dissolves into thin air. But more important than the shoddiness of this construction is its fundamental idea: the alleged tendency of capital to adjust its movement to the worker population. Here the essence of Marxian theory itself is thrown to the wind.

And this pompously pedantic, calculated system of outrageous nonsense can easily be published in the official organ of Marxist theory! Zealous for a good cause for which to burn a meddling heretic, they didn't notice that a bigger one was flying at their throat. Today the field of the natural sciences are subject to general control and public criticism. It is quite out of the question, for example, that someone, for a closer explanation of the modern astronomical system, should suddenly make up detailed computations of the motion of all the stars around the earth and be taken seriously by the educated public. Indeed, such an idea would never reach the attention of the public for there wouldn't be a publisher of a natural science journal which would allow such humbug to occur. Under the regime of the Austro-Marxist *diadochi* such a thing, it seems, can occur very easily! Bauer's theory of accumulation, proclaimed from such a platform, is not an ordinary error, as can occur any time in the search for scientific knowledge; it is, quite apart from the attitude regarding my book, a disgrace for the present official Marxism and a scandal for the Social-Democracy.

## 5.

So much for Bauer's own explanation of the accumulation of capital. What is its practical consequence? This is formulated by Bauer in the following words:

"The result of our investigation is: 1) that accumulation of capital is possible also in an isolated capitalist society only provided that it doesn't go at any time beyond a specific boundary (namely the growth of the working population at



one's disposal —R.L.); 2) that is is automatically led back to this boundary through the mechanism of capitalist production itself" (l.c., p. 873).

And there upon Bauer summarizes once again the quintessence of his investigation in its practical application in a final chapter. Here we read:

"Comrade Luxemburg explains imperialism in the following manner: in an isolated capitalist society the transformation of surplus value into capital would be impossible. It is only made possible through the capitalist class steadily broadening its markets in order to set apart that part of the surplus in which the accumulated portion of the surplus value is embodied in areas which do not yet produce by capitalist means. Imperialism serves that purpose. This explanation is, as we saw, false. Accumulation is also possible and necessary in an isolated capitalist society" (l.c., p. 873. Emphasis mine).

Via a new, specially discovered "population theory" Bauer reinforces the other "experts" as well in order to prove that capitalist production and accumulation could blossom and thrive even under such conditions as no mortal has ever encountered so far in actual reality. And on this basis he wants to approach the problem of imperialism.

But here is the place to above all point out that Bauer in giving himself the appearance of defending the Marxist view, as it is put forward in the second volume of *Capital*, against me, once again falsely attributes to Marx what he himself is responsible for.

With Marx it is not a question, of course, of an "isolated capitalist society" next to which other non-capitalist ones are assumed to exist from the outset, and nowhere did I speak of such a thing. This absurd picture arose first in the theoretical fantasy of Otto Bauer, like Venus out of the foam of the sea. Let us recall how Marx formulates his assumption. In the first volume of *Capital* he says expressly that "in order to examine the object of our investigation in its integrity, free of disturbing subsidiary circumstances" he wants to assume "the whole world as one nation," which forms an economic whole and "that capitalist production is everywhere established and has possessed itself of every branch of industry" (p. 581 n).

That is indeed evident enough. What Marx presupposes then is not a childish fantasy of a capitalist society on Robinson Crusoe's island which, "isolated" from continents of non-capitalist people, blossoms in secret, a society in which capitalist development reaches its highest stage imaginable (whose population for all that consists only of capitalists and proletariat) and which nevertheless knows neither handicraft nor peasantry and has no relation at all to the surrounding non-capitalist world. The Marxian assumption is not a fantastic absurdity but a scientific fiction. That is, Marx anticipates the real tendency of capitalist development. He assumes as already accomplished that condition of general absolute rule of capitalism over the whole earth, that most extreme form of the world market and economy towards which capital and today's entire economic and political development is in fact moving. In this manner, Marx bases his investigation upon the real tendency of historical development, assuming its final goal as already achieved. This is a scientific, thoroughly correct and, regarding the investigation of the accumulation of individual capital as I set forth in my book, a completely satisfactory method even though concerning the main problem, the accumulation of total social capital, it will fail, according to my conviction, and be misleading.

Bauer by comparison invents the grotesque idea of an "isolated capitalist economic system," without intermediate layers, without handicraft, without peasants, that never existed or will ever exist, that has nothing to do with reality or its likely development. It is a creation, consequently, whose ingenious "mechanism" serves exactly as much to clarify the laws of capitalist accumulation as the famous little mechanical illustrations of Vaucanson did to clarify the physiology and psyche of the human organism. Until now only bourgeois economists operated with the childish means of an "isolated economic system" in order to demonstrate the laws of capitalist world-production with this model. No one so derided and mocked the economic Robinson Crusoe-isms as did Marx. So now in the end Marx himself is to be placed on an "irreproachable foundation" illustrated by Bauer's Robinson Crusoe-isms!

But this "illustration" of Bauer's has its good elements. Namely, if one assumes, as Marx did, a "general and exclusive domination of capitalist

production" in the entire world as having already occurred, then imperialism is out of the question to be sure, and an explanation for it cannot be invented since it is precisely through the assumption itself historically already out of date, settled, *ad acta* put to rest. With this assumption one can as little show and depict the process of the imperialist phase as one can depict, for example, the process of the collapse of the Roman Empire on the assumption of an already-occurred general domination of feudalism in Europe. The problem posed thus, to bring the imperialism of today in harmony and coherence with the theory of accumulation, as it is fragmentarily sketched in the second volume of *Capital*, the "expert" epigones of Marx would have had to decide in favor of one or the other. Either deny imperialism as a historical necessity, or else, as I do in my book, abandon Marx' assumption as erroneous and inquire into the process of accumulation under real, historically-given conditions: as capitalist development in continuous interplay with a non-capitalist sphere. An Eckstein, who has grasped absolutely nothing of the entire matter in question, also of course never found himself in the predicament of exercising his choice with this alternative. Otto Bauer, on the contrary, who finally perceived the snag, finds the way out, as a typical representative of the "Marxist Center," in a compromise: capitalism might be able to thrive very well indeed on Robinson Crusoe's island, but he finds nonetheless a "limit" to its prosperous growth in isolation and this limit he could only overcome by engaging in intercourse with the non-capitalist sphere. "In the false explanation (of mine —R.L.) is nevertheless concealed a genuine kernel" he proclaims in conclusion. "If accumulation in an isolated capitalist society is not impossible, it is still confined within limits. Imperialism serves the purpose in fact of extending those limits. This tendency is in fact one root, although not the only one, of imperialism" (l.c., p. 873-74).

Thus Bauer himself didn't take his Robinson Crusoe-ism of the "isolated capitalist economic system" at all sincerely as scientific assumption, i.e., as the only seriously intended basis of investigation but constructed it in advance with already one eye cast furtively toward the remaining non-capitalist countries. He amuses us with the long and the short of the ingenious "mechanism" of a capitalist society which can exist and blossom all by itself and all the time holds the non-capitalist

surroundings tacitly on hand so that if he gets into a jam on Robinson Crusoe's island explaining imperialism he can suddenly come forward with this non-capitalist sphere.

Whoever has attentively read the footnotes and the occasional critical notes in the first volume of *Capital*, in which Marx argues against the theoretical manipulations of Say, J.S. Mill, Carey and so forth, could more or less imagine how he would deal with such a scientific method.

Be that as it may, we have finally arrived at imperialism. The final chapter of Bauer's essay carries the inscription "The Explanation of Imperialism." From that point on the reader may well hope to ever find any such thing. After Bauer declares that I laid bare only one root, "although not the only one," of imperialism, one would justly expect he himself might now lay bare from the standpoint of his conception the other roots. Unfortunately, nothing of the kind takes place. Bauer fails to indicate with even so much as one syllable the other roots until the very end; he guards the secret. Despite the very promising inscription and introduction of the final chapter, he sticks to the one miserable "root" of imperialism, which was the "genuine kernel" of my false explanation.

For all that however Bauer conceded already much too much and certainly as concerns the "one root" which he benevolently accepts as "genuine." It is also here a matter of an either/or, and the compromise which Bauer attempts in closing is actually as untenable and asthmatic as most compromises.

If his theory of accumulation grafted upon the "population growth" were correct, then the "root" in question is completely unnecessary since imperialism is thereby simply impossible.

Indeed we recall what the "mechanism" of Bauer's accumulation consists of! It really consists of the fact that capitalist production again and again accommodates itself to the growth of the working class. In what sense then can a "limit" of accumulation be spoken of? Capital has certainly thereby neither the need nor the opportunity to rush out of these "limits." For if production overshoots the growth of the working class on one occasion—in the phase of Bauerian "over-accumulation"—then in the following phase

of "under-accumulation" it remains once again behind the available working population. In this way there is no surplus capital at all in the entire Bauerian "mechanism" which could rise above its "limit." As we saw, this theory really excludes the formation of a capital reserve and the sudden capacity for expansion of production exactly for the same reasons. Overflow of capital emerges here only as a transitory phase in order to be periodically replaced without fail by the opposite extreme, scarcity of capital: both phases supercede each other with the pedantic regularity of the new and full moon. There are some "limits" for the accumulation of capital as well as a tendency to surpass them. Bauer after all says explicitly accumulation is incessantly led back automatically to these limits through the "mechanism of capitalist production itself" (l.c., p. 873). Thus a conflict between expansive drive and an alleged limit of capital doesn't exist here at all. Bauer only tortures his "mechanism" with this idea in order somehow to construct an artful bridge from that view to imperialism. The contrivance of this construction confirms at best the exposition he is obliged to give imperialism from the standpoint of his theory.

Since the axis around which capital oscillates according to Bauer is the working class, extending the limits of accumulation is thus called the enlargement of the working population! This can be read in black and white in the *New Zeit* (l.c., p. 873).

"Above all accumulation is limited through the growth of the working population. Imperialism now increases the working masses who are forced to sell the capital of their labor. It causes this by breaking up the old modes of production of colonial sectors and thereby forcing millions to migrate either to capitalist spheres or in their homeland itself to serve the European or American capital invested there. Along with the given organic composition of capital — the size of accumulation ascertained through the growth of the available working population — imperialism is actually a means of further stretching the limits of accumulation."

This then is the main function and main problem of imperialism: to increase workers through immigration from the colonies or on the spot! And this, although any one who has his five senses together knows that on the contrary in the

mother countries of imperialist capital, in the old capitalist countries, a cultivated consolidated reserve army of the proletariat and unemployment exist as permanent categories, while in the colonies constant complaints by capital resound over the lack of working hands! In its drive toward new members of the proletariat, imperialist capital thus flees countries in which rapid technical progress, the energetic process of proletarianizing the intermediate layers, and the disintegration of the proletarian family constantly fills up the reserve work force. And it flows with calculated preference toward such world regions where the inflexible social conditions hold the laborers in such tough fetters through the traditional property forms that it takes decades until through the grinding energy of capitalist rule, and as a last result of this rule, a halfway useful proletariat can be set free!

Bauer fantasizes of a "powerful" influx of new workers from the colonies to the old spheres of capitalist production while every person of sound mind knows that on the contrary parallel to the migration of capital from the old countries to the colonies an emigration towards the colonies takes place of "surplus" laborers who, as Marx says, "actually only follow the migrating capital." Look at the actual "powerful throng of people from Europe who in the course of the 19th century settled in North and South America, South Africa and Australia. Consider further the various forms of "mild" slavery and forced labor which European and North American capital has recourse to in order to secure the necessary minimum of working hands in the African colonies, in the West Indies, in South America and in the South Seas!

Thus English capital, according to Bauer, waged war for half a century against China to secure a "powerful" influx of Chinese coolies in response to the pressing need for English workers, and the united crusade of imperialist Europe against China at the turn of the century was also a matter of this same urgent requirement! French capital in Morocco was aimed chiefly at the Berbers in order to refill its deficit in French industrial workers. Austrian imperialism, naturally, hunted in Serbia and Albania above all for fresh laborers. And German capital is now searching with a lantern in Asia Minor and Mesopotamia for Turkish industrial workers particularly since in Germany before the World War such a grievous lack of work reigned in all areas!

It is clear: Otto Bauer, as "a man who speculates," has here once again during his operations with his stick in the fog forgotten the flat earth. Modern imperialism he reduces coldbloodedly to the drive of capital for new laborers. This is supposed to be the kernel, the inmost principle of motion, of imperialism. Only as a secondary consideration Bauer makes mention also of the requirement for overseas raw materials which has no economic connection to his theory of accumulation and comes as though shot from a pistol. For if accumulation can thrive so magnificently in the known "isolated capitalist society," as Bauer depicted for us, then it must indeed also have at hand all necessary treasures of nature and gifts of God on the lovely island — different from the miserable capitalism of barren reality that depended from the first day of its existence on the means of production of the world. And finally as a third consideration, quite incidentally, Bauer in addition makes mention in two sentences of the acquisition of new outlet markets as a secondary theme of imperialism, and that merely as a means of mitigating the crises — which is in itself "also a fine position," since as is known on the planet which we inhabit every meaningful expansion of the market results in exactly the most powerful intensification of the crises!

That is the "explanation of imperialism" which Otto Bauer in the long run is capable of giving: "In our opinion capitalism without expansion is also conceivable" (l.c., p.874). Therein culminates his theory of the "isolated" accumulation, and here we are left with the consoling assurance of both this and that, "both with or without expansion, capitalism brings about its own downfall. . . ."

That is the historical-materialist method of investigation handled by an "expert." Capitalism is thus also conceivable without expansion. Indeed, according to Marx, the eagerness of capitalism for sudden expansion is the decisive element, the conspicuous bent of modern development; indeed expansion accompanies the entire historical course of capital and assumes in its imperialist final phase today such a stormy character that the entire cultural existence of humanity is put into question. Indeed it is just this uncontrollable impulse of capital toward expansion which step by step establishes the world market, which united the modern world economic system and so first created the historical basis for socialism. Indeed the proletarian International, which should

complete capitalism's ruin, is itself only a product of the world expansion of capital. But all that, of course, doesn't need to be the case at all, for quite a different history of the story is also conceivable. Indeed, what is not "conceivable" for a powerful thinker? "In our opinion capitalism is conceivable also without expansion." In our opinion modern development is also conceivable without the discovery of America and the circumnavigation of Africa. Upon mature consideration human history is also conceivable without the terrestrial globe. German philosophy is perhaps conceivable without capitalism. Ultimately, the solar system is conceivable without the terrestrial globe. German philosophy is perhaps conceivable without "metaphysical boorishness." Only one thing seems to us simply inconceivable: that such a "conceiving" official Marxism as intellectual avant-garde of the worker movement could lead in the phase of imperialism to results other than the miserable fiasco of the Social-Democracy that we experience during the world war today.

Of course the tactics and the practical approach to struggle do not depend immediately on whether one views the second volume of Marx' *Capital* as a self-contained work or a bare fragment, whether one believes in the possibility of accumulation in an "isolated" capitalist society or not, whether one understands the Marxist schema of reproduction this way or that. Thousands of proletarians are good and solid fighters for the goal of socialism without knowing anything of these theoretical problems — by virtue of the general principled understanding of the class struggle and an uncorruptible class instinct, as well as the revolutionary traditions of the movement. But between the grasp of theoretical problems, or their particular treatment, and the practice of political parties there is always the closest connection in the long run. In the decade previous to the world war, the general style in the German Social-Democracy, as the international metropolis of proletarian intellectual life, exhibited in theoretical as in practical areas complete harmony: the same helplessness and the same ossification asserted itself here as there. And it was the same imperialism, which as the overwhelming ruling manifestation of public life checkmated the theoretical as well as the political general staff of the Social-Democracy. Exactly as the closed proud edifice of the official German Social-Democracy proved itself in the first world-historical test to be a Potemkin's village, similarly the apparent theoretical "expertise" and infallibility of the

official Marxism, which gave its blessing to every practical decision of the movement, laid itself bare as a pompous stage set which concealed behind intolerant and arrogant severity of dogma inner insecurity and incapacity for action. The tedious routine, which only was capable of proceeding in the way of "old proven tactics," i.e., the nothing-but-parliamentarism, conformed to the theoretical decadence which clung to the formulae of the masters while it renounced the living spirit of their teaching. We saw in the preceding some examples of this confusion in the Areopagus of the "expert."

But the connection with practice is in our case more tangible than would appear at first sight. It is a question in the last analysis of two distinct methods of opposition to imperialism.

The Marxist analysis of accumulation was drawn up at a time when imperialism had not yet entered the world stage, and the hypothesis which Marx based that analysis upon, the final absolute rule of capital in the world, quite excluded from the outset the process of imperialism. But — therein lies the difference between errors of someone like Marx and the vulgar blunders of his epigones — even the error is in this case fertile and leads to future development. The problem set up and often abandoned in the second volume of *Capital*, to show how accumulation under exclusive rule of capital is accomplished, is unsolvable. Accumulation is under these very conditions impossible. But one only has to translate into historical dialectic the apparent inflexible contradiction, as befits the spirit of the entire Marxist teaching and way of thinking, for the contradiction of Marxist schemata to become the living mirror of the world course of capital — its fortune and its end.

Accumulation is impossible in an exclusively capitalist environment and for that reason, from the first moment of the development of capital, the eagerness for expansion to non-capitalist layers and countries, the ruin of handicraft and of the peasantry, the proletarianizing of the middle layers, the colonial policy, "open-door policy," and export of capital occurs. Only through constant expansion to new domains of production and new countries was the existence and development of capitalism made possible all along. But expansion leads in its worldwide drive to a collision between capital and pre-capitalist social

forms. Therefore power, war, revolution, in short catastrophe, is the principle of life under capitalism, from beginning to end.

The accumulation of capital strides forward and spreads itself out at the cost of the non-capitalist layers and countries, erodes them and supplants them at an ever accelerating pace. The general tendency and final result of the process is the exclusive world rule of capitalist production. This once achieved, the Marxist model then comes into force. Accumulation, i.e., the continued expansion of capital, becomes impossible, capitalism reaches a deadend, it can no longer function as the historical vehicle of the development of productive energy, it reaches its objective economic limit. The contradiction of the Marxist model of accumulation, dialectically understood, is only the living contradiction between the unlimited expansiveness of capital and the limit, which it itself establishes through progressive destruction of all other constituted forms of production — the living contradiction between the powerful forces of production, which in the process of accumulation rouse the whole earth from its slumbers, and the narrow basis which it itself through the laws of accumulation marks off. The Marxist model of accumulation — correctly understood — is just in its insolubility the exactly formulated prognosis of the inexorable economic downfall of capitalism as a result of the process of expansion of imperialism, whose special task it is to realize Marx' hypothesis: the general undivided rule of capital.

Can this moment indeed really happen? To be sure that is only a theoretical fiction for the very reason that accumulation of capital is not merely an economic but a political process.

"Though imperialism is the historical method for prolonging the career of capitalism, it is also a sure means of bringing it to a swift conclusion. This is not to say that capitalist development must be actually driven to this extreme: the mere tendency towards imperialism of itself takes forms which make the final phase of capitalism a period of catastrophe" (Luxemburg, *The Accumulation of Capital*, p. 446).

"The more ruthlessly capital sets about the destruction of non-capitalist strata at home and in the outside world, the more it lowers the standards of living for the workers as a whole, the greater also is the change in the day-to-day history of



capital. It becomes a string of political and social disasters and convulsions, and under these conditions, punctuated by periodical economic catastrophes or crises, accumulation can go on no longer. But even before this natural economic impasse of capital's own creating is properly reached it becomes a necessity for the international working class to revolt against the rule of capital" (l.c., pp. 466-67).

Here as elsewhere in history theory does its full service by showing us the tendency of development, the logical end to which it itself objectively contributes. It can be arrived at no more than any earlier period of historical development could have been unrolled to its final consequences. It requires not so much to be reached as that the social consciousness, this time embodied in the socialist proletariat, intervene as an active factor in the blind play of forces. And for this consciousness the correct interpretation of Marxian theory offers also in this case the most fruitful stimuli and the most forceful spur.

Today's imperialism is not, as in Bauer's schema, the first prelude to the expansion of capital but only the last phase of its historical process of expansion: it is the period of generally sharpened world competition of capitalist nations for the last remainders of the non-capitalist spheres of the earth. Economic and political catastrophe in this final phase is as much a principle of life, a normal form of existence of capital, as it was in the "primitive accumulation" of its phase of origin. Just as the discovery of America and the sea-route to India was not purely a Promethean accomplishment of the human spirit and culture, as they appear in the liberal legends, but was inseparable from a series of Herodian mass murders of the primitive people of the New World and grandiose slave trade with the peoples of Africa and Asia, so in the final phase of imperialism the economic expansion of capital is inseparable from the series of colonial conquests and world war which we are experiencing. The sign of imperialism as the last competitive struggle for capitalist world-rule is not merely the unusual energy and universality of expansion, but the backfiring of the decisive struggle away from the areas of its object towards its countries of origin, the specific indication that the circle of development is beginning to close. With that, imperialism leads the catastrophe as a form of existence away from the periphery of capitalist development and back to its

point of origin. Having submitted the existence and culture of all non-capitalist peoples in Asia, Africa, America and Australia to unceasing convulsions and wholesale downfall for four hundred years, the expansion of capital now plunges the civilized nations of Europe themselves into a series of catastrophes whose final outcome can only be the downfall of culture or the transition to socialist methods of production. Seen in the light of this view, the position of the proletariat vis-à-vis imperialism takes the form of a general confrontation with capitalist rule. The tactical guiding principle of its approach is given through that historical alternative.

The guiding principles proceed quite differently from the standpoint of the official "expert" Marxism. The belief in the possibility of accumulation in an "isolated capitalist society," the belief that "capitalism is conceivable also without expansion," is the theoretical formula of quite a precise tactical tendency. This conception alludes to the phase of imperialism not as historical necessity, not as a decisive explanation in order to consider socialism, but rather as a wicked invention of a handful of interested parties. This conception was to convince the bourgeoisie that imperialism and militarism was detrimental to itself from the standpoint of its own capitalist interests, thereby isolating the alleged handful of beneficiaries of this imperialism and so forming a bloc of the proletariat with wide layers of the bourgeoisie in order to "suppress" imperialism, to starve it through "partial disarmament," "to take out its sting!" As liberalism in its time of decadence appealed from the badly-informed monarchy to the well-informed one, so the "Marxist Center" wants to appeal from the badly-advised bourgeoisie to the one which can be instructed, from the imperialist road of catastrophe to the international disarmament treaties, from the clique of big powers for a world dictatorship of the sabre to the peaceful federation of democratic national states. The impending universal clash to resolve the world-historical opposition between proletariat and capital transforms itself into the utopia of a historical compromise between proletariat and bourgeoisie for the "mitigation" of imperialist opposition between capitalist states.

Otto Bauer closes his critique of my book with the following words:

"Not through the mechanical impossibility of

realizing the surplus will capitalism be destroyed. It will succumb to the rebellion to which it forces the mass of people. Not with the transformation of the last peasant and petty bourgeois in the whole world into wage-laborer, so that no expanding market is open any more to capitalism will capitalism collapse. It will much sooner be brought down by the growing rebellion of the continually swelling united and organized working class shouldered through the mechanism of the capitalist process of production itself.”

So as to aim this instruction at me, Bauer, as master of abstraction, has to not merely abstract from the entire sense and tendency of my conception of accumulation, but also from the clear wording of my remarks. But that his valiant words are again only typical abstractions of the “expert” Marxism, i.e., as harmless as artificial lightning of “pure thought,” is demonstrated by the conduct of this group of theoreticians at the outbreak of the world war. The rebellion of the continually swelling, disciplined, and organized working class transforms itself suddenly into the policy of “abstention from voting” for epoch-making decisions of world history and into the “silence” until the bells of peace ring. In time of most profound peace, when all was quiet over tree-tops, he showed virtuosity in the tiniest detail of the “path to power”; then, with the first stormy wind of reality, suddenly turned about-face the

“path to impotence.” The decadence which in the last ten years possessed the official theoretical leadership of the worker movement in Germany went bankrupt in the first outbreak of the world crisis and handed over the leadership unhesitatingly to imperialism. Clear insight into these connections is one of the most necessary prerequisites for again introducing a proletarian policy, which would be the historical task in the period of imperialism.

Plaintive souls will complain again that “Marxists are fighting amongst themselves,” that proven “authorities” are spat upon. But Marxism is not a dozen people who among themselves display their claim to “competence” and before whom the masses of believing Moslems in blind trust have to die.

Marxism is a revolutionary world outlook which must continually struggle toward new knowledge, which abhors nothing as much as the hardening of once valid forms, which best proves its living energy in the intellectual clash of arms of self-criticism and in historical thunder and lightning. Therefore I hold with Lessing, who wrote to the younger Reimarus:

“But what is to be done! Each person says what seems truth to him, and truth itself be left with God.”

#### Footnotes

(9) Pannekoek, after totaling the figures in his tables which he also devised under the assumption of a rapidly increasing capital but constant rate of surplus value, says: “An analogous method could account for a gradual change in the rate of exploitation” (*Bremer Buergerzeitung* of January 29, 1913). He too leaves this task to the reader.

(10) A petty “expert” in the *Dresdener Volkszeitung* (January 22, 1913) found a wonderful solution to the problem of accumulation. “Every additional mark earned by the worker,” he advises me, “creates new capital assets of ten marks or more; in this way the struggle of the workers creates the market for the surplus value and makes accumulation of capital possible in their own country.” Now isn’t that clever! If one of these days an expert setting down his reflections on economics suddenly decides to insert a “cock-a-doodle-do,” I’m certain that too will go unnoticed and appear in an editorial in the Social-Democratic organ. After all, those gentlemen on the editorial staff, particularly those with a university education who are much too busy turning the wheel of world history in parliamentary chambers and foyers, long ago decided that it was an outmoded waste of time to set themselves down and actually read theoretical works for the purpose of forming a critical judgment of emerging problems. It’s much easier to push these duties off on the first available assistant who spends his time piecing together financial reviews from English, American and various other statistics.

(11) The translators were unable to locate this passage in the International Publishers edition of *Capital*. The French translator of Luxemburg, Irène Petit, was also unable to locate this passage in the French edition.

(12) Eckstein, who denounced me in his review in *Vorwaerts* of February 1913, borrowing from the vocabulary of Kolb-Heine-David with regard to the theory of catastrophes ("With the theoretical assumptions come the practical conclusions, above all the theory of catastrophe which Comrade Luxemburg in her teaching built up from the necessity of non-capitalist consumers."), denounces me now for the reverse crime of aiding and abetting the right wing of the Social-Democracy now that the theoreticians of the swamp are "orienting" themselves again to the Left. He knows with passion that Lensch, the same Lensch who in the world war swung over to the Kolb-Heine-David faction, formerly found favor with my book and agreeing with it reviewed it in the *Leipziger Volkszeitung*. Is the connection not clear? Suspicious, highly suspicious! "Just for that reason" Eckstein might have seen cause to destroy my book so fundamentally in *Vorwaerts*. But now the same Lensch found even greater favor before the war with Marx's *Capital*. Yes, a Max Grunwald was for years an enraptured interpreter of Marx's *Capital* at the Berlin worker-education school. Is that not a convincing proof that Marx's *Capital* frankly induced a revel in the destruction of England and a birthday article for Hindenburg to be written? But such blunders happen even to the Ecksteins, who in their coarse way spoil precisely the things they "took over." Already Bismarck as is well known often complained about the blind passions of his journalist reptiles.

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