

THE THEORY OF THE CATASTROPHIC CRISIS OF THE CAPITALIST MODE OF PRODUCTION, THE VITAL BASIS OF THE REVOLUTIONARY FORECAST OF COMMUNISM

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1. Introduction

This work brings together the texts on the theory of crisis previously published in *Communisme ou Civilisation* (CouC) numbers 8, 12, 14, 17 and 22 and in *Revue Internationale du Mouvement Communiste* numbers 1, 4, 7, 10 and 14 between 1980 and 1998.

The review *Communisme ou Civilisation* was inspired both by a general project of “back to Marx” and the wish to establish a theory that then formed a collection of political positions marking off the revolutionary movement from social democratic and leftist tendencies claiming to be socialist: the rejection of trade unions, the rejection of democracy and the criticism of national liberation movements. Nevertheless, we thought that the theoretical bases on which most of these theses were proclaimed were wrong (and still are today, even if we should make a distinction between what was defended especially by the councilist wing, above all on trade unions and national liberation movements, and what was defended by the Leninist or “Bordigist” components, notably the PCInt¹).

In fact, the historical “cut off points” based on the concepts of the rising/decadent phases in the history of capitalism, or the cut-off point between the phase of free trade and monopoly capitalism, for example, were simply deviations, be they Luxemburgist (ICC², FECCI/PI³), or Leninist (PCInt) or hybrid (CWO⁴, BIPR⁵...), from the fundamental positions of Marx and Engels. Having said so, we should add that, for us, Luxemburg and Lenin were leagues ahead of their pallid epigones, not least because they were concretely, physically engaged in the leadership of the greatest revolutionary movement in the history of mankind.

This perspective saw, after the first numbers of the review dedicated to work on the agrarian question and the periodization of capital (cf. the new edition of these texts in the same format available on our web site), the publication of this study, beginning in 1980, on the theory of crises, a theme we had already been working on for several years.

1.1 A striking victory

It is perfectly normal to see Marxist theory being hated, libelled, mocked and declared dead a thousand times over by bourgeois thought with its professors, Nobel Prize winners, politicians and journalists. Old society clearly sees that every line of this work of the party announces its death sentence.

The violation, betrayal, deformation and deviation of Marxist theory by reformist, revisionist, Stalinist and leftist currents all form a natural part of the historical course of the class struggle and the life of the proletariat. However, what could have been put straight with the foundation of the

¹ Parti communiste internationaliste, then international, which published *Programme communiste* and *Le Prolétaire* in France, *il programma comunista* in Italy. [PCInt].

² International Communist Current, which publishes *Révolution internationale* in France and *World Revolution* in the UK

³ Perspective internationaliste, which publishes a review of the same name, ex FECCI (External fraction of the ICC).

⁴ Communist Workers Organization. Bureau International pour le Parti Révolutionnaire, now called ICT - International Communist Tendency.

⁵ Bureau International pour le Parti Révolutionnaire, also called ICT, International Communist Tendency.

Communist International in 1919 in favour of the immense revolutionary wave in the 1920s, was totally lost again to the counter-revolution that followed it and has lasted up to the present day.

However, those who politically held the banner high, those who did not fall in with antifascist class collaborationism in the 1930s and who continued to keep alive and restore and develop the heart of Marxist theory fell victim to a fatal flaw. Communisme ou Civilisation (CouC) represented the only element that laid down the task of the scientific work of restoration of revolutionary theory within the field of small regroupings of internationalist communists and what came to be known as the “revolutionary milieu”. Certainly, we were treated as armchair theorists for over thirty years and considered as a negligible force. Over this period, ultra-active militants, apart from wearing out generations of militants in sterile struggles and clashes between sects, saw all the elements of their weak theoretical constructions collapse one by one, at times under the effect of recalling the theory and at other times even more so when faced with the course of historical events. Science is useless if it does not offer a forecast, and it is no coincidence that our work on the crisis began in 1980 with a chapter dedicated to the forecast and the communist party.

It is best to recall that in the context of a deep counter-revolution at that time and with the ebb of the post-68 wave, which had made popular a certain academic Marxism and various leftist positions, a total questioning was striking deep into communist theory concerning: the denial of the role of the proletariat and the class struggle, the denial that crises even existed, a generalised democratic consensus, the updating of the remains of the bourgeois left with a “socialist” hue etc. The “revolutionary milieu” of that period offered in response the inept theory of the decadence of capitalism, defended above by Révolution International (World Revolution in the UK) and the International Communist Current, thereby stultifying all revolutionary theory as their opponents could only offer their own Ricardian or Leninist positions. We want to place Marx’s theory of crises at the centre in order to make a radical critique of both the positions of Luxemburg, claimed by the ICC, and those of Grossmann/Mattick, that underlie the positions of the CWO.

Our analysis followed the path of, instead of making a direct critique of inept theories, defended by degenerate sects, attacking the theoretical bases of these analyses. On the one hand, these analyses lie at the bottom of these deviations, on the other hand, they are analyses of an exegesis of epigones that in no way reach the same level, this being the case notably for Luxemburg. We demonstrated the superiority of Marx’s theory in relation to the highest theoretical standpoints reached by both Luxemburg and by Leninism, but also when considering the most vulgar theories, such as those defended by Mattick via Grossman which infect what remains of the revolutionary tradition. As soon as the theoretical bases are subject to criticism, many theoretical constructions standing on these bases, as well as the political considerations, tied to them, will be seen to have lost all consistency.

On one hand, the project started off well in part. The following pages are in fact dedicated to a detailed criticism of Luxemburg’s theories as well as those of Grossmann/Mattick. On the other hand, it appeared equally clear to us that the project to use as a basis the theory of Marx for the justification for another attitude which Marx and Engels held regarding political questions, such as democracy, was unrealistic. The theoretical bases of a change in period within the capitalist mode of production since Marx and Engels had lost the consistency we had attributed to them and turned out to be unfounded. All the same, this did not at all mean that the capitalist mode of production does not have a history and that communists are exempt from analysing (quite the contrary!) the material and historical developments it encountered.



This abandoning of a rigid periodization in two epochs led to the subsequent criticism of the concepts which achieved a great success and seemed to found a theory on the supposed historical discontinuities of the capitalist mode of production after the death of Marx and Engels. For example, the concepts of the phase of the real submission and the phase of formal submission of labour to capital, first used by Invariance⁶ in the form of “phase of formal domination” and “phase of real domination”, appear to be particularly pertinent. Starting from Marx, we tried therefore, following Invariance, to periodize the course of the capitalist mode of production to bring to light a break, an epochal change about the time of the First World War. Fully based on Marx, one could envisage a change in the conceptions typical of Marxism of national, trade union, parliamentary and democratic questions: in brief, justifying these changes, relying on the basis of the theory. So, along all these currents, we found ourselves, starting from different concepts, designating the break of 1914, with the outbreak of the First World War and the collapse of the Second International, as the breaking point between two historical periods which would be formulated either as the opposition between the rising and decadent period, between the epoch of free trade and that of monopoly, or otherwise, between the formal and the real phases. Leaving aside different approaches, all these forms of periodization are at the final call analyses inherited from those made by the Third International and all of its components.

This analysis, following the line of Invariance, would later be questioned following a deeper analysis of the question, notably during the study we made of the two phases of capitalist production (published in 1978-1980 in CouC numbers 5, 7 and 9 and later republished in book form). During the work, that was later wearily accomplished over twenty or so years, we finally realized the inanity of all the attempts to substitute the analysis of Marx and Engels with whatsoever rhythm of history which tried to demonstrate that the positions they held at the time were to be abandoned. Our work on the crisis and that on the history of the workers’ movement, including the questions of tactics in relation to the workers party and democracy and certainly the specific work on periodization, in turn led us to understand that the modern form of the capitalist mode of production, where it really demonstrates its nature, does not date back to 1914, but to 1825 with the first great crises of overproduction. A fundamental element arises from this: all the positions expressed by Marx and Engels, starting from 1848 and wholly maintained until their deaths in 1883 and 1895, would be faulty from the very start (fully accepting what anarchists say) and have to be reconsidered today, despite the tactical analyses linked to the historical trend. However, starting out from a supposed change in the basic nature of the capitalist mode of production after 1914 in order to declare, for example, that the trade union form is worn out, using as a basis the argument that “capitalism can no longer grant anything due to its decadence”, is a purely ideological and not a scientific position.

Another basic element in questioning the initial postulate lies in the nature itself of the historical events that have characterized the world over the last thirty years. The increase in labour productivity and the growth of global GDP empirically supported by scientific demonstration demolish all the nonsense on decadence, unless we only consider a moralist and sob story vision, as does Perspective Internationaliste, which after having favourably developed an argument on this theme, does not know where to turn. Besides, the recent re-emergence of states in Europe,

⁶ The fresh use of these concepts was based considerably on the French edition [Marx, Un chapitre inédit du Capital, 10/18, 1971] of the unpublished chapter of capital. This work insisted on the notions of formal and read submission of labour to capital. These notions were strongly defended by the participants of the split in 1966 in the PCInt. We should recall that this split led to the publication of Invariance and Le Fil du Temps.

German reunification, the rise of bourgeois democracy in Eastern Europe and in Latin America, all the time awaiting a massive earthquake of both a social and a political nature awaited wished for in China, all show that the question of democracy was posed much more intelligently and dialectically by Marx and Engels in the nineteenth century than by the vulgate of 1970s ultra-leftism.

These elements led us to stop overestimating the concept of the phase of real submission, but instead to replace it within the framework of the traditional analysis of scientific socialism by the effective translation of “subordination” (and not the phase of submission, or even worse, real domination)⁷ of labour to capital.

In fact, Marx made a form of periodization of capital between the epoch of manufacture and the epoch of large-scale industry. These periods also coincide with the fact that in one labour is formally subordinated to capital, while in the other it is really subordinated to capital, which means the appearance of specifically capitalist technology with the development of machinery. The real subordination of labour to capital (or the real subsumption of labour under capital) therefore arose during the industrial revolution. Consequently, starting from the eighteenth century, the industrial revolution, beginning in 1735, weighed sufficiently on society to discard the thesis of a “phase of a real domination” contemporaneous with the start of the twentieth century.

Even on a semantic level, we have to note the differences that have been introduced with these concepts, which are just Wooden Horses of Troy of revisionism. Marx did not cease to write about these subjects in the “Sixth Chapter of Capital”. In Capital Volume I, published in his lifetime, and translated into French in a translation he reread – which does not mean that a countersense may exist – he wrote about the concept translated into French as “subordination”⁸. Consequently, in order to be coherent, it is correct to talk about formal subordination (or subsumption) and real subordination (subsumption) of labour to (or under) capital.

The notion of the real domination of capital, leaving aside these revisionist intentions, also meant the abandonment of the point of view of the proletariat to the advantage of inter-classist positions in the new series of Invariance, where today’s “communisers” are the heralds, opening the road to the complete abandonment of revolutionary positions.

We should take a moment to mention another aspect of this episode. Comrades in Germany told us that Marx never used the term “phase” in the German texts. In the text of the “Chapitre inédit de Marx” published in French, it appears in a chapter heading added by Roger Dangeville, not one written by Marx. Consequently, it is not the case of founding a new course on these concepts with a new break which could justify changes in the political orientation characterising, in brief, the “ultra-left”.

This ideology has gone irremediably bankrupt, while that of Marx and Engels wins all along the line. In fact the practical criticism of the moment has been added on to the theoretical criticism: the fall of the Berlin Wall and the democratic reunification of Germany, the final surrender of the secret of the bureaucracy (long since anticipated by Trotsky and Bordiga as regards Russia), charged with taking capitalist development to a level high enough to leave command to the bourgeoisie, the new opening of the national question with the Balkan War, the reorganization of the world market

⁷ A term which has become an absurd vulgate to explain anything and everything and above all avoids tiring the brain.

⁸ For example, in Capital Volume I, in Collected Works Vol. 35, p. 727: “The subordination of labour to capital was only formal –i.e., the mode of production itself had as yet no specific capitalistic character.”

without an open Third World War – there was a continuation of the Cold War – are all proof that the room for manoeuvre offered by democracy has allowed the realization of these ideologies.

Do we have to conclude that this is the other side of the alternative offered by Bordiga: if the revolution did not emerge victoriously by the end of the 20th century, the last Marxist would disappear at the beginning of the 21st century?

Clearly, the balance of forces has never been so unfavourable. Lenin said that quantity was not a sufficient argument to judge the revolutionary potential, that revolutionaries could be just 1/10,000 or even 1/100,000 of the class. So, what if they are even less? Does not quantity transform into quality? The revolutionary party could only hope for some influence by turning to homeopathy. It would mean accepting, 70 years on, the thesis of Karl Korsch and the recognition of “the crisis of Marxism”⁹.

However, all this does not draw us away from Marx, in fact the exact opposite. Because it is this analysis that triumphs. It is no longer necessary to establish new policies, perform new analyses that are erected on new bases of the periodization of capital. It is “only” necessary to continue, develop and deepen the theoretical and practical bases of scientific socialism. This does not mean just repeating the past, but of integrating and updating scientific socialism for the world today.

1.2 Studies on the crisis

1.2.1 The origins of the analyses

The studies of the crisis did not misuse, even though they did use, the concepts of the phase of formal submission and real submission. They used them correctly (the term “phase” whose origin we have already seen) in the sense of the periodization made by Marx, that is, they recouped the transition from manufacture to large-scale industry with the arrival of the industrial revolution. These studies also allowed us to realize the strength of Marx’s theory and how vastly different it is from a “Marxism” which only serves to push back revolutionary theory into the realms of vulgar economics, stripping it of its scientific value and revolutionary thrust. They also showed that scientific socialism was alive and that the theory was not just a simple repetition of fixed positions, but could go further and deeper on the basis of Marx’s analyses.

Based on a thorough study of Marx’s texts, we have defended the idea that not only have crises not disappeared, but that they appear regularly in an approximately six year cycle, in line with the theoretical forecasts which sees a shortening of the length of crises over time from the ten years when Marx was alive.

This figure was not an arbitrary extrapolation, but was based on statistical work for the period. In the early 1970s, when we set out on a study of the analyses made by Luxemburg and Grossmann, Carré, Dubois and Malinvaud published a retrospective study the French economic growth. This

⁹ “It is deceptive and even false to see the theoretical origins of the present crisis as resulting either from a perversion or an oversimplification of Marx’s and Engels’ revolutionary theory at the hands of their successors. It is equally misleading to juxtapose this degenerated falsified Marxism to the “pure theory” of Marx and Engels themselves. In the final analysis, today’s crisis is the crisis of Marx and Engels’ theory as well. The ideological and doctrinaire separation of “pure theory” from the real historical movement, as well as the further development of the theory, is itself an expression of the present crisis.” *The Crisis of Marxism* (1931).

work, which attracted the plaudits of economists, was of an extreme vulgarity as regards the analysis of the causes of growth:

After having established that the growth in the post-war period could be divided into four periods:

- 1948 to 1951 reconstruction and restarting the economy
- 1951 to 1967 first post-war cycle
- 1957 to 1963 second post-war cycle
- 1963 to 1969 third post-war cycle¹⁰

our friends concluded: “The term cycle used here must not give rise to illusions: we do not believe that the growth of France is necessarily cyclical and we risk returning approximately every 6 years to periods of significant slowing down in growth.”¹¹

Where the economists of the triumphant bourgeoisie brush away with a wave of the hand the perspective of crisis, Marxism could see the characteristics of the cycle of crises.

1.2.2 The 1981 crisis

After an initial experimental verification in 1975, a date when the bourgeoisie had to kneel down and bow to the evidence of the crisis, the review *Communisme ou civilisation*, born in 1976, awaited a major crisis for 1981. This arrived and forced the USA to greatly raise rates of interest when the crisis struck fully.

Flushed with this initial success, we wrote in *Communisme ou civilisation* no. 12 (May 1982)

“Regarding the “upturn”, if the start of a new cycle can allow capital to draw some breath, we cannot expect a return to the euphoric periods of “prosperity”. Whatever the forecasts may be concerning further aggravation, the phenomena, such as low growth, inflation and unemployment, will not lessen substantially and will persist from cycle to cycle, while worsening drastically in the coming crises.

In any case, if the confirmation of the perspective of the crisis in 1981 constitutes a minor theoretical victory for communism, that should not lead us to ignore the long road ahead for the communist movement before being able to really analyse the present crisis and become capable of foreseeing the arrival of the catastrophic crisis in the framework of an authentic restoration of the communist theory of crises. The inspiration for such work certainly cannot be found in the appalling publications of today’s revolutionary movement. As usual, superficiality and theoretical patchwork take the place of restoration.”

This representation means we expect that average growth rates in period of the upturn of accumulation will tend to be lower than in previous cycles and that the level of unemployment will not fall completely to the previous level and will rise at the end of the cycle, while inflation will continue. Even if the level of unemployment has remained high, in part it has been reduced, even if the type of work offered, in France for example, is that of part-time short-term contracts, subsidised by the state, mainly for women, paid below average wages, even though the job holder

¹⁰ Carré, Dubois, Malinvaud, *Abrégé de la croissance française*, Editions du Seuil, 1973, p. 36.

¹¹ Carré, Dubois, Malinvaud, *Abrégé de la croissance française*, Editions du Seuil, 1973, p. 37.

is more qualified than the average worker. At the cost of major borrowing and the worsening of the living conditions of not a small section of the population, the state tried to juggle around with mass unemployment, and partly succeeded. More jobs (which, as we saw, have a description very different to those in the thirty years straight after World War 2) have been created in the “thirty pitiful years” than in the “thirty golden years”, if we accept some absurd concepts doled out by bourgeois economists. To a certain extent, and at a considerable social cost, work has been “shared out”: a general reduction in worktime, the use of part-time contracts and a high level of unemployment are the methods used. This also means on a global scale the western bourgeoisie, above all the French bourgeoisie, have found great difficulty in making national labour worth the same as universal social labour. The final chapters of this text highlight the decline of the United States (and Great Britain) and ask questions about the future of Europe.

“The threat of competition from low wage countries is only one of the ideological ways taken by the capitalist class to attack wage levels of the proletariat. Is it a protectionist measure for those sectors more immediately threatened by competition from countries where goods cost less? Or is it the sign that a relative general decline is to be expected by countries that led the world until now? In other terms, is the American or British model, presented to us as a panacea, really a model for the relative decline to be adopted by those old European societies, or does it foreshadow the path old European societies, the cradle of capitalism and inheritors of a long western cultural tradition, must take? The future will tell.”

The crisis in 2008 offered the answer and showed that the position of countries until then the most advanced on the level of the capitalist mode of production were lagging badly. This meant that the proletariat, which had benefitted from their global market domination, was going to lose its privileges¹² and that would also favour the resurgence of communism.

It was therefore necessary to await the present crisis to see the forecast of the number of American unemployed as it really is: “The number of unemployed in the US has now reached 12.5 million. Another figure of 5.6 million people, who say they want to find work, but who are not included in the active population, must be added on.” (Le Monde, 6.3.2009). These data are obviously obtained on the basis of a method of measurement that has to be changed regularly on the basis of the principle “if the thermometer is broken, the patient has not got a temperature”. The bourgeois economists, who think that a certain level of unemployment, called “frictional unemployment”, cannot be avoided, had the bright idea of increasing it from the previous 3% to 5% to please their masters. The conclusion is that the more the market laws rule, the more the market is king, the more fluid it is, the more it is “frictional”! Those who are to be “frictionalized” are usually on the fringes.

Besides a policy for unemployment, whose effects and limits we have seen, the bourgeoisie launched an attack on inflation. The rise in the price index fell to a relatively low level compared with the previous period. Inflation, that is the creation of money greater than the needs of accumulation, was therefore not under control. Excess money capital went on rising to swell the development of fictitious capital, providing new fame and power for parasitic fractions and tendencies of the bourgeoisie and landowners. The rentier, which Keynes hoped would die off, returned to life under the oxygen tent of credit and bloated fictitious capital. The inflation of prices, limited to industrial and commercial capital, led to startling growth in the price of financial activity,

¹² According to INSEE, the effective length of the working year for full-time employees rose from 1,635 hours in 2003 to 1,680 hours in 2007.

while land rent rose with the rise in the price of real estate, land and housing; all these rises being guaranteed by new financial and general crises.

1.2.3 One of the specific characteristics of the USA

The 1981 crisis and subsequent recovery offered the occasion to look more deeply into the cycle in the USA.

“Some members of the revolutionary movement are worried about why the “deepening” of the crisis of the capitalist mode of production had not led to a major reaction by the proletariat worldwide.

Such an attitude, apart from ending up by overestimating the movements that may exist at present, does not take into consideration two matters. Firstly, the development of the class struggle does not mechanically follow changes in the material basis of society and the crisis does not ipso facto lead to the mobilization of the proletariat. Secondly, the crisis itself does not follow a steady path that would lead on progressively, but instead follows a cyclical development that sees the alternation of phases of depression and relative prosperity.

Nowadays the cycle of capital lasts about 6 years, as clearly appears in France, but less in the United States, where the cycle is shorter and less regular. Nevertheless, in the United States it follows the same track: from the peak to the trough of activity, that is from the highest to the lowest point of the cycle, there is a brief period of about 10 months, while from the trough to the next peak, the period of recovery, there is a period of about 45 months¹³. The rate of increase of capitalist accumulation since 1974 has tended to be slower; a symptom of the fall in the rate of profit, and so has no longer been able to absorb so easily the hang overs of previous crises, as this increase has also been weaker. The rate of growth has far from reached the same levels as in the post-war period and, even if American economists were enthusiastic at the start of the year when they announced an increase of 10.1%, later cut to 7.1%, this was true only if the calculation was made on a quarterly basis. If the whole year is taken into account, this rate falls to 3.6% for all 1984. What should be said, then, as is logical, if comparisons are made for the whole cycle, that is for a period of 5-6 years?

As for the arguments made on the basis of unemployment, it is like hearing the story of the man who crushed his own fingers with hammer blows because he felt so much better when he stopped. Even if the 7.5% rate of unemployment in July 1984 is 3% lower than the 10.7% in December 1982, it is still 0.6% higher than that in 1977, that is, two years after the crisis in 1975, when it was 6.0%. But if the two trough years from one cycle to the next are taken, we see unemployment rose from 8.3% in 1975 to 9.5% in 1992-1993. Furthermore, the present figures do not take into account anywhere the 1-2 million “discouraged workers” (Source: US Economic Report of the President, 1984). If the comparison is made between the two cycles, and not just the bottom of the trough of the same cycle, unemployment has worsened.

Here we can see the normal physiognomy of the capitalist mode of production, which has always existed, except for a short period after the second imperialist war when the accumulation of capital was strong enough to absorb a large part of the relative overpopulation which turned into two higher rates of unemployment. A rise in unemployment is therefore not necessarily the sign of

¹³ Source: US Statistical Abstract, 1982.

capitalist ill health, but instead is a phenomenon inherent in capitalist accumulation, which clearly worsens from one cyclical crisis to the next, and causes social unrest.

Furthermore, the figures published in the United States do not take into account the qualitative aspect of the wonderful “6 million new jobs created in 18 months” by the American locomotive that European bosses can only dream about. They are mostly highly precarious “jobs” in the service sector (which does not mean that some might not be productive), where turnover of staff is very high and wages very low (\$3.55 an hour, or FF 17.75, if the artificially high level of the Dollar is not taken into account).

If we complete the picture of this American upturn, which certainly does exist, we can see it was artificially inflated by the strong dollar and the attraction for foreign investment, at the cost of massive indebtedness, both foreign and domestic, and no one would like to be in the shoes of the “experts” who forecast a bright future for the whole world, the United States above all. It is all too certain that the world capitalist economy will fall into an even worse crisis around 1987-1988 and new masses of workers will be sacked, inflation will begin to soar again and the indebtedness of states will hit new highs, the fall in living standards will be felt more keenly, and the sufferings of the working class will sharpen.” (C ou C)

The figures used for the analysis of the American cycle are based on the publications of the NBER (National Bureau for Economic Research), a body established in the 1930s by the American government to draw up national accounts. It has published a list of recessions dating back to 1854 and updated to the present. Whatever doubts we may have about these statistics, we are not going to make any criticisms and therefore accept them at face value. The following is the table of updated averages:

Average of cycles (in months)	Peak to trough	Previous trough	Peak from	Trough from
1854-2001 (32 cycles)	17	38	55	56*
1854-1919 (16 cycles)	22	27	48	49**
1919-1945 (6 cycles)	18	35	53	53
1945-2001 (10 cycles)	10	57	67	67

(*) 31 cycles (**) 15 cycles

The historical tendency of the cycle shown for the United States resulting from these statistics is:

1st an average lengthening of cycle length from 48 months up to World War One to 53 months in the inter-war period and 67 months in the second post war period;

2nd a shortening of the length of the crisis from 22 months up to the First World War to 18 months in the interwar period and 10 months in the second post war period.

If the cycle in the United States tends towards the 6 years found in France (the cycles 1981 and 1991 having largely gone beyond this lapse), that means the cycle is lengthening, while theory is in favour of their shortening. As for cycle length, nothing in theory favours their shortening.



There are many factors that along with the dominant position of the United States have made us reject selecting this country as a model for our analysis, even though any serious crisis must also involve this country.

1.2.4 The 1987 Crisis

The 1987 crisis caused new difficulties in the forecast and the unfolding of crises. As we saw in the previous quotation, we expected a new crisis around 1987 (1981 + 6). A major crisis did break out in 1987, but it was contained by strong intervention on the part of the central bank, while still laying the ground for future crises.

We wrote in October 1990 in the body of the text concerning Grossmann's theory and which we have incorporated in this introduction:

“As for the year 1987, even if the world did not suffer a crisis affecting the sphere of production, it transformed into the greatest financial crisis in history, followed by another major crisis in 1989 and yet another crisis in 1990. These repeated financial crises allowed capital to fend off¹⁴, but not avoid what would be the end of a new cycle of accumulation.”

At a closer look, the crisis did still hit the sphere of production. We could not come to this conclusion, both because the channels we can use do not provide this information and because of how it arrives, also because statisticians only provide information when the shouting is over, above all regarding crises.

Here is what INSEE [French state statistical bureau] published in a long series quarter by quarter for the GDP. We avoid referring to the “definitions” used by bourgeois economists when speaking of “recession” for two consecutive quarterly falls in the GDP so as to state that at the end of 1986 and the beginning of 1987 the crisis took its toll in the sphere of production too.

1980 Q1 1980 Q2 1980 Q3

237.7 236.7 237.0

1982 Q1 1982 Q2 1982 Q3 1982 Q4

244.5 246.7 246.5 247.8

1983 Q4 1984 Q1 1984 Q2 1984 Q3 1984 Q4

251.1 252.6 252.3 253.5 253.2

1985 Q3 1985 Q4 1986 Q1 1986 Q2 1986 Q3 1987 Q1 1987 Q2

257.9 259.5 259.5 262.2 264.2 263.6 266.5

¹⁴ Recent events tend to show that the financial scraps that have taken place at regular intervals since 1987 in order to head off the crisis are about to submerge various countries. Following Canada, Australia has recognized that it is in a state of crisis. In the same way, Great Britain and the United States are about to accept that the crisis is arriving. (Note to text by C ou C)

The crisis in the 1980s was split up and formed a seven-year span marked by repeated misfirings. The struggle against the proletariat and the middle classes to win back “the business margin of enterprises in added value”, and therefore that rate of profit, undertaken by the Mauroy-Delors [the two French Government Ministers] plan bore fruit in 1986. In this context, the 1987 crisis was very short. Both 1988 and 1989 were to be in France the years of the creation of a large number of new jobs.

1.2.5 The crisis in the early 1990s and changes in the world market

The crisis which was held off in 1987 was followed by a further financial and real estate crisis in 1989 which hit Japan, then by a new financial crisis in 1990 that led to the general crisis breaking out in the same year. This was the period in which the crisis hit Australia and Canada and then the USA (starting in 1990). The crisis hit all countries one after another. In France, it led to a severe crisis in 1993. This crisis was stronger than monetary policy, running against the current because it had, for several reasons, followed German policy, leaving no other way out than the increase in state debt to limit the immediate effects of the crisis.

This episode saw Japan, which attracted both the admiration and the fear of bourgeois and petit bourgeois economists, slow down. Even while its stock market capitalization had just exceeded that of Wall Street, so rental levels were soaring, the crisis hit Japan's pretensions hard. It has still not fully overcome this crisis after twenty years when it needed to deal with a new unequalled world crisis.

Recent research into the orbit of planets shows that they are chaotic (this is the term used by metaphysicians when talking about a phenomenon that is subject to initial conditions) which makes any precise forecast for after some dozens of millions of years impossible. The forecast of economic cycles, which has to take into account a multitude of factors, frequently without the necessary information being available, not to speak of the time needed to analyse it, and which deals with a historical matter which can be object of the effects of the superstructure, as monetary policy shows, cannot a fortiori be a mechanical exercise. One cannot at the same time criticize Kondratiev cycles and then challenge them for being a mechanical, non-historic vision of economic activity which over a very long period of shorter cycles may be freed from historical evolutions, be they economic or political, in the great changes in the world market etc.¹⁵

Furthermore, aside from these general remarks, the world saw great changes taking place between 1987 and 1993. The configuration of the world following the Second World War fragmented. The so-called communist world lost the Cold War and, and even if a new world war was avoided, the

¹⁵ Marx and Engels after 1848, and Engels alone in the 1890s, had to deal with similar problems as cycles changed their physiognomy as the development of capitalist production and the reorganization of the world market smoothed the cycle.

“The recurring period of the great industrial crisis is stated in the text as five years. This was the period apparently indicated by the course of events from 1825 to 1842. But the industrial history from 1842 to 1868 has shown that the real period is one of ten years; that the intermediate revulsions were secondary and had been increasingly disappearing from 1842 onwards. Since 1868 the state of things has changed again, of which more anon.” (Engels, Preface to the German Edition of *The Condition of the Working-Class in England*, Collected Works Vol. 27, p. 314). The intermediate crisis of 1882 did not lead to a crisis. Engels described a society with such enormous overproduction that it could only explode into a crisis. The new set up of the world market meant that Britain saw its rivals on the rise. The end of the British monopoly brought an end to the 10-year cycle and made it seem that crises were becoming chronic.

end of this period saw local wars and democratic revolutions. However, the situation changed rapidly. This period saw, without putting the items in any order, the end of the USSR, German unification, the independence of Lithuania, Latvia and Estonia, the independence of Slovenia (a state which had never previously existed), the beginning of the war in Yugoslavia, which led to its collapse, the Iraqi invasion of Kuwait as the prelude to the First Gulf War, and the splitting up of Czechs and Slovaks. Elsewhere, the centre of world exchange shifted to the Pacific area with the old forecast of Marx holding true when the United States got into debt with the rest of the world (1985)¹⁶. The victory of democratic and liberal ideology over the pseudo communist state economy provided the bourgeoisie with a fresh pair of heels in speeding up its policy of free enterprise a few years later. A new form of world market emerged at the end of the cold war, with China, India and other Asian economies developing rapidly. The bourgeois economists, whose ability to think things over was comparable to that of an ass, celebrated “globalization” as if the world market had just arisen! There followed an acceleration in world trade, a reorientation of Germany, the world’s leading exporter, now struggling with the integration of East Germany and attentive to traditional zones of influence that had been opened up, a riot of credit, the United States increasingly living off the rest of the world while all the time stimulating growth: it is no surprise that under these conditions the cycle was upset¹⁷. We have previously mentioned the situation of vigorous growth

¹⁶ The trade position of the United States has been negative since 1985. This position measures the balance between credits held by the United States abroad and the credits held by foreigners in the United States which reached \$780bln in favour of the latter in 1997.

¹⁷ Our chronicle for the crisis in 1997 as part of the series on crises contained the following: “In the conceptual more-or-less which serves as the vademecum of thought for journalists and political leaders, the term “globalization”, which apart from saving the effort, also avoids having to translate from the American, sprouts up in the political scenery. The underlying “grande peur” of the enemies of reality described by the concept is that government no longer counts a fig compared with the international financial markets. The states have become executors, or powerless spectators since throughout the world market laws and free exchange were gaining hold. Competition has grown with them to such an extent that globalization has become the synonym for unemployment and the increase in inequality. The enemy is always on the outside. Previously it was the oil crisis, while today it is globalization, the lay and democratic version of the dictatorship of financial capital so dear to Leninism-Stalinism.

Does globalization mean that there is a world market which subsumes national markets?

But the capitalist mode of production, which our party has stressed for a century and a half, by its very nature, rests on such a set up. It can only develop thanks to the existence of a world market, and with the arrival of the phase of real submission of labour to capital, this is translated into the formation of a new world market which industrial capital has submitted to its domination.

Several phenomena that ring out as so many theoretical victories for revolutionary and internationalist communism (do we need this pleonasm?) have changed the thought of the bourgeoisie.

The theoretical bases of an indigent weakness as an old weathercock turning in the winds of history.

1st The failure of “communism”, that is the painful achievement of the process ending with the creation of a bourgeois class in Russia, and with the full submission of the countries of eastern Europe to the world market, without the slightest desire expressed even in words for autonomy. Several years of deep crisis means that these countries have paid and will continue to pay for what they discounted in the time after the Second World War. Even if they suffered cyclical crises, increasingly in line with those of the world market, they have never really seen this turn into a dramatic devalorization of capital. Many countries, those with an industrial tradition, are in convalescence. When the next crisis arrives, will they play a counter-cyclical role or will they be carried away in the international whirlpool? This second case would indicate their rapid entry in the world market. But is the rapid entry in the world market not one of the striking facts of our epoch?

It was clear that our party was quite alone in understanding that the easy conversion of communism into capitalism, which so shook observers, was all the more evident in the countries targeted that are based now

followed upsets. This lasted about 10 years in the United States. The mindless economists of the “new economy” announced a new phase in the history of capitalism due to the surge of new technologies, a phase of the increase in productivity underestimated by the traditional methods to the extent that it was much greater than the economists of the old economy would care to admit, also a phase when crises would no longer exist, while the growth of financial gain fuelled by pension funds would increase regularly. This theoretical swindle was brought low by the crisis that began in March 2000.

1.2.6 The crisis in 1997

The same difficulties that occurred in 1987 reappeared in 1997 with a new financial crisis that started in Asia (showing that it had fully entered the world market) when the exchanges pulverised the exchange rates of particularly weak currencies. We are again in the cycle of about 6 years compared with the previous crisis in 1990-1993. The crisis hit the south Asian economies and spread to Japan. We can now offer our chronology of the crisis:

“Japan saw a fall of almost 3% in the GDP in the second quarter, the first of the new financial year, which corresponds to an annual tendency of -11%, the fastest fall since 1975. Bourgeois economists tend not to take crises into account, calling them recessions, unless they last for more than two quarters.

The crisis in Japan and the collapse of stock exchanges throughout south east Asia can be taken together, even if the link between the two is much more complex. A financial crisis on the one hand, in south east Asia, or at least a crisis still limited to the financial sphere, while, on the other hand, a general crisis of overproduction in Japan, with a general crisis in the valorization of capital.

The two parties announce that straightaway these countries will get into line with the world market and synchronize with the universal market to join in with the vicissitudes already announced.

The last crisis in 1990-1993 started in Oceania, while the year before the whole of Latin America had been affected. Japan was one of the last to become involved. If the signal came from Asia this

as before on the exploitation of wage labour and the quest for the maximum surplus value, because they had never had a jot of socialism in their relations of production.

The ideological counter-blow of this failure is notable. It is the triumph of capital’s achievement. Ideologues see it as the final victory of capital over the proletariat, liberalism over socialism. It also sounds the death knell for any wish for any thought, even if only slightly materialist.

2nd the slowing of growth in the more developed countries.

This phenomenon seen by many contemporary observers as a crisis, even if levels reached are well above average in the history of the capitalist mode of production. Following the oil crisis, competition from countries with low wages is seen as a let-out for the bourgeoisie trying to find scapegoats for its incapacity to govern a society whose own dynamic overtakes it.

For revolutionary theory, this appears as the tendential fall in the rate of profit.

3rd The emergence of Asia, that is, the shifting of the centre of gravity of world trade towards the Pacific: The Pacific zone became the main pole of exchange towards the end of the 1980s. After the Mediterranean and the Atlantic, for the third time in world history the centre of world trade moved.

This fact is a new theoretical success for the communist party that foresaw this movement starting from the discovery of gold in California before 1840.

This new set up of the world market had to upset the last economic cycle. The crisis that we expected for around 1993 had already hit the United States in 1990. Then another spate of growth began around 1991 and the United States had a sustained upswing of unusual length.”

time, this means that there has been rapid progress in capital accumulation and the coming into line with the world market.

This progress also announced, as the strikes in Korea showed, that the unification of the world proletariat had accelerated even more and that the antagonisms between imperialist powers were developing at the same rate.” (September 1997)

This crisis was also the moment for speculation on democracy, which provided the theme for one of our updates:

“One of the motives put forward to explain the financial and monetary crisis in south east Asia is the idea of the existence of a political-financial oligarchy in a number of the countries affected. The collusion between political and financial interest within a closed circle may have favoured speculation and therefore the bursting of the speculative bubble. In other terms, the great lecturers in democratic countries explicitly claim the democracy there is, the less speculation occurs.

Does such an explanation pass the test? Democratic Japan on the eve of the 1989 financial crisis had the highest stock exchange capitalization in the world. It was higher than that of the United States, a richer and more populous country. Land prices in Japanese metropolises whetted the appetite of several European promoters. Akio Morishima (the former Sony boss) waxed ironically about the casino economy of the United States which made the same profit in ten minutes that took ten years in Japan. This could not be taken for granted. Wheeler dealing, speculation and rents had risen more quickly than the accumulation of capital on which it rested. The major financial crises of 1873 and 1929 had both started from the greatest dominant power, the oldest and longest lasting democratic republic of any importance on the world market: the United States of America. On the other hand, the accumulation of capital in the Russia of Stalin and his successors took place without a stock exchange. Blind Trotskyism finds this to be an argument to use when denying the capitalist character of the relations of production in the so-called USSR. China, which is just as capitalist as Russia, hardly opens up to the delights of the exchange floor, now an electronic saloon, while Taiwan and Hong Kong are already old hands which will serve as the model for China. The fascist and Nazi regimes are not renowned for an extraordinary upturn in stocks or in the price of land and housing.

Therefore, if a lesson has to be learnt from the relationship between democracy and speculation, the conclusion would more likely be the opposite of that given by the journalists. Furthermore, this is how our party characterized the democratic republic when Engels stated that it meant an alliance between the government and the stock exchange.

“The highest point of the state, the democratic republic, which under our modern condition of society is more an inevitable necessity, and is the only form of state in which the last decisive struggle between the proletariat and bourgeoisie can be fought out – the democratic republic officially knows no more of property distinctions. In it, wealth exercises its power indirectly, but all the more surely. On the one hand, in the form of direct corruption of officials, of which America provides the classical example; on the other hand, in the form of alliance between government and stock exchange, which becomes the easier to achieve the more the national debt increases and the more joint-stock companies concentrate in their hands not only transport, but also production itself, using the stock exchange as their centre. Besides America, the latest French republic is a striking example of this; and even good old Switzerland has contributed its share in this field. But that a democratic republic is not essential for this fraternal alliance between government and stock exchange is proved by England and also by the new German Empire, where one cannot tell who was elevated more by universal suffrage, Bismarck or Bleichröder. And lastly, the possessing class

rules directly through the medium of universal suffrage. As long as the oppressed class, in our case, therefore, the proletariat, it not yet ripe to emancipate itself, it will in its majority regard the existing order of society as the only one possible and, politically, will form the tail of the capitalist class, its extreme Left wing. To the extent, however, that this class matures for its self-emancipation, it constitutes itself as a party of its own and elects its own representatives, not those of the capitalists. Thus, universal suffrage is the gauge of the maturity of the working class. It cannot and never will be anything more in the present-day state; but that is sufficient. On the day the thermometer of universal suffrage registers boiling point among the workers, both they and the capitalists will know where they stand.” (Engels, *Origin of the Family, Private Property and the State*, Collected Works vol. 26, pp. 271-272)

While risking becoming an argument in favour of democracy, we can, however, note that the so-called emerging countries learned about parasitism and speculation more quickly than their predecessors. They are model countries, as in one generation (1965-1995) the average income has quadrupled in Thailand and Malaysia and risen tenfold in Singapore. These countries are model countries because fictitious capital has grown even faster than the productive capital of surplus value. The magazine ‘L’Expansion’ stated in its risk barometer for September 1996 that “If we accept the 26 places taken into account in the index drawn up by the SFI (Société financière internationale), the part represented by their stock exchange capitalization in the total of global exchanges has risen from 6.5% to 11.9% between 1990 and 1994, falling back to 9.6% at the end of 1995. The Asian markets on their own represented 2% of global capitalization in 1983 and almost 7% in 1995, a weight comparable with the London Stock Exchange.

The level of stock market capitalization as a percentage of the GDP has become higher in a good number of developing countries than in industrialized countries (342% in Malaysia, 94.4% in Jordan, against 36.4% in France or 72.1% in Japan).” (‘L’Expansion’, September 12, 1996). The value of the stock exchange in the United States has risen to 110% of the GDP.

The famous “emerging countries” entered later on in the development of relative surplus value, benefitting, in part in the apprenticeship in parasitism, as well as technology, from the level of development already reached by their predecessors. Trotsky called this combined and unequal development. It is also certain that the current phenomenon benefits from technological development of electronics and informatics. A global financial market operating seven days a week 24 hours a day has become reality and contributes to the synchronization of the world market. Not only do these technologies help communication, but they also play an important role in fund management. All modern crashes are computer assisted.

As for the so-called totalitarian regimes, they are not all part of the same reality. A distinction must be made, for example, for those which have a lengthy history in Western Europe and appear as regimes for social conservation where the bourgeoisie worried by the spectre of the class struggle handed political power over to one or other Bonaparte or Mussolini. In other countries, we can see a democratic bourgeoisie that is unable to promote a revolution in line with its interests, and so the development of the capitalist mode of production is confided in a bureaucracy. When Engels states that communism was today’s democracy, that also meant that democracy had been the ideology of the European revolutionary bourgeoisie against absolutism. In turn, communism constitutes the revolutionary standpoint of the proletariat. Democracy is imperialist. Just like its Greek cousin, it could only exist in a certain place by denying it in others. Other peoples have had to rise up against bourgeois democracy, which is no longer the symbol of the revolution, but of colonialism and imperialism, in order to liberate themselves and accomplish their own bourgeois revolutions and rise more freely in the world order. An irony of history has made communism,

travestied in Stalinism, serve as the flag of capitalist development against the west. The red flag once usurped is discredited and the green flag of Islam has taken its place in many parts of the world.

History and reality are both complex, so one cannot simply consider a high GDP and democracy as being concomitant. The old nations of Europe who used democracy to liberate themselves were able to do so with a level of development greatly inferior to that of numerous poor countries today. The bourgeoisies of the same countries in Europe did not hesitate to abandon political power each time they were threatened. Today, Bangladesh, one of the poorest countries on earth, is a democracy.

The part of the world population living in a democratic regime has rarely risen over 20%. Recent years have seen a rise in the number of countries adopting this form of government. The capitalist mode of production has never previously reached such a level of development and therefore never has the exploitation of the proletariat been so extensive and intensive.

The evolution of China will be decisive for a movement in the generalization of democracy, which, at the same time, will be a prelude to its disappearance.” (Chronicle of the Crisis, 1997)

“Sow the financial crisis, harvest the crisis of productive capital. As foreseen, the crisis that has broken out in the financial sphere has entered the productive sphere. This is much more than the reduction of growth, which the good bourgeois experts foresaw, but instead is the first great international crisis in Asia. Indonesia has seen a fall of 8.5% in the GDP, Thailand, Malaysia and Korea have also had falls in their GDPs. As for Japan, which has suffered a crisis in productive capital beginning at the end of last year, has been forced to declare itself in “recession”, to adopt the bourgeois economists’ jargon. The confirmation of the general crisis of overproduction has brought the western stock exchanges to a dead stop with historic falls, despite and in part thanks to (due to shifts in capital) to the crisis in Asia and its spread. This is the second shock since the beginning of the year. However, up to now, the west overcame the crisis in October and has since late January (after a second alert at the beginning of the month) got back to the highest ever levels. Russia too has been hit by the storm.” (1998)

The crisis spread to Great Britain and Germany at the end of 1998, and we wrote the following in our chronicle of the crisis:

“While the New York Stock Exchange reaches new historical records and European exchanges too are nearing their highest levels, there has been the announcement of a fall in the German GDP for the last quarter of 1998. Following Great Britain, another great European country had stepped towards a crisis.

The crisis in the productive spheres of these countries precedes a financial crisis, because the German exchange, just like the British one, works in unison with the other European exchanges. Following the slowing of growth in Italy, many indicators point towards the beginning of a crisis in Europe. This set up means that the crisis in Europe would precede the crisis in North America, the opposite of what happened during the crisis in 1990-1993. In fact, the United States are still enjoying rapid growth, although some industries show some signs of weakness.” (Chronicle of the Crisis, March 1999)

Then the ebb tide sets in.



This mid-year seemed to see a situation that had strengthened in favour of capital. World exchanges continue to do well and break historical records. The American economy continues to prosper, while European countries seem to have got over a crisis they had neared during the last quarter of 1998.

Japan announces positive quarterly results, and this goes for Korea and Malaysia too. Asian exchanges are back afloat. The number of countries in crisis has fallen. Only Russia and Latin America are still prey to serious difficulties. Most observers feel that the worst has passed and the capital should overcome the crisis with the improvement of most indicators.

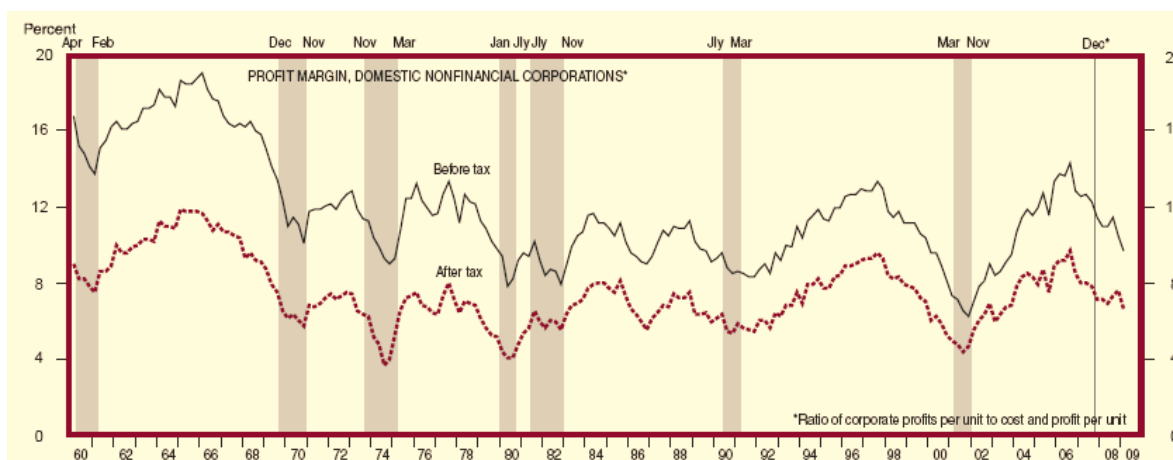
Should we recognize a new defeat and go back to our beloved studies? It is still too early to give up.” (Chronicle of the Crisis, June 1999)

However, the ebb set in. We could have thought that the cycle had been disturbed the first time by a new configuration of the world market, and a new difficulty emerged before us. Without listening to the Sirens of the dominant ideology, we wrote in 2000 that the crisis would not break out before the end of 2001 and we went back to our studies.

1.2.7 The Crisis in 2001

However, this time the crisis which broke out on the stock exchanges in March 2000 continued by spreading to the productive sphere. The NBER, the previously mentioned American Bureau which is in charge of dating the economic cycles, considered the beginning of the crisis in the United States to be in March 2001.

Raoul Victor published the very interesting chart below in an article dealing with the crisis as a contribution to an international discussion network.



(Source: BEA, *Survey of Current Business*. This version is updated to June 2009)

It can be seen that the rates of profit fall significantly and that the crisis is approaching. Major changes in tendency are generally precursory signs and provide an indicator to be observed when forecasting crises. The general rule is that the rate of profit peaks during the last third of the cycle. It is also important to note that this fall in 1986-1987 was warded off until it started again in 1989. In 1997, the sudden fall did not immediately cause a crisis, as in 1965-1966. Within large cycles, some beginnings of crises have been cancelled, prolonging the cycle by a few years. Also, if a falling tendential rate can be observed until the 1970-1982 crisis, afterwards, as we said above, the rate of profit rises. The peak in the rate of profit was higher in 2005 than in 1997 or 1989. The last two

cycles in the United States have been among the longest in history (108 months between the two bottoms of the trough in the 1982-1991 cycle and 128 months, the absolute record, for the 1991-2001 cycle. They are all the same the swan song of American capitalism.

1.2.8 The Present Crisis (2007...)

The general crisis that broke out in 2007 saw orthodox revolutionary Marxism score a new outstanding victory.

In the summer of 2007, only the bourgeoisie and its heralds saw the financial crisis as a lightening flash in a cloudless sky. For revolutionaries, it was the confirmation of the opening of a new cycle of crisis which led straight to the explosion in 2008.

The presentation of the republishing of these texts made it worthwhile to pay close attention to the use of the adjective “catastrophic” before the noun “crisis”. We started with the tendency to await “THE” catastrophic crisis and to believe that there was a particular type of crisis which degenerated into a catastrophe. But this conclusive vision is an error. Following the spirit of Marx, every general crisis of overproduction is catastrophic because it has the same effects as a natural catastrophe (an earthquake or a flood, for example), as activity is paralysed, the workers are out on the stones, unsold goods glut the market etc. It is in this sense that the analogy for Marx is that the general crisis of overproduction is catastrophic, but the causes of these effects are social and not natural.

From this point of view, the 2008-2009 crisis was straight away one of the most serious in recent history for the capitalist mode of production, and not everything to be said about it has already been said. It struck in the context of an enormous indebtedness of the world’s main countries and a more intense internationalization of exchange than ever before in history. The crisis, which in the past had been deferred in time or place, struck worldwide at a velocity and intensity rarely seen before.

Will the states which had been underpinned to hold back the crisis with the great reinforcement of indebtedness be the same to stop payments, or will they stabilize the situation at the cost of moderate growth for several years, the return of inflation and a general retreat of the west vis-à-vis their new rivals on the world market? The latter, most importantly China, have been affected by the crisis (with a drastic fall in exports, slowing growth of the GDP, setting up an aid programme), but they did not fail (their growth, being backed up by this enormous indebtedness¹⁸, even if Chinese statistics must be used with caution, remaining positive). All the same, the signs of a crisis which will shake China are visible, as in the case of speculative bubbles appearing as a sign of the development of fictitious capital.

So, while world trade collapses, growing conflicts are going to appear between major powers for access to raw materials, with exacerbated competition and the rise of protectionism, while the proletariat in the west will lose its place on the pedestal and will return to the road to socialism.

¹⁸ “We can make a rough estimate that about 6 percentage points are caused by what we call the expenditure influenced by the government.” Louis Kuijs, a World Bank economist speaking about growth in China, estimated at over 7% in 2009 by the Bank.

1.3 Crisis and Class Struggle

We clearly expect that the evident return of crises, like that in 1981, will favour the rise of revolutionary activity. Whatever the extent of real struggles that have arisen, they have not taken the way out of the counterrevolution and have not led the proletariat towards the reconstruction of an independent political party.

We addressed the question of the relationship between the economic movement and the mobilization of the proletariat in number 12 of *Communisme ou Civilisation* (1982).

“The Italian communist left stressed the extremely complex character of the dialectical relationship between the economic movement and the mobilization of the proletariat.

“The Rome Theses “, (“Theses on the Tactics of the Communist Party”, 1922) drew up a list of different situations that could emerge, adding that the characterization of one or another situation could only be made with a profound examination of historical tendencies preceding it (something we cannot do here, as we only have time to recall some general principles).

“Whether it is a question of a period of growing prosperity or, on the contrary, of difficulties and crises, the influence the economic situation exercises on the class combativeness of the proletariat is highly complex. It cannot be deduced from a simple examination of this situation at a given moment, because it should take into account the entire previous unfolding of all the fluctuations and variations.

For example, a period of prosperity may lead to a strong trade union movement which, if it survives a period of crisis and impoverishment, could rapidly lead to it adopting revolutionary positions, the wide membership that it had maintained playing in favour of victory. Alternatively, a period of progressive impoverishment could crumble the trade union movement to the point that it could no longer have sufficient resources to form revolutionary forces in a later period of prosperity. This example (which could be inverted) show that “the cycles of the economic situation and class combativeness are determined by complex laws, the latter depending on the former but not resembling its form”. The rise of the former could correspond indifferently in certain given cases with the rise or fall of the latter, or the reverse of this.” (Thesis 27)

The elements making up this research are very varied. We should not only examine the effective tendency of the proletariat in forming and developing class organizations, but also all reactions, including psychological ones, determined within it, on the one hand by the economic situation, and on the other hand by the social and political attitudes and initiatives of the ruling class itself and its parties.” (Thesis 28)

There can be no mechanical effect coming into play that would automatically lead to such a material situation, such a subjective situation for the revolutionary class. As Trotsky also stressed:

“Neither impoverishment nor prosperity can as such lead to revolution. But the alternation of prosperity and impoverishment, the crises, the uncertainty, the absence of stability – these are the motor factors of the revolution.” (Trotsky, Summary Speech at the Third Session of the Third Congress of The Communist International, June 24, 1921, in marxists.org/archive/Trotsky/1924/ffyci-1/Ch20.htm.

In this sense, the restarting of capitalist accumulation, even, or above all, because it brings hope and illusions, is also later on a factor in the restarting of class struggle because these illusions and



hopes are inevitably broken by a new crisis. This pendular movement displays no mechanical nature in its effects: for example, the serious crisis in 1974-1975 exploded after a period of major prosperity and led to greater reaction from workers than that in 1980-1981, which affected slightly more a working population already “used” to the crisis and its effects¹⁹. This movement could be hidden and mystified for forty years after the imperialist massacre, which allowed for the destruction of the political strength of the proletariat and could then harness it by offering scraps and golden chains in the reconstruction of capital.

Every possibility for the working class to move onto the field of revolution therefore depends on its reorganization and reunification as a class with its own objectives, both immediate and historic, which are no longer dependent on an infected bourgeois ideology of “consensus” and social peace.

This means breaking with 60 years of class collaboration where the power of the mystification of capital has been able to obliterate even the memory of the existence of the proletariat that, it was hoped, would finally dissolve into the middle classes and be corrupted for ever. The challenges of coming years, the challenge of great struggles, such as that of the British miners, which lasted almost a year, or, to a lesser extent, that of shipbuilders in Spain, is precisely that of breaking the false social consensus that all – the state, parties, unions etc. – seek to preserve by every means. As long as the proletariat accepts the interests and logic of capital, be they formulated in the bosses’ language as “loss making firms must close”, or the unions “we must make national production profitable in order to survive”, it will go from defeat to defeat.

The challenge of the British miners, for example (and there is nothing to show that the capitalist forces, headed by the unions, will not be able to get this struggle under their overall control) is to show that the crisis of capital does not hit this or that sector, like the miners, or this or that working class region²⁰, but the proletariat as a whole young and old, working or not, in the country or the city and in all nations. The act of consciousness of forming a single class with interests totally opposed to those of capital will, if it takes place, be the first step towards the reunification of the class as the prelude to its reforming as the communist party. The proletariat must break with the logic of capital and with support for the national economy. During an imperialist war, it must not accept the military situation of its country, but declare “war on war”. During the class war in peace time, it must not accept the economic situation of the country. The cyclical return of crises with increasingly negative effects, which see capital forced to attack whole sectors of the economy to close or rationalize them (the noted “industrial restructuring”, which only means increased exploitation or unemployment for the proletariat) is a factor which could help the proletariat to mobilize again to defend class objectives against those of capital, outside and against the unions.

¹⁹ 1973 and 1974 saw respectively 317 and 424 strikes concerning more than 1,000 workers in the United States. But this fell by almost half in 1975 to 235 in a period of low activity and unemployment. For a while the level stayed the same, then it fell to 187 in 1980, 145 in 1981, 96 in 1982 and 81 in 1983. 1984 was the year for lowest number of hours lost in strikes for forty years.

²⁰ See the success in 1984 in French steelmaking when the unions, the state and the rest lined up the “Lorrains” against the “Nordistes”. The bourgeois press, led by France Soir, could thus entitle the article published on the evening of the union demonstration in Paris “Proud sons of Lorraine”!!!

Present day struggles are so extensive because they announce more than their actual trade unionist physiology²¹, the recomposition of the global giant of the proletariat rediscovering its capacity to struggle against the old society.” (C ou C no. 12, 1982)

Today’s more radical struggles have led to the emergence of a fraction of the proletariat who seem no longer to be illuded by the perspectives offered by bourgeois society. Are these elements the prelude to the renewal of class struggle, or the expression of a radicalism that will be reabsorbed by reformism, including by the leftist version?

Facts are hard-headed and history forgets nothing. The will of men, classes, governments and states are totally powerless in fighting off a global revolutionary impact. We cannot say yet when this will happen, nor how, but it will be of such a magnitude that nothing like it will have ever happened before.

Robin Goodfellow, July 2009

²¹ The British National Union of Miners or the CCOO (Workers Commissions) in Spain besides show how it could be dangerous to underestimate the capacity of a union to turn radical in order the maintain control over the struggle.

2. Forecast and Party

2.1 The Italian communist left and the forecast

The dramatic consequences of the failure to restore the communist theory of crises and cycles of capital is clearest to see when considering the work done by the Italian Communist Left. As we have already shown in CouC nos. 1 and 2, the question of the forecast of the dramatic crisis of the capitalist mode of production, with the alternative posed of either the communist revolution or the third world war, played a particularly important role in its degeneration and its fate.

Five years after what should have been, according to the left, the beginning of a revolutionary assault by the proletariat on capital (1975), and when no communist party in the formal sense (not even potentially) exists, it is interesting still to wait for the explanations offered, as well as the attitude adopted by the movements laying claim to the heritage of the Italian Communist Left.

The PCInt (*Programme communiste*) continues to dissolve into Trotskyism (ultra-activism, growing devotion to Leninism, common front with the counter-revolution²², critical support with revolutionary bourgeois parties in anti-imperialist struggles etc.), while having carefully pigeon-holed the forecasts and the perspectives of the Left. When the matter is breached, it can do no better than deny the importance and the perspectives of this forecast. So, what was indicated without equivocation²³ as the breaking point in the global capitalist equilibrium, for the PCInt is now a vague reminiscence and the absence of its realization is no problem, neither theoretically nor practically.

“Our study of the Russian events, as is the case with the whole of our activity, was preparatory for “the new flare up of the permanent revolution seen in an international context”. That is why it was not a commemoration of the forty years passed of the victory of the counter-revolution, but the coming twenty years of revolutionary preparation. While it seemed to be excessively pessimistic for people who wanted to see the revolution in the slightest social agitation and desperately awaited it day after day, our forecast of time still to wait for the coming of this flare up again proved to be overoptimistic.

“This was because, even if the first general crisis of world capitalism marking the end of the phase of expansion since the Second World War, arrived in 1975, that is more or less as we forecast in 1957, it was far from having all the consequences taken for given. It was only an advanced warning for the earthquake. *Political* crisis, the outbreak of major proletarian class struggle and the return of proletarian groups to Marxist positions, was *still lagging behind* the economic crisis.

“This fact, as we have explained in “Crise et Revolution”, does not, however, constitute a “denial” of the 1957 forecast which in any case did not intend to calculate the date of the revolution with mathematical precision. Its objective was instead that of fixing a *punctum maximum*, a *minimum* final moment before which it would be an illusion to expect a general proletarian upswing. After the

²² Signing joint texts with the counter-revolutionary Socialist Party (PS) and the CFDT union and Maoists during the struggles of immigrant proletarians.

²³ We can see to what point the whole perspective of the activity of the PCInt was oriented and polarized from an extract from a private letter of Bordiga to Terracini 4.3.1969 (Bordiga, Scritti Scelti, Feltrinelli, 1975, p. 263) “I expect, in an ever more stubborn position, that, as I have always predicted, by 1975 there will be in the world our revolution: multinational, single party and single class, that is above all without the worst interclass contamination: that of youth called “students.”“

complete destruction of the class movement of the proletariat caused by the counter-revolution, by Stalinism and its sequels, by taking part in the Second World War and with the rebuilding and boom of world capitalism, an economic crisis was needed to break *materially* the collaboration between classes, so that such an upswing and a return to communist positions would become *possible*.” (*Programme Communiste* no. 68, October 1975 p. 13)

These objective conditions are completed by the PCInt by adding two other subjective ones which are judged to be indispensable for the reawakening of the proletarian movement: the organization of the communist party and theoretical restoration. So, at least if one is completely certain in considering the PCInt as the world communist party of the proletariat directing the revolution underway and preparing the insurrection, it does not matter whatever any clear-headed revolutionary must fully realize: that today there is no formal party, not even an embryo or a nucleus. As for the work of theoretical restoration, which was even then in 1966 late and incomplete (abandonment of work on China in the early 60s, variations on the epicentre of the future revolution, perhaps Germany or China or India, weakness over the question of the crisis, polarization on the “Russian enigma”, an uncritical return to Leninism, rising activism in the party etc.), since then it has been completely abandoned, as can be seen from the lamentable standard of the theoretical work offered by the PCInt. So, even if until 1966 the PCInt had a perspective (even if false and which the majority, worn out by activism, tended to question) to guide it, now it does not have one at all, which can only lead it to shift with the wind and drift with the tide through the ups and downs of reality and the traps of immediatism, suddenly abandoned to justify whatever political orientation, following the best social democratic tradition.

As for *Fil du Temps*, it maintained an altogether counter-revolutionary position like the PCInt, but basically opposed it as it persevered in the error and swore blind that that the crisis had broken out in 1975, as foreseen. To remain coherent in this absurdity, it did not hesitate to say that the Third World War had already begun and no doubt believed likewise for the communist revolution. The group had to collapse into the revisionism worthy only of the worst opportunists in order to justify this. In the preface to a collection of Marx and Engels’ work on the crisis, under Roger Dangeville’s name, we can find all possible concessions to bourgeois ideology.

The principle of the invariance of the theory of the proletariat is questioned, as is its capacity to foresee the complete history of the capitalist mode of production, and we are told straight out that Marx’s work would be incapable of taking into account the most highly developed stage of the capitalist mode of production in the imperialist metropolises, and notably a phenomenon like inflation. The nature of the capitalist mode of production could only be understood by turning to the zones where it was less developed and less “drugged”, for example the USSR, where, according to the myth, which in truth is less and less plausible, there was price stability and price changes followed what Marx would have foreseen. The phenomenon that Dangeville was unable to understand in 1975, when the world economy entered the first major post-war crisis (and not the catastrophic crisis that remains to be seen) did not see retail prices fall. This meant for Dangeville that capital had not devalorized and this could be explained by maintaining a theory of a moribund capitalism kept alive only by massive doses of drugs. In fact, if Dangeville did not manage to explain the phenomenon, it was because he had forgotten what revolutionary theory had to say on the matter: retail price changes are not the first thing to observe, as they concern the relationships between the capitalist and the “consumer” (an inter-class being), but **production** prices, that is the relationship between capitalists. The Italian Communist Left correctly insisted on this in its time, but its epigones suffered a memory loss. In 1974-1975, production prices in fact fell throughout the more developed capitalist nations. To be more precise, the fall of production prices not only does not contradict the acceleration of retail price rises, but expresses in another way the same

aggravation of the internal contradictions of the capitalist mode of production, undermined by the contradiction of valorization-devalorization, which appears in the aspect of the tendency of the rate of profit to fall.

This acceleration in the rise of retail prices is most clearly seen in the attack on the salaried middle classes, that is the middle classes characteristic of the real submission of labour to capital. In CouC no. 9 (Theses on the two historical phases of capitalist production – continuation), we swiftly demonstrated the important role played by these middle classes in the regulation of capitalist activity. We will return to this question again in this work on the crisis. What is important to state here is that in the classical thesis of our theory: it is the middle classes who are struck first by the crisis and suffer its effects, as capital, by preference, attacks firstly the unproductive sector, the one which consumes a part of the surplus value, rather than productive workers, the proletarians, the only producers of this surplus value which capital seeks remorselessly to extort to the maximum²⁴.

According to the CSC white-collar union, the gains in purchasing power made in the period 1970-1974 were 20% for workers, 10% for overseers and technical staff, 8.67% for office workers and 7% for middle management. In the period 1974-1978, which corresponds to a slackening of the crisis, the rise was only 10.8% for workers, 5% for overseers and technical staff, 8% for office workers and 2% for middle managers. The whole of the middle classes, technicians, office workers and middle management, saw their pay increase less rapidly than that of the workers and their relative share in the fraction of the product destined for consumption fall compared to that of the workers. In 1979, official data show an absolute fall in wages and salaries, and the figures are only for the active population, that is the worsening of unemployment is not taken into account when measuring the effects of the crisis. However, for those who mistake Marx for Ricardo, the phenomenon of modern capitalism (that is of the capitalist mode of production having reached the phase of real submission of labour to capital), the figures are incomprehensible.

Rather than clearly admitting the insufficiency of the Left and seeking the causes, rather than attempting to find out why the forecast was wrong and trying to overcome its limits which led to predicting incorrectly the alternative between the communist revolution and world war in 1975, *Fil du temps*, through Roger Dangeville changed into a counterfeiter. In CouC no. 1, we showed how tricks were employed to “present” the Left’s forecast, but by now, in order to face the bare facts of history, it had to go so far as to renege on the very basis of revolutionary theory. So Dangeville invented a thirty-year cycle in capitalist production (1945-1975) which corresponded, it was said, to the turnover of fixed capital. This entirely contradicts Marx’s theses, which states that the length of the cycle should shorten:

“Until now, the duration of these cycles has been ten or eleven years, but there is no reason to consider this duration as constant. On the contrary, we ought to conclude, on the basis of the laws

²⁴ To return to an old argument, we should recall that only the proletariat, which in the capitalist mode of production is only class performing productive work, is exploited and revolutionary. The middle classes do not face exploitation and can only act in a revolutionary way if they rally unconditionally to the proletariat organized in the communist party. However, before this will happen, the proletariat will now have to confront alone the whole of bourgeois society and will only be able to gain the support of a fraction of the middle classes which realizes that it the strongest party in the class struggle. The class traitors are therefore the “revolutionaries” who demagogically flatter these strata by characterizing their struggles as those of the proletariat.

of capitalist production as we have just expounded them, that the duration is variable, and that the length of the cycles will gradually diminish.” (Marx, Capital Vol. I, Penguin, fn. to p. 786)

The forecast of the Left was based on a cycle of ten years, as was the case at the beginning of the phase of the real submission of labour to capital in 1848 in Great Britain. Furthermore, the Left foresaw after the period of reconstruction in 1945-1955 that a very serious crisis, similar that that in 1929, would shake the whole of the capitalist world, including the USSR, in 1965 (the interwar crisis) leading to a period of class struggle which would lead on to the communist revolution with the outbreak of the third world war. This thesis was expressed in “Dialogue with the Dead” (1957) and elsewhere:

“The post-war decade of the increase in world capitalist production will continue for some more years. Then there will be the inter-war crisis, analogous to the one that broke out in America in 1929. A social slaughterhouse for the middle classes and the gentrified workers, rejection of any ally, a fresh theoretical victory of the theses, single communist party for all states in the world.

Towards the end of the twenty years, the alternative of the difficult century: third war between imperial monsters – or international communist revolution. Only if the war does not come about, the *emulators* will die.” (Dialogato coi Morti, Edizioni Sul filo del Tempo, 1977, pp. 181-182)

Instead of the steps which marked time in the counter-revolution: 1929 crisis, 1939 Second World War; there was the forecast of the following steps that marked the time of the revolution to come: 1965 crisis, 1975 world communist revolution. In fact, the Left had seriously underestimated a thorough going renewal of capital during the Second World War and an enormous strengthening of its capacity arising from this regeneration. The triumphant counter-revolution made it completely possible for capital to be able to expand fully in the phase of real submission with the total domination of the proletariat by capital and its complete control of all sectors of social activity. This was basically what happened and allowed for the capitalist orgy after 1945. It was this crushing blow that permitted the unhindered exploitation of the proletariat, the irreversible integration of the trade unions in capitalism, the immeasurable expansion of the middle classes, the unfettered development of science and technology and, of course, the anarchy and waste of the productive forces.

Such a thrust of capitalist production again showed how much humanity suffered the delay of the communist revolution. This was already possible in 1848 and became absolutely necessary in 1914, when the productive forces were quite overdeveloped. It was no longer the case of expecting the bourgeoisie to develop them still further, but that of violently destroying capitalist relations of production which held back the bases of communism already present within society, allowing these bases to expand fully. Humanity had lived through a period of delay when the communist revolution should have already happened long before. The delay of the communist revolution was due to fantastic capacities for development which capital drew on for the massacres of the second imperialist war and the counter-revolution against the proletariat:

“Equally horrible, once again the young and generous mouth of the strong and vital proletariat has pressed against the rotten and fetid mouth of capitalism and has given it again a new breath of life through this close inhuman union.” (Il cadavere cammina ancora, [The Corpse is still walking] Sul filo del Tempo, 1953).

But if the fact of having regained its strength once again vampirizing the proletariat permitted capital to extend again by several decades its damned life; it will perish in the equally stronger and more violent convulsions of the catastrophic crisis which awaits it, pointed stake in hand. The

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communist revolution will triumph even more vitally, dynamically and radically the longer it is held back.

The Left had badly understood the economic and political consequences of a deepening real submission of labour to capital. The theory of crisis, of money too, had not been sufficiently restored, as was shown by the errors on the length of the cycle. Even if the Left was able to defend the essential principles of the communist programme, it failed in the attempt to restore fully the theory of crises. This was despite the firm maintenance of class positions and establishing a cordon sanitaire around itself so that the Left could effectively transmit the programme to coming generations. To this extent, it dies by accomplishing its historical mission, just like a woman who dies in childbirth.

The split in 1966 tried to confront correctly the discontinuity brought about because the forecast was not realized. It was vital to start again with the effort of programmatic restoration, which the activist and revisionist tendencies in the PCInt had declared to be complete. It was essential to be present in the continuity of the revolutionary communist movement and return to the fundamental positions of the party indicated on the milestones of 1951, 1921, 1917, 1871 and 1847. The very foundations of communism, already stated in the work of Marx and Engels, had to be reaffirmed to ward off devastating activism. This activity of defence and restoration could no longer take place in the PCInt. Any reference to the Left by now had to be only theoretical and its limits had to be stressed. *Fil du Temps* never understood this as it always considered itself as the real party, the direct organizational continuation of the Left. Of the two publications coming out of the split in 1966, only *Invariance*, nos. 1 to 7 made the effort to draw all the conclusions from the fact that the forecast of a crisis between two wars arising in 1965 had not proved to be true, and also from the Leninist degeneration of the PCInt. However, *Invariance* too had not completely cut adrift from the insufficiency of the Left: "The tradition of all the dead generations weighs like a nightmare on the brain of the living. (...) The social revolution (...) cannot draw its poetry from the past, but only from the future. (...) Earlier revolutions required recollections of past world history in order to dull themselves to their own content. In order to arrive at its own content, the revolution (...) must let the dead bury their dead." (Marx, *The Eighteenth Brumaire of Louis Bonaparte*, *Collected Works* Vol. 11, p. 103 & p. 106)

On the other hand, certain seeds of revisionism began to be sown which showed that there was an increasing influence of middle-class ideology. As regards the forecast, the position of *Invariance* was the following: the 1965 crisis had been englobed and only temporarily overcome as it would telescope into the crisis of 1975, thereby increasing its size and violence. Consequently, the basic forecast of the Left: 1975 = the alternative of communist revolution or world war was maintained. There had been no re-evaluation of the understanding the Left had of crises. On the other hand, one of the important efforts of *Invariance* was to have started the restoration of the periodization of the capitalist mode of production in two periods of formal submission followed by real submission of labour to capital. More generally, it was thought that Marx's work had been left incomplete and it was the task of the communist movement to finish it²⁵.

²⁵ This statement in no way contradicts another stating that the communist programme was born fully-fledged as an organic whole in 1847. What was given straight away is the being of the programme of the proletariat, the statement of the need to destroy the capitalist mode of production and the description of communist society, along with the preparation of the means needed to achieve it. Later on, the theory developed in conformity with the whole of this being. No question of the basis of the programme itself can be made. Here there can only be a reinforcement of the programme and its development in areas as yet not

Invariance too was able to point out the weakness of the Left in relation to Leninism and the critique of the Communist International, the danger of considering the party as a *deus ex machina*, a poor understanding of the role of the trade unions and their integration. That was not enough as *Invariance* too fell to the counter-revolution by proclaiming it had superseded communist theory. But, here again, the current that came out of the split in 1966 and which was best represented by *Invariance* gave us fresh life.

Even if the capitalist world suffered the first serious post-war crisis in 1975, following less serious ones in 1969, 1963 and before, only ignorance would prevent anyone from seeing that it was not the catastrophic crisis leading to the alternative of communist revolution or world war.

The length of the cycle of capital and its intermediate crises has shortened from 10 to 6 years since the Second World War (1951, 1957, 1963, 1969, 1975). The trough of the coming crisis for capital should therefore have been in 1981, as we indicated in *CouC* no. 2 (1977) and repeated in our last number.

In fact, only the mathematical laws of the common multiplier that mean that 3 cycles in 10 years are equivalent to 5 cycles of 6 years can explain that 1975 coincided with a crisis of the capitalist mode of production. Unfortunately, this was still not the expected catastrophic crisis. Facts showed we could not maintain the simple criticisms of *Invariance* on the forecast and we had to go deeper into a criticism of the Left, superseding it, not in a modernist sense, but in an orthodox sense, by returning to the bases of revolutionary theory, to Marx's unfinished work, which had been watered down and betrayed by the counter-revolution, and incompletely restored by the Left. We had to free ourselves from the role of the defrocked, inherited from the 1966 split, to accomplish this task already indicated by *Invariance* in the return to Marx so that the programme could find the way to state itself better without an outlandish allegiance to the phantoms of the past.

2.2 Party and the forecast of communism

“An important characteristic of the party is derived from that, from the fact that it is the prefiguration of the person and communist society, it is the mediating base of all knowledge for the proletarian, i.e. for the person refusing the bourgeois *Gemeinwesen* and accepting the proletarian one. The knowledge of party integrates all that of past centuries (religion, art, philosophy, science). Marxism is not only a scientific theory (among many others!), but incorporates science and uses its revolutionary arms of foresight and transformation to achieve the goal, revolution. The party is an organ of foresight, if not, it is discredited.” (Origin and function of the Party Form, *Invariance* no. 1, 1968. English translation at marxists.org/archive/camatte/origin.htm)

As the Italian Communist Left had stressed, the entire work of Marx is first of all a description of communist society. What forms the unity of consciousness and the organic state of the programme of the class party is not the inclusion of opinions, of points of view or the individual consciousness of workers immersed in capitalist production, relations which their work produces and reproduces, but the programme of the proletariat as a class which “no longer counts as a class in society, which is not recognized as a class and is in itself the dissolution of all classes” (Marx, *The German Ideology*, Collected Works Vol 5, p. 52), the class which is the negation of bourgeois society and bearer of communism as the historical solution for itself and for the whole of mankind.

deciphered by it. This was the meaning of all the theoretical activity of Marx and Engels after 1848, the works of Lenin and Bordiga etc.

Communist theory, the programme of the proletariat, is capable of superseding the immediate sphere of bourgeois society and so is not the biology, but the necrology of capital.

In line with the dialectical method, which shows that knowledge of more developed forms provides the understanding of lower forms, by remaining on the terrain of communism, of the destruction of the capitalist mode of production, in brief, of the proletarian class as the negation of capital, the communist party conducts its criticism of the capitalist mode of production and preceding social forms. This is the strength of the communist programme, which lies in its ability to know in advance and describe the final goal of the proletarian movement and, by dialectically linking this goal to the movement itself, can foresee the whole course of the capitalist mode of production and the means necessary for the destruction of capital. All revolutionaries who have sought to defend communist theory, all orthodox communists have defended this thesis. "But, what precisely is the magic key which enabled Marx to open the door to the deepest secrets of all capitalist phenomena and solve, as if at play, problems that were not even suspected by the great minds of classical bourgeois political economy, such as Smith and Ricardo? Nothing other than his conception of the whole capitalist economy as a historical phenomenon – not merely, as in the best of cases with the classical economists, concerning the feudal past of capitalism, but also concerning the socialist future. The secret of Marx's theory of value, of his analysis of money, his theory of capital, his theory of the rate of profit, and consequently of the whole existing economic system is – the transitory nature of the capitalist economy, its collapse: thus and this is only another aspect of the same phenomenon – the final goal, socialism. And precisely because, *a priori*, Marx looked at capitalism from the socialist's viewpoint, that is, from the historical viewpoint, he was enabled to decipher the hieroglyphics of capitalist economy. And because he took the socialist viewpoint as his point of departure for his analysis of bourgeois society, he was in a position to give a scientific base to socialism." (Luxemburg, *Social Reform or Revolution*, Selected Political Works, p. 101)

Communist theory is a theory of the party and therefore not of the dim lights in individuals' brains that appreciate contingent situations and define the position to adopt when facing them, but the party, the collective organ whose organic unitary and centralized functioning has often earned the title given to it by the Left of the "social brain". What individual thought is unable to do, that is, supersede the immediate situation to arrive at the correct understanding of the deep tendencies of historical reality, the party does because it thinks and acts following the historical line clearly traced before. The importance of the forecast for the revolutionary party is that it allows for the dialectical linking of the goal with the movement. Thanks only to the general forecast of the historical course can revolutionary action find a solid and firm base, without which it operates on a day-to-day change in the situation and the fortuitous succession of unforeseen events.

As Luxemburg correctly stated:

"The social democrats are the most enlightened, most class-conscious vanguard of the proletariat. They cannot and dare not wait, in a fatalist fashion, with folded arms for the advent of the "revolutionary situation", to wait for that which in every spontaneous peoples' movement, falls from the clouds. On the contrary, they must now, as always, hasten the development of things and endeavour to accelerate events." (Luxemburg, *Party and Mass Action*, Selected Political Works, p. 51)

This allows the party to free itself from being stuck in the immediate reality with its capacity to foresee the various moments of the historical course, be they favourable or not for the proletariat. In the latter case, the party shows and has shown its ability to know the obstacles the proletariat



meets. This can be expressed in other terms when stating that communist theory is also the theory of counter-revolutions. The weak forces saved from the debacle can survive and remain in the field of the defence of communism, setting aside all kinds of activism and immediatism, by establishing the understanding of the counter-revolutionary course from when it opens up, and by assuring the reinforcement of the communist programme.

However, this can only be done by linking on to the next revolutionary cycle, otherwise even the best theoretical activity would remain that of an expert, a wise man. The party draws its strength not only by linking on to the coming revolution, but even more by being able to stand within the totality of the historical arc of communism by linking together all the generations of the revolutionary proletariat. The living generation executes the sentence of history by including the past and future generations. The (historical) party must be able to foresee where and when historical conditions will again unite so that the proletariat can use the class struggle to pose its revolutionary solution to capital, its state, its parties and trade unions.

Far from being the opposition to life, it is life itself which provides revolutionary theory with the necessary means to grow. The strength of the communist programme comes from a class which has no mission other than the abolition of all class society and thus itself. The proletariat does not have a particular position, no particular interest to defend in society. On the contrary, as the Communist Manifesto says, “They [the proletarians] have nothing of their own to secure and to fortify; their mission is to destroy all previous securities for, and insurances of, individual property.” (Marx and Engels, Manifesto of the Communist Party, Collected Works Vol. 6, p. 495). The proletariat does not oppose today’s world because it has caused it to suffer a particular wrong, a specific injustice it must seek to address on its own, but the absolute wrong of being cut off from its human essence in the human community.

Revolutionary theory draws all its power and strength from communist society, whose premises and material bases are already present on the side-lines of old society. It is the only one that can escape through the maze of history. It is the compass which always shows the revolutionary direction towards which the proletariat turns to lose its chains. There is no revolutionary movement without revolutionary theory. The communist party derives its fundamental characteristics from the coming human community the human species tends towards; a community it must necessarily reappropriate in order to survive. Our party texts (Origin and Function of the Party Form, *Invariance* no. 1”, also CouC no. 3 dedicated to the community) indicated the principal characteristics of the communist party (in the formal sense of the term) as a prefiguration – and not the realization, as anarchists would like – of the human *Gemeinwesen* (community). The situation of this party prefigures future society, while still immersed in present day society, against which it wages a merciless struggle, and foresees events so as to be better able to deal with them. This anticipation of future society can only be put forward by the class party as an organ able to anticipate immediate development in the struggle and understand the unfolding of the historical course.

Generally, history shows that the social forces in play always appear with neither the consciousness nor the mastery of their movement. They therefore generate forces they cannot control and therefore the consciousness and theoretical understanding comes *post festum*, after the events have taken place, and still in a deformed way. This is why Hegel said about philosophy, but the same would apply to all ideological expressions in general, “The owl of Minerva flies after dusk.”

The contrary is true for this first time with the proletariat, a class organized in a party, a subject acting in history it knows perfectly as regards its movement and historical goal. While the individual is unable to go beyond the narrow horizon of immediate interest, the party thinks and knows on a



historical level, not only about yesterday and today, but above all tomorrow. This is the meaning of the “overturning of praxis”. It means that the proletarian revolution led by the class party makes a turn in the course of human history, but not in a blind process, independent of individuals’ will, but according to a conscious and harmonious plan mastered by the entire human collectivity. “Communism is knowledge of a plan of life for the human species” (*Prometeo*).

The ability to foresee means that the party must be the resolution of enigmas. It must shine light on all the shadows of the social reality of yesterday, today and tomorrow. Only so can it appear as a “safe haven” (Bordiga) for the proletariat, the place where human nature, having escaped from alienation, can affirm itself, so that it can be able to mobilize all its strength against the class enemy. The party must be strong, animated by its invariant programme where there is no room to be found for revisionist doubt. The party will be able to ever more strengthen its organic nature and programmatic, strategic and tactical unity, as it will have long since foreseen with certainty the course of events. The forecast is therefore an indispensable factor in the organic nature to the extent that nothing can get in the way, in one way or another, in the course of the activity of the party without being automatically excluded. Thanks to the forecast alone, which unites in a single unitary, organic vision of the years of the revolutionary process, can organic centralism really function in a suitable way as it refuses to accept any democratic representation based on individual opinion which seeks to question day-by-day the party’s line on activity that has been laid down by generation after generation of revolutionary proletarians. The Italian Communist Left has particularly insisted on the fact that there cannot be a discrepancy between programmatic principles and tactics. This is one of the lessons to be learnt from the degeneration of the Communist International. The First International too left on its deathbed the definitive lesson that there cannot be a difference between the programme and the principles of organization.

Tactics must be fixed overall in advance, which implies that the various problems that the proletariat encounters worldwide must be known before in order to be able to trace the different strategies and tactics to be employed. The last revolutionary wave in the 1920s showed up the burden placed on the fate of the world revolution by the lack of connection between the two revolutionary phenomena in the Slavonic area and the West European area respectively. The tactical differences, due to the different levels of capitalist development in the different areas, could not be fixed in a plan for unitary action, which would have allowed the world proletariat to combine them in a common strategy. Hence the conclusion drawn by the Left that the tactic too from now on had to be fixed beforehand to permit a fully organic action by the proletariat worldwide. A catastrophic distortion concerning principles, strategy and tactics can only be avoided by fixing strategic and tactical tasks in advance in the clearest way possible, marking out the different cases and situations the proletariat would find itself confronting, which is only possible by forecasting first. Only this way can the class line of the party be traced clearly and its application made easier, thereby reinforcing the organic nature of the communist party and its action worldwide.

“The maintenance of a critical method and a consciousness on the part of the communist party that lead to the formulation of its programme is a condition of its organic life. Therefore, for the same reason, the party and the Communist International cannot limit themselves to allowing the maximum freedom and flexibility over tactics by entrusting the execution to a judgement by the centres of leadership after an examination of the situation. Since the party programme is not characterized by a simple goal to be achieved by any means necessary, but by a historical perspective of ways and goals met linked together, the tactic in the following situations must be in line with the programme. Therefore, the general tactical norms for the following situations must be laid down within limits that are not rigid, but increasingly clear and less variable as the movement grows stronger and draws closer to its overall victory. Only a criterion of this type will allow moving



increasingly towards the maximum effective centralization in the parties and in the International aimed at directing action so that the execution of the central dispositions is accepted without reluctance, not only within the communist parties but also in the mass movement that the parties have been able to organize. The fact must not be overlooked that at the basis of the acceptance of organic discipline of the movement there is the fact of the initiative of individuals and groups, depending on the influence of situations and how they change, and a continuous logical progress of experience and correction of the way to follow for the most effective action against the living conditions presently endured by the proletariat. Therefore, the party and the International must lay down systematically the whole of the general strategic norms whose application could call into action and sacrifice the ranks of their members and the strata of the proletariat and show them that they are the sole way to victory. Therefore, if the party must define the terms and the limits of its tactics, it is not for the want to theorize and schematize the complex movements that it could be led to adopt, but for a practical and organizational necessity. Such a definition may seem to restrict its possibilities for action, but it only guarantees the continuity and unity of action in its intervention in the proletarian struggle and it is for these clearly concrete reasons that it should be decided.” (“Theses on the Tactics of the Communist Party” (1922) [“The Rome Theses”], Thesis 29)

The general forecast of the historical course and future society are connected dialectically to a series of contingent forecasts concerning the events arising during the course of the development of the capitalist mode of production and the class struggle.

In 1921, Trotsky provided an excellent example of the revolutionary lucidity, which allowed for going beyond the forecast of contingent events to grasp the general historic course. He envisaged what would happen if the revolutionary course reversed:

“If we grant – and let us grant it for a moment – that the working class fails to rise in revolutionary struggle, but allows the bourgeoisie the opportunity to rule the world’s destiny for a long number of years, say, two or three decades, then assuredly some sort of new equilibrium will be established. Europe will be thrown violently into reverse gear. Millions of European workers will die from unemployment and malnutrition. The United States will be compelled to reorient itself on the world market, reconvert its industry, *and suffer curtailment for a considerable period*. Afterwards, after a new world division of labour is thus established in agony for 15 or 20 or 25 years, a new epoch of capitalist upswing might perhaps ensue.” (Trotsky, Report on the World Economic Crisis and the New Tasks of the Communist International, Part 2: Crisis, Boom, Revolution, 1921, available at marxists.org/archive/Trotsky/1924/ffyci-1/ch19b.htm.)

This is what happened: 1928 counter-revolution, 1929 the crisis opening the way to world war breaking out in 1939. Fresh triumph of capital thanks to it crushing the proletariat. It is regrettable that this lucidity abandoned Trotsky when he had to confront the situation in reality, that is, when the revolutionary course had effectively reversed. Far from recognizing the defeat and adopting a revolutionary attitude to match it, the former leader of the Red Army wasted his time in the sterile and ridiculous activity of trying to reconstruct a Fourth International, which rapidly became counter-revolutionary.

Since contingent forecasts serve as the guide for revolutionary action by the proletariat, they must be viable, and only those who consider the party as a *deus ex machine*, which is neither produced nor determined by a historical movement, but which is separate from it, like an autonomous force which has always existed with the same force and dimension, can go as far as making facts and dates into fetishes and prefer the form to the content. The serious problem, which was posed by the forecast of 1965, then that of 1975, was not so much that the crisis announced did not arrive.



The revolutionary movement had already committed errors in the past, starting with Marx and Engels, who were mistaken about the return of the crisis in 1852 after the crisis in 1847, as they based the idea on a five-year long cycle as the one that lasted until 1848. What was serious was that the error could not be corrected and the movement was unable to see that there was a break and so overcome the error by taking up a wider study by deepening the work of theoretical restoration. If it is possible to be satisfied by knowing that Marx too could make mistakes, that is only on condition of forgetting that Marx overcame the perspective shown to be outworn in 1852 by seeking to identify the changes that had taken place in the cycle of capital with the transition to the phase of real submission, and by showing that a phase in the life of capital had ended in 1848, so that the rhythm of the cycle had changed. Since it could not reset the forecast on a higher level and overcome the error in a larger work, the Left fell victim to the activist debacle. So, while defeats, be they theoretical, social or military, become victories if one shows the capacity to circumscribe, understand and draw up a rigorous balance sheet of them, the debris the Italian Communist Left nowadays officially claims as its own has shamelessly been carried away by a revisionist deluge incapable of making the slightest effort to forecast the revolutionary challenges faced by the proletariat.

Once again, the historical course is getting ready to show the validity of the communist positions on the crisis. Capital will see an intensification of its contradictions leading to a catastrophic crisis. Once again, the course is marked by the alternative of war or revolution. The contradiction of the capitalist mode of production can only lead to a new worldwide holocaust whose consequences will be awful for the proletariat and mankind altogether, unless it sets to opposing it with a revolutionary solution. The course towards revolution and the course towards war cannot be separated. It is a question of a historical alternative when facing the catastrophic crisis of the capitalist mode of production, in which the two terms each incarnate the two opposing camps in the class war. For the camp of capital, the solution is found in imperialist war, for the camp of the proletariat the solution lies in the international communist revolution, the insurrection of all vital forces to put an end to the massacre caused by capital, be it in war or in "peace". Once again, the dilemma facing humanity is the following: either the continuation of CIVILISATION with its bloodbaths and slaughter houses, or the victory of COMMUNISM, of a classless society.

3. Revisionist doubts in the attack on communist theory

3.1 The rise of revisionism

The capacity to forecast, intimately tied in with the communist programme, is therefore a certain guard against the doubts of revisionist attacks. It permits avoiding immediate and conjunctural events taking the place of theoretical considerations and positions of principle. The communist movement had already suffered revisionist attacks in the past and each time it had to defend the classic position on crisis, among others.

Taking into account the importance of this position on the forecast and the revolutionary strategy, it is not by chance that it constitutes a privileged position on which bourgeois and opportunist ideologists direct their attacks in trying to fight the communist programme.

Our intention here is not to write an exhaustive history of the rise of revisionism and the forces that fought it, but to rapidly run over the origins and content of this battle at the end of the 19th century in order to introduce further developments of this study which initially led to the theoretical and methodological consequences of the reproduction schemes in Capital Volume II. Since the struggle took place between the proponents of harmonious development of capital and the partisans of the catastrophic crisis, it is quite normal that the theoretical content of Volume II, the problem of the schemes, plays a major role in the attempt to found theoretically the reciprocal arguments. Revisionism tried to conciliate vulgar economics and revolutionary theory by, for example, taking the schemes for Capital Volume II, published in 1885, and proposing what they could find in them after completely destroying their nature and function with what hyper-vulgar economics calls “equilibrium models”. Further on we shall recall the position that was always held by communists on the question of crisis and their role of in the revolutionary emergence of communism.

Revolutionary theory, right from the start in 1847, has stated that the material bases of communism are present within the capitalist mode of production, and this while Britain was already fully engaged in the real submission of labour to capital. The capitalist mode of production already had its own physiognomy in this epoch and witnessed the cyclical movement characteristic of the phase it had entered and whose first manifestations presented themselves in Britain in 1826 and 1837, the two troughs of the cycles.

Engels could write as early as 1847:

“Communism has followed from large-scale industry and its consequences, from the establishment of the world market, of the concomitant uninhibited competition, from the ever more violent and more universal trade crises, which have already become full-fledged crises of the world market, from the creation of the proletariat and the concentration of capital, from the ensuing class struggle between proletariat and bourgeoisie.” (Engels, *The Communists and Karl Heinzen*, *Collected Works* Vol. 6, p. 303)

The Manifesto similarly described the movement of crises as follows:

“For many a decade past the history of industry is but the history of revolt of modern productive forces against modern conditions of production, against the property relations that are the conditions for the existence of the bourgeoisie and of its rule. It is enough to mention the commercial crises that by their periodical return put on trial, each time more threateningly, the

existence of the entire bourgeois society. In these crises, a great part not only of the existing products, but also of the previously created productive forces, are periodically destroyed.” Marx and Engels, *The Manifesto of the Communist Party*, in *Collected Works Vol. 6*, p. 489)

The course of capitalism appeared as follows: a succession of historical periods, during which there is a periodic return to intermediate general crises, culminating within this historical period in a catastrophic general crisis which may or may not open a revolutionary wave. If this does happen (as in 1939) or if the revolution is defeated (e.g., 1848, 1871, 1928) a phase of expansion of capital opens which finds in the crisis itself the means for its regeneration. Then again there will be a succession of intermediate general crises and, at the end of a certain number of cycles, the return of the catastrophic crisis.

“Hence the highest development of productive power together with the greatest expansion of existing wealth will coincide with depreciation of capital, degradation of the labourer, and the most straightened exhaustion of his powers.

These contradictions lead to explosions, cataclysms, crises, in which by momentaneous suspension of labour and annihilation of a great portion of capital, the latter is violently reduced to the point where it can go on fully employing its productive powers without committing suicide. Yet these regularly recurring catastrophes lead to their repetition on a higher scale and finally to its violent overthrow.” (Marx, *Grundrisse*, in *Collected Works Vol. 29*, p. 134) It was this basic thesis, the vital basis for the revolutionary forecast of communism, that was to be questioned within the workers movement by the revisionist current. As Lenin remarked, originally revolutionary theory found itself fighting fundamentally hostile currents which were outside this movement.

“In the early forties Marx and Engels settled accounts with the radical Young Hegelians whose viewpoint was that of philosophical idealism. At the end of the forties the struggle began in the field of economic doctrine against Proudhonism. The fifties saw the completion of this struggle in criticism of the parties and doctrines which manifested themselves in the stormy year of 1848. In the sixties the struggle shifted from the field of general theory to one closer to the direct labour movement: the ejection of Bakuninism from the International. In the early seventies the stage in Germany was occupied for a short while by the Proudhonist Mühlberger, and in the late seventies by the positivist Dühring. But the influence of both on the proletariat was already absolutely insignificant. Marxism was already gaining an unquestionable victory over all other ideologies in the labour movement.” (Lenin *Marxism and Revisionism*, *Collected Works Vol. XV*, p. 40)

The theoretical triumph of these movements was finally established at the end of the 1800s when revisionism emerged, but differently it was now a question of defending revolutionary theory from tendencies that sought to question it within communism itself. Revisionism starts as an opportunism with it trying to substitute for the revolutionary perspective one which is a non-dialectical view of the historical course, incapable of taking in contingent situations and maintaining the unity of the goal and the movement.

“A first wave of opportunism within the Marxist proletarian movement (as we consider the Bakunian position in the First International and the Sorelian one in the Second International; 1867-71 and 1907-14 as both outside Marxism) was that of social democratic revisionism: the bourgeoisie was assured victory everywhere and a period without war or insurrection opened up; on the basis of the spread of industry, the increase in the number of workers and universal suffrage, it was stated that socialism could be achieved gradually and bloodlessly, and Bernstein tries to empty Marxism of its revolutionary content which would not be something for the working class but a spurious

reflection of the bourgeoisie's insurrectional period. In this period the tactical question of alliances between progressive or left wing bourgeois parties and proletarian parties took on another aspect: not to give birth to capitalism, but to arrive from this at socialism through laws and reforms, not to fight in the country and the city, but to vote together in the houses of parliament: such a proposal of alliances and blocks which went as far as accepting ministerial posts by leaders of the proletariat took on the historical character of deviation from the revolutionary path, and so radical Marxists condemned all electoral blocks." (Characteristic Theses of the Party, 1951 in "In difesa della continuità del programma comunista", 1970, p. 150)

Revisionism did not emerge by chance, but latched on to a long series of opportunist tendencies which appeared very early on within the workers movement, against which Marx and Engels, then Engels alone after 1883, as representatives of international socialism, always fought with the greatest determination. For example, in 1875 during the drafting of the common programme of the Social-Democratic Workers Party (founded in Eisenach in 1869) and the German General Association of Workers (founded in 1864 by Lassalle) then in open crisis, the social democrat leaders, Bebel and Liebknecht, made disgraceful concessions to the Lassallean theses in order to obtain the merger of the two organizations.

After Marx's death in 1883, Engels again had to oppose growing opportunism within the socialist movement in general and the German one in particular. (Cf. for example *The Peasant Question in France and in Germany*, where Engels severely criticized the French socialists). There is an evident link between this widespread tradition, whose roots in material reality we shall illustrate briefly, and revisionism in the 1880s. At this time, it was only a latent tendency that then crystalized and adopted an adequate theoretical expression²⁶ and became incarnated in a school of thought whose main representatives were Bernstein, Conrad Schmidt, Struve and Tugan-Baranovsky. This revisionism made its own way as a specific theory within the Second International. It completely questioned the theoretical presuppositions of communism to the extent that, as Luxemburg was to remark, the communist programme is an organic whole and one cannot question a part of it without questioning all of it.

"We have seen the result. Opportunism is not capable of constructing a positive theory capable of withstanding criticism. All it can do is attack various isolated theses of the Marxist doctrine and, because Marxist doctrine constitutes one solidly constructed edifice, to destroy the entire system from the top to its foundations. This shows that, in its essence, its bases, opportunist practice is irreconcilable with Marxism." (Luxemburg, *Social Reform or Revolution*, Selected Political Writings, p. 130)

The material bases of this revisionism, as with opportunism in general, were laid by the expansion of capital and the consolidation of the phase of real submission in Europe. The last part of the 19th century saw capital going through a period of prosperity during which it seemed that crises had disappeared²⁷. The course of capital appeared to have stabilized and the possibility of revolution

²⁶ "Bernstein's book is of great importance to the German and international labour movement. This was the first attempt to give a theoretical base to the opportunist currents in social democracy." (Luxemburg, *Social Reform or Revolution*, p. 128)

²⁷ The weakening of intermediate crises does not constitute for communists a denial of the theory as they are able to maintain the invariance of this theory against any opportunism. On the contrary, the very weakness of these crises may appear as a favourable signal as it may lead to forecasting the return of an even greater general crisis.

put off. (But, as in every boom of the capitalist mode of production, the conditions of the proletariat worsened). If revisionism is a movement affecting international socialism, it is in Germany that it first presented its principal theoreticians. This can be explained on the one hand by the tradition of the “theoretician” classically devolved to this fraction of the proletariat which supplied, before the Russian proletariat, all the great leaders of the communist movement, and on the other hand by the importance of the German party in the international movement. It should be stressed that the revisionist attack came from important members of the party who had been considered by Engels himself as able to play the role of leaders in the movement. Nevertheless, it was not an exclusively “German” illness: on the contrary, it originated in the most highly developed imperialist centre of the time, England. Bernstein, following the persecution by Bismarck, had lived in London after 1888 where he fell under the influence of the English Fabians who saw universal suffrage and democracy as living proof of the possibility to reach socialism through delaying (the term Fabian coming from the name of the Roman statesman of the 3rd century B.C., Fabius Maximus Verrucosus, called Cunctator, that is “delayer”), so saving on the revolutionary struggle of the proletariat. Engels said that they were a clique of knights of industry who sought to corrupt the proletariat and to exercise a counter-revolutionary influence over it. Bernstein too saw reality through “English glasses” (cf. Luxemburg).

With the completion of the unification Germany in 1870, Germany became an imperialist power on par with the United Kingdom and France. At the beginning, the overthrow of the economic structures of Germany led to a major development of the workers movement which was able to push aside the opportunist tendencies of intellectual elements, petrified by miserable and philistine visions consonant with a backward Germany, who had rallied to social democracy.

“Petty conditions engender a petty outlook, so that a great deal of intelligence and vigour is called for if anyone living in Germany is to look beyond the immediate future, to keep his eyes fixed on the wider context of world events and not succumb to that complacent ‘objectivity’ that cannot see beyond its own nose and is therefore the most blinkered subjectivity, even though it be shared by a thousand other such fellow-subjects.” (Engels to Bernstein, 25.1.1882, Collected Works Vol. 46, p. 187)

But at the same time, the continual upsetting of the living conditions of the proletariat led the working masses to achieve a strong consciousness of historical development and their class objectives. In the following passage, Engels showed how the historical conditions where capital is still making its way in sweeping aside the final obstacles in order to establish a real domination over society favour consciousness and organization, while the conditions of a fully matured capital, whose movement appears to the exploited as a natural cycle of periods of prosperity and stagnation, can cause a temporary paralysis in the emergence of a revolutionary proletariat. In this case, the theoretical understanding of events is all the more complicated when capital is stable and prosperous than in periods of general crisis, where the bases for mystification are shaken and there can be a reawakening of the class struggle.

“I have never been mistaken about our proletarian masses. The progress of their movement – assured, confident of victory and, for that very reason, cheerful and good-humoured – is exemplary

“...the more the intermediate crises are weakened, the deeper the general crisis will be. I hope that the American PANIC does not get too much out of hand and so have too great a repercussion on England and hence on Europe. General periodic crises are always preceded by such partial ones. If they are too violent, they only pre-empt the general crisis and take the sting out of it.” (Marx to Sorge 27.9.1873, in Collected Work Vol. 46, p. 232)

beyond compare. No European proletariat could have stood the test of the Anti-Socialist Law so splendidly nor, after six years of oppression, have responded by demonstrating how greatly its powers had increased and its organization been consolidated. None could have brought that organization into being, as was done here, without any pretence at conspiracy. (...) It is greatly to our advantage that in Germany the industrial revolution should not really have got going until now, whereas in France and England it is for the most part complete. In those countries, the division into town and country, industrial districts and agricultural districts, is complete to the extent that such further change as there is will be very gradual. The bulk of the people grow up in the conditions in which they subsequently have to live; they are so used to them that even fluctuations and crises come to be regarded almost as a matter of course. Added to which is the memory of earlier, unsuccessful movements. In Germany, by contrast, everything is still in a state of flux. What remains of the old, self-sufficient rural industrial production is being superseded by capitalist cottage industries, while elsewhere capitalist cottage industries in their turn are making way for the machine. And it is the very nature of our industry, lagging as it does far behind all the rest, that makes the revolution such a fundamental one.” (Engels to Bebel 11.12.1884, Collected Vol. 46, p. 232)

Consequently, the revolutionary spirit was incarnated among the proletarians living in modern conditions, rather than among the members of the German party apparatus, characterized by a narrow-minded philistinism and corrupted by the fruits of parliamentarianism. Hence the need, constantly sponsored by Engels in his directives to the leaders of social democracy, to oppose this by trusting in the revolutionary spirit of the “masses” against the compromises of the “leaders”. Engels above all insisted in giving the key posts in the party to proletarians, not to intellectuals or the petit-bourgeoisie who had recently rallied to it.

Before seeing how the “masses” too could be corrupted and thus dialectically provide a basis for the opportunist tendencies of their leaders, we should give a precise explanation for the arrival of petit-bourgeois, liberal intellectuals and so forth in the German social democratic party.

Between 1878 and 1890, the German proletariat had to submit to the draconian anti-socialist laws imposed by Bismarck and revolutionaries were punished by imprisonment or exile. Nevertheless, the party gained strength thanks to a powerful illegal organization that allowed it to maintain a clandestine press. When faced with Bismarck’s absolutism and taking into account the weakness and cowardliness common to the German bourgeoisie, the workers party appeared as the only opposition worthy of the name and took in all those who wanted to oppose Bismarck. The tasks of a bourgeois opposition that the bourgeoisie was unable to carry out itself had instead to be carried out by the workers’ party. This is why Engels ruled out the idea that, with the abrogation of the anti-socialist laws, the bourgeois opposition would crystallize and appear to the proletariat, so contributing in turn to the radicalizing of the party and its purging. While awaiting some kind of public debate and taking into account the anti-socialist laws, it was vital to mistrust completely all the petit-bourgeois, intellectual, student etc. elements who formed the apparatus of the party, and which the leaders of social democracy out did each other in flattery, Liebknecht above all. This was a phenomenon which the proletariat had already suffered over decades of struggle against bourgeois society: success brought in its wake of a mass of doubtful elements who were more or less outcasts of official society, more or less *déclassé*, and more or less sincere who came to see if they could regain their lustre. The Communist International also suffered from this type of “popularity”. The golden rule in such cases is to put up the strongest barriers against the introduction of such people into the party and above all not giving them any responsibility. Only through iron discipline rigorously applied by organic centralism can a communist party avoid the

damage caused by these elements, either by discouraging them, or by assimilating them by requiring total and unconditional obedience to the communist programme, tactics and discipline.

As long as the anti-socialist laws were in force (1890) and despite the self-assurance and arrogance of the opportunist petit-bourgeois elements in the party, Engels counselled against the initiative of a split that would have been impossible to explain publicly. It was vital to let these elements expose themselves for what they were in the eyes of the proletariat and see that they themselves left the party without being able to hold on to its organs, above all the press. It is a vital principal of the communist movement to never let its arms fall into the hands of the enemy. When there is a defeat, the whole strategic and tactical art is to retreat in good order. When Marx and Engels were alive²⁸, this principle could be employed successfully, for example with the dissolution of the Communist League in 1852 or with the transfer of the IWMA to New York so that the First International did not fall into the hands of the anarchists. If the evolution of the class struggle makes it inevitable to have to dissolve the formal party of the proletariat, it is vital to avoid letting what was left from falling into the hands of the enemy, which could take it over and sow confusion among the ranks of the proletariat. On the other hand, that could only heighten the depth and bitterness of the following defeats that the proletariat encountered, as neither the Second nor the Third International could be saved from the ignominious fate of being taken over by the class enemy to be transformed into organs of the counter-revolution. In 1914, the proletarian party fell into the hands of social-chauvinism and social-patriotism. In the same way, starting from 1928 the Communist International and all communist parties ended up being among the main organs of the counter-revolution, becoming an extra counter-revolutionary weight borne by the beaten and demoralized proletariat.

Returning to Germany after 1870: if the constant upsetting of the conditions of production due to the expansion of capital favoured the emergence of a strong proletarian movement, the stabilization of the capitalist mode of production at the same time laid the bases for the integration and corruption of this movement. Bismarck used a carrot and stick approach of social reforms and repression during the rise of the proletarian movement and the anti-socialist laws. In this way, the rapid development of the capitalist mode of production and the working class found room for the integration of the proletariat and therefore the emergence of the same tendencies as those found in Britain and, to a lesser extent, in France. Given the development of real submission of labour to capital, the material possibilities of hitching the working class to the cart of the bourgeoisie were greatly increased. The maintenance and improvement of the living standards of the working class in periods of prosperity favoured revisionist theorization and social-imperialism, which considered that the working class should support colonial policy as long as it obtained some advantages.

Lenin, who considered the offering of the crumbs from the imperialist feast to be the main cause of the existence of a labour aristocracy, thought that the emergence of other imperialist nations alongside Britain meant that the super profits previously obtained by itself alone would now be

²⁸ "Take the international for instance. After the Commune it had a colossal success. The bourgeois, struck all of a heap, ascribed omnipotence to it. The great mass of the members believed things would stay like that for eternity. We knew very well that the bubble *must* burst. All the riff-raff attached themselves to it. The sectarians within it became arrogant and misused the International in the hope that the most stupid and meanest actions would be permitted them. We did not allow that. Knowing well that the bubble must burst some time, our concern was not to delay the catastrophe, but to take care that the International emerged from it pure and unadulterated." (Engels to Bebel 20.6.1873, Collected Works Vo. 44, pp. 512-513)

divided among several imperialist metropolises. So, the bases of reformism would dwindle and become precarious as the British monopoly on the world market slackened.

Lenin seriously underestimated the massive reserves the capitalist mode of production now had at its disposal resulting from its “internal” development, that is, from the transition to the phase of real submission. Now not only the “classic” causes of the labour aristocracy, the corruption due to the redistribution of a share of the surplus value obtained by imperialist centres by the exploitation of other nations, did not disappear, but still further factors had to be added which derived from the development of the productive forces of the nation. Thanks to a gigantic expansion of productivity and labour intensity, the capital of each nation could increase its control over its own working class and interest it in capitalist development.

The phenomenon of the integration of the working class, of the golden chains during periods of expansion, of the formation of a labour aristocracy, grew in parallel to the rate of development of the nation. Even if it is true to say that the possibility of the development of the phase of real submission in new nations or areas strengthened and aggravated antagonisms between nations, that did not reduce, but in fact increased the capacity of bourgeois society to obtain the support of the proletariat. This became a question of life or death for capital, as it was vital for the proletariat to march in step behind its own bourgeoisie. By now capital could depend on greater resources to use in its corruption and maintained greater forces to be used to influence the proletariat ideologically.

When he considered firstly that the economic bases of revisionism had weakened, and secondly that it only regarded a part of the working class, Lenin underestimated the strength of revisionism and this error led him to defend a much too flexible strategy on reformism during the last revolutionary wave. The fencing off of reformism should have been much more marked, but instead there were the tactics like the united front, even the merger with reformist parties (entry into the British Labour Party)²⁹. In the same way, the tactic regarding parliamentarianism in advanced countries was not clear cut enough. Even if revisionism and social-chauvinism had been pilloried theoretically, the break in practice was far less clean. Its grip was underestimated, so making it impossible to adopt an adequate tactic to be used against “bourgeois workers parties”. The usual little shove was not enough to change the direction of history, and a much stricter preparation was required for the revolutionary assault.

So, revisionism emerged in an epoch when the workers movement was strong. Borne along by the development of capital, this movement had to endure the greater capacities of capital to divert it and channel it with reforms. This strength did not hide numerous weak points that allowed the start of integration in bourgeois society, enduring pacifist, legalist and democratic defects. Revisionism used both this strength and these defects to theorize that the movement had become strong enough to obtain socialism pacifically by means of reforms. What became important was no longer revolutionary preparation, but winning and then defending reforms, seen as socialist gains grasped in gradual steps from capital. The tendencies of practical reformism in the workers party thus found the answer in the revisionist theory of “the movement is all, the goal is nothing”.

“It is in this spirit that, at one point, I penned the statement that the movement was everything to me, that what is *normally* called the final goal of socialism was nothing, and in this spirit I still

²⁹ Or yet again in Belgium with the merger of the communists with the Left of the Belgian Workers Party (P.O.B.) which never broke from the reformist programme of social democracy; in Italy with Serrati joining the PCdI (Communist Party of Italy), despite the opposition of the left.

endorse it today.” (Bernstein, *The Preconditions of Socialism*, Cambridge University Press, 1993, p. 5)

Starting from the list of practical elements, Bernstein set to a total revision of communist principles. On a philosophical level, there was a return to Kant, wishing to reclaim a moral and ethical factor in the struggle of the working class for its own emancipation to compensate for the dry “economic determinism” to which, as usual, communist theory had been reduced before his critique.

Politically, revisionism took in democratic mystification and lent itself to an apology for the state.

“In principle, democracy is the abolition of class government, although it is not yet the actual abolition of classes.” (p. 143)

According to Bernstein, the state was no longer a simple organ of the ruling class, as it more and more became the state of the majority. It was therefore an indispensable instrument, even if care must be taken to avoid excessive bureaucracy.

Lenin summed up Bernstein’s argument in an article in 1908 called “Marxism and Revisionism”.

“Passing to political economy, it must be noted first of all in this sphere the “amendments” of the revisionists were much more comprehensive and circumstantial; attempts were made to influence the public by “new data on economic development”. It was said that concentration and the ousting of small-scale production by large-scale production do not occur in agriculture at all, while they proceed very slowly in commerce and industry. It was said that crises had now become rarer and weaker, and that cartels and trusts would probably enable capital to eliminate them altogether. It was said that the “theory of collapse” to which capital is heading was unsound, owing to the tendency of class antagonisms to become milder and less acute. It was said, finally, that it would not be amiss to correct Marx’s theory of value, too, in accordance with Böhm-Bawerk.” (Lenin, *Marxism and Revisionism*, *Collected Works Vol. IX*, p. 34)

Bernstein also hooked on to vulgar economics and so proposed to substitute the communist theory of value, based on socially necessary labour time, with that of utility value. This theory is directly aimed at the communist movement. It is not by chance that it emerged starting in 1870 in the countries where the proletariat had already produced the theoretical sources of communism. The principal theoreticians of vulgar economics were Jevons in Britain, Walras in France and the Austrian Menger for Germany.

As far as the theory of crises was concerned, Bernstein claimed that the capitalist mode of production had been able to create organs that adapted it so that a return to crisis was improbable. In any case, the perspective of a catastrophic crisis was by now a thing of the past. According to him, the elements allowing capital to adjust to “disturbances” (sic!) were:

“the enormous geographical expansion of the world market”

“the extraordinary reduction in the time required for transport”

Furthermore, the effect of “disturbances” were, he said, considerably reduced by:

“the enormously increased wealth of the European industrial estates”

“the elasticity of the modern credit system”

“the rise of industrial cartels” (p.84)



“Local and partial recessions are unavoidable. Thanks to the present organization and expansion of the world market, and thanks particularly to the great *expansion in food production*, a general stagnation is not unavoidable. The expansion of food production is of particular importance for our problem. Perhaps nothing has contributed so much to the mitigation of business crises, or to the prevention of their increase, as the fall in rents and food prices.” (pp. 96-97)

This last argument lets us see how many mechanisms characteristic of the real submission of labour to capital underlie the revisionist conception. Even if it true that this phase provides capital with the possibility to lower the value of labour power by reducing the value of the commodities which enter with the reproduction of labour power and thus further allowing capital relative surplus value, it is quite correctly an aspect of the contradiction valorization/devalorization. Bernstein never managed, and for a good reason, to show that this contradiction had disappeared.

Bernstein brings forward another thesis, which is anyway due to the same phenomenon of the possibility to reduce relative wages, disproving the communist forecasts which, according to him, showed there would not be “growing misery” or “absolute pauperization” given that the living standards of workers would gradually improve. As we have already shown in C ou C no. 7, if it is possible to state during the phase of formal submission that the tendency is of “absolute pauperization”, in the phase of real submission it is correct instead to state that there is a tendency of “relative” pauperization, as capital is able to increase real wages all the while massively increasing the exploitation of the proletariat.

Bernstein laid the theoretical bases with his denial of the theory of crises for a policy of class collaboration, which was realized by the massacre of the proletariat by social democracy in 1919. According to Bernstein, capital no longer regenerates itself through the destruction necessary for its survival, but on the contrary develops along a harmonious and continuous course free of crises. Capital therefore develops the productive forces without limit and the bases of socialism with them, but it thus removes the need for a violent revolution whose consequences would be negative for the productive forces and mankind. The working class would not receive the inheritance of an intact productive machine that it could work on its own account, as the reformists wished, but a damaged machine, hence a prejudice and historical set back. Therefore, the evolution of capitalism itself would have made the revolution not only impossible, but even undesirable.

Here Bernstein abstracts the productive forces from the relations of production by denying that the latter have to be destroyed. Revisionism thus denies the whole dialectic³⁰ of history according to which the revolutionary break must take place at the highest level of the development of the productive forces in order to liberate them from the drudge of relations of production.

We have seen that, following the development of the real submission of labour to capital, revisionism appeared first in the most developed capitalist area (Britain) before turning to Germany, where it obtained a full theoretical formulation. The phenomenon drifted on further into Russia where it grafted on to an intense theoretical debate that preceded by several years what was its challenge, the future of the capitalist mode of production in Russia and therefore what revolutionary strategy had to be adopted there. Among those who struggled against the populists and tried to demonstrate the inevitability of the capitalist mode of production in Russia, if there was not a revolution in the west, only Lenin did not conclude that this inevitability would then

³⁰ It is true that for Bernstein “It [The Hegelian dialectic] is the treacherous element in Marxist doctrine, the pitfall that lies in the way of any logical consideration of things.” (Bernstein p. 36)

continue with a harmonious course for capital. Only Lenin could track down the capitalist course followed by Russia without becoming its apologist and defender.

“The point of contention was at first Russian capitalism and its prospects, whereas the resulting debate naturally extended itself to the general problem of the development of capitalism, in which the example and experience of the West played a singular role as a source of evidence.

One fact was of decisive importance for the theoretical content of the ensuing debate: not only was Marx’s analysis of capitalist production, as laid down in the first volume of ‘Capital’, already the common patrimony of educated Russia, but also the second volume, with Marx’s analysis of the reproduction of total social capital, published in 1885. This affords the discussion a substantially different character. The real crux of the argument is no longer displaced by the problem of crises, as in the earlier cases. Now, for the first time, the reproduction of the total social capital – the problem of accumulation – is located in its pure form at the centre of the argument. Similarly, the analysis no longer gets lost in helpless fumbblings around the concepts of revenue and capital, individual capital, and total social capital. Marx’s scheme of social reproduction now provides a solid framework for the debate.

(...)

Armed with the historical experience and knowledge gained in Western Europe, this new generation of Russian Marxists –Professor [N.A.] Kablukov, Professor [Aleksandr] Manuilov, Professor Issayev, Professor [I.I.] Svortsov, Vladimir Lenin, Peter Struve, [Sergei] Bulgakov, and Professor [Mikhail] Tugan-Baranovsky - entered the fray alongside Georgi Plekhanov. The following discussion will be mainly restricted to Struve, Bulgakov and Tugan-Baranovsky, since each of these three delivered a more or less self-contained critique of the opposing theory in relation to the problems being considered here. This at time brilliant battle of wits, which enthralled the Russian socialist intelligentsia in the 1890s, and which concluded with the undisputed triumph of the Marxian school, officially inaugurated the penetration of Marxism, as a theory of economic history, into Russian scientific thought. During this time, “Legal” Marxism took possession of the universities, the journals, and the economic book market in Russia – with all the negative consequences that such a situation implied. Ten years later, when the revolutionary uprising of the proletariat demonstrated in the streets the optimistic reverse of the medal of the potential for development of Russian capitalism, none of this Pleiad of Marxist optimists, with only one exception, was to be found in the proletarian camp:” (Luxemburg, *The Accumulation of Capital*, pp. 194-196)

If Bernstein’s work constituted the first attempt to provide a theoretical foundation for revisionist practice, the theoretical foundation for an “economic” justification, starting from Marx, for Bernstein’s conclusions, which became the perspectives for a harmonious course for capital, were provided by Tugan-Baranovsky. He was also one of the first who wanted to reconcile the theory of marginal utility with Marx’s theory of value. Moreover, he is the origin of most Ricardian interpretations of Marx.

3.2 The reactions

“The revisionists claimed that with the new situation in Europe and the capitalist world, the insurrectional struggle, the use of armed violence, and the revolutionary conquest of political power were all useless and they discarded the central thesis of Marx: the dictatorship of the proletariat.

“Instead of this “catastrophic vision”, they aimed at legal and electoral action, legislative and parliamentary action and went as far as seeing elected socialists enter bourgeois cabinets (possibilism, Millerandism) to promulgate socialist laws favourable to the proletariat. Nevertheless, the International Congresses before the First World War had always condemned this tactic and already collaborationists such as Bonomi had been expelled from the party, but not the Bernsteins, or, for Italy, the Turatis. A wave of defiance regarding the form of the political party offered room for anti-Marxist and anarchist criticisms following this degeneration not only as regards the doctrine, but also the policy of socialist parties which we cannot go into in greater detail here. At the beginning, only the less important currents numerically speaking stood firm in the struggle against revisionism and for the defence of the original doctrine of Marxism (radicals in Germany, intransigent revolutionaries in Italy, elsewhere “hardliners”, “narrow socialists”, “orthodox Marxists” etc.)” (*Programme Communiste* no. 1, 1956)

The reactions to the revisionist offensive within social democracy were therefore not all capable of leading the attack based on a return to Marx and a full restoration of the theory of crises. Kautsky, for example, as the representative of the orthodox centre, all the while trying to demonstrate when facing up to Bernstein that the historical course followed by capital was clearly the one the theory foresaw of growing concentration, including in agriculture etc., never came round to putting the proletariat back on the track of an orthodox and revolutionary perspective. It was above all the left of Luxemburg and Lenin who made a real critique that attempted to renew the matter with Marx’s perspective on the crises.

Luxemburg’s criticism is doubly important. Firstly, it goes beyond the framework of Bernsteinian revisionism to criticize the reformist phenomenon in general and oppose it with the need for revolution. Secondly, by seeking to deepen the theoretical bases of her demonstration, Luxemburg’s book *The Accumulation of Capital* provided one of the most important theoretical contributions to the communist movement in the century.

We shall look at the problem of the schemes, again proposed by Luxemburg’s work, in detail in the next chapter, while here we shall limit ourselves to a succinct summary of the arguments she used against Bernstein.

Luxemburg examined the different “capacities of capitalism to adapt” which, according to Bernstein, allowed it to overcome its contradictions and reabsorb its crises and instead clearly showed that dialectically speaking those factors could on the contrary only lead to a return of even more serious and profound crises. Credit, for example, whose elasticity allowed for an expansion of capitalist production, expanded the sphere of production that was affected by the crisis. The same for cartels, which heightened competition and antagonism among groups of capitalists instead of placating them. While demonstrating that the concentration of capital only really took place according to the forecasts of revolutionary theory, Luxemburg insisted on the role of small capitals, which were regularly destroyed and regularly rebuilt, in the establishment of the average rate of profit and the dynamic of capitalist accumulation.

As far as the reforms obtained by the action of the trade unions is concerned (a thesis promulgated above all by Carl Schmidt), Luxemburg, who already well understood the limits and the process of integration of the trade unions, showed how impotent they were during the phase of the real submission of labour to capital.

“Beginning with the trade unions, their most important function (as was best explained by Bernstein himself in the *Neue Zeit* in 1891) consists in providing the workers with a means of realizing the capitalist law of wages, that is to say, the sale of their labour power at current market

prices. Trade unions enable the proletariat at each moment to utilize the conjuncture of the market for its benefit, But, these conjunctures – that is 1) the demand for labour power as determined by the state of production, 2) the supply of labour power provided by the proletarianization of the middle strata of society and by the natural reproduction of the working class, and 3) the momentary degree of the productivity of labour – remain outside the sphere of influence of the trade unions. Therefore, trade unions cannot suppress the law of wages. Under the most favourable circumstances, the best they can do is to impose on capitalist exploitation the “normal” limit of the moment. They cannot, however, suppress exploitation itself, not even gradually. (...) The activity of the trade unions is limited essentially to the wage struggle and the struggle for the reduction of the working day, that is to say, to efforts at regulating capitalist exploitation within the market relations. But trade unions cannot, by the very nature of things, influence the process of production itself. (...) Trade union activity is of necessity, reduced to the simple defence of already realized gains, and even that is becoming more and more difficult. Such is the general trend of things in our society. The counterpart of this tendency is the development of the political and social class struggle.” (Luxemburg, *Social Reform or Revolution*, Selected Political Writings, pp. 72-75)

We have highlighted the importance of Tugan-Baronovsky in the theoretical affirmation of revisionism. Luxemburg rubbishes his argumentation in *The Accumulation of Capital*. She also criticized the “eminent” representatives of social democracy such as Struve and Bulgakov. We shall come back to this in detail. Lenin too had to fight against the same adversaries. He went on from dealing with the populists and their neo-Sismondian theories to come up against the people who thought that the ineluctability of capitalism in Russia would take place with eternal and harmonious development. At the same time, Lenin challenged revisionism on the agrarian question and made sure that revolutionary theory was confirmed completely here too. He used the same insistence as Luxemburg to denounce pacifism and social-chauvinism, all the while showing that Marx’s theory of crises had lost none of its validity.

But better than any theoretical demonstration, it was the real movement which made the opportunist have to eat their own words about the harmonious course of the capitalist mode of production. In 1914 the worst “solution” of capital for its crisis exploded: world war. The war dragged millions of proletarians onto the battlefield, betrayed and abandoned by their class organizations. 1914 marked the definite failure and betrayal of the Second International, but also demonstrated in practice the validity of communist theory and the correctness of the conceptions of Lenin. Luxemburg *inter alia* as regards the inevitable return of crises and revolutions³¹, in turn brilliantly confirming communist theory.

³¹ “Bernstein’s theory was the *first*, but also, at the same time, the *last* attempt to give a theoretical base to opportunism. We say “the last”, because in Bernstein’s system, opportunism has gone so far – both negatively, through its renunciation of scientific socialism, and positively, through its jumbling together of every bit of theoretical confusion available – that nothing remains to be done. Through Bernstein’s book, opportunism has completed its theoretical development [just as it completed its practical development in the position taken by Schippel on the question of militarism], and has drawn its ultimate conclusion.” (Luxemburg, *Social Reform or Revolution*, p. 131)

If up to 1914 it was still possible to stem the opportunist flow in the International as its movement was still reversible (in this case we can speak of the betrayal of the International), today’s reformism is, however, one of the firmest props of bourgeois society and thus of the counter-revolution. The proletariat must therefore struggle against it to the end.

This overall historical confirmation also meant that theoretical work had to be done in order to restore the theory of crises in a purely communist way. This task was not fully accomplished by the Third International.

Further events were required to demonstrate the validity of the communist thesis. It suffices to recall the crisis in 1929, the second imperialist massacre, starting after a previous one, in 1939. But this time the proletariat had suffered a massive defeat in 1928 which saw all its class organizations pass over to the enemy, making it incapable of opposing its historical, classist and revolutionary solution to the imperialist massacre.

The weight of this defeat means theoretical work on the nature of crises, the cycle of capital etc. is only in its infancy. Only the Italian communist left began such work, but we have shown under what conditions and what was produced.

Today the revolutionary movement is unable to come to grips with basic questions and continues with lamentable theoretical confusion. Fortunately (?), the crisis has arrived, for some people it arrived in 1968, which saves them from the ungrateful task of theoretically demonstrating the existence of crises or of foreseeing their return and explaining their causes. As the good empiricists and immediatists they are, nothing remains to be done after having noted the existence of the premises to go on to writing the conclusions and discussing how to speed up the “regrouping of revolutionaries”. It is never a question of doing something, apart from awaiting a wind blowing in the right direction, instead of starting some real theoretical work of restoration of the matter in hand.

But, without such work, the communist movement will be unable to deal with the periodic return of crises, unable to forecast them and so link them with the coming revolution. We have said several times that Marx’s work is incomplete. It has been left to lie fallow, even though all the elements to complete it are there, if communist principles are followed and if an overall perspective common to all works of restoration is observed.

3.3 Luxemburg, leader of the international communist movement

Lenin stated at the beginning of ‘State and Revolution’:

“During the lifetime of great revolutionaries, the oppressing classes constantly hounded them, received their theories with the most savage malice, the most furious hatred and the most unscrupulous campaigns of lies and slander. After their death, attempts are made to convert them into harmless icons, to canonize them, so to say, and to hallow their *names* to a certain extent for the “consolation” of the oppressed classes and with the object of duping the latter, while at the same time robbing the revolutionary theory of its *substance*, blunting its revolutionary edge and vulgarizing it. Today the bourgeoisie and the opportunists within the labour movement concur in this doctoring of Marxism.” (Lenin, State and Revolution, Collected Works Vol. XXV, p. 51)

But yet another way for the bourgeoisie to combat the posthumous influence of the theoreticians of the proletariat is to disparage their works. This is sometimes the case for Luxemburg, certainly one of the least known figures in the communist movement.

Her major work, The Accumulation of Capital, is often known only through literary criticism whose polemical squalor can only shock those whose healthy dive into the “classics” of communist literature does not take place as a cold university curiosity, but the vital need to dive into the life and history of the proletarian class, the very source of revolutionary theory.



In fact, the mass of criticism of *The Accumulation of Capital*, resorts above all to the condescendence of “Marxists” for work that only approached some problems without understanding them.

Here is the ancient choir that sings in just one voice to insult Luxemburg:

“Comrade Luxemburg has misunderstood completely the nature, aim and significance of Marx’s schemes.” (Eckstein, quoted in Luxemburg, *Anti-critique*, p. 498 fn. 3)

“... this simple fact demonstrates the sterility of Luxemburg’s critique, it becomes clear that it is a purely verbal and formal critique that is not based on any very deep idea which goes to show that Luxemburg was not only unable to make a positive demonstration of her criticisms of Marx’s scheme, but also that she does not try to do so even once.” (Grossmann *Gold production of gold in the reproduction schemes of Marx and Luxemburg*)

“We find it hard to believe that Luxemburg had a real command of the figures. The only possible explanation was that she was happy to make a superficial reading of the table before charging the author head down.” (A. Emmanuel, *Le profit et les crises*, p. 186)

“And here again she [Luxemburg] shows her shocking incapacity to read a scheme correctly.” (idem)

“It has long been known that the “problem” which Luxemburg has got hold of only exists in her imagination. We can add that if such a problem was really posed, the “solution” offered would be completely unable to resolve it or even contain it.” (*Bulletin Critique du Cercle Marxiste de Rouen*)

If we are to believe them, Luxemburg was a numbskull who could not even add up and therefore unable to understand mathematics, something quite normal for a woman. This is all fine if our critics condescend to catalogue her book in a good “Marxist library”.

As for the communist militant who was eager to find programmatic sources in order to push forward the forces back into struggle, what does he or she think? For he or she, contrary to the savants of all sorts, knows the person of Luxemburg. He or she knows she lived and died for the emancipation of the proletariat and the communist revolution. That she struggled alongside Lenin and the lefts in the Second International against its degeneration. That she was one of the main leaders of the German and international workers movement and led an exceptional struggle in this position. That she was assassinated along with Karl Liebknecht by the guard dogs of reformist social democracy, inebriated with counter-revolutionary hatred against the proletariat and its leaders.

Clearly, sixty years later, under the grey skies of the modern counter-revolution, where the lice and shits have the right to recognized by the “masses”, such revolutionary “noble writings” are very little in eyes of the philistine, the university professor, with an office wall plastered with diplomas, who dedicate some chapters to the critique of Luxemburg.

But quite correctly, who are the contradicters and what is their prize list?

Luxemburg herself immediately characterized Eckstein as:

“(...) belong[ing] to that upstart variety of journalists whose rise has accompanied the growth of the working-class press. They can write about anything and everything at any time: Japanese family law, modern biology, the history of socialism, epistemology, ethnography, cultural history, political

economy, tactical questions – whatever is needed at the moment. These “universal writers” move about through all the fields of knowledge with unscrupulous self-assurance, for which a serious researcher could frankly envy them.” (Luxemburg, *Anti-critique*, p. 499 fn. 8)

We can note in passing that far from being an amateur in journalism, Luxemburg was able to show a real depth of thought in various areas, above all in the study of pre-capitalist societies, as shown in her *Introduction to Political Economy*.

Among the other great mentors of polemics, one of the best known, who even enjoys a certain prestige within the revolutionary movement, is Henryk Grossmann. Born in 1881, this university professor only came to communism with the immense revolutionary wave sweeping the world starting in 1917. Grossmann began to study Marx seriously in the 1920s and published his main work on the law of accumulation and the collapse of capitalist production in the depth of the counter-revolution in 1929. This man, who came to communism somewhat late on at 40, continued to study Marx without ever failing to support Russia, even when it became Stalinist. His theoretical conceptions bear the mark of this evolution, leading to a Ricardian interpretation, and not a communist one, of the theory of the tendency of the rate of profit to fall in Marx.

Grossmann would still have remained what he was, a mediocre Stalinist professor of political economy, if Paul Mattick, who represented the continuation of the revolutionary tradition of the German and Dutch Left in emigration circles, had not unfortunately rehabilitated his work, considering it a worthy restoration of Marx’s doctrine. By positively evaluating a work that should have been consigned to the dustbin of history, Mattick went off track as well, followed by all his epigones, and into the bog of political economy.

A more modern contradicter, Arghiri Emmanuel, is part of the third-worldist, petit-bourgeois, Stalinist intellectual scene, a brilliant star in juggling theoretical paradox and delirium. He is able to show in turn that capitalism survives because the workers in developed countries exploit their brothers in the third world and that imperialism was a blessed epoch for non-white people. He also took to showing “scientifically” the superiority of the “socialist” system over the capitalist one³².

Finally, if we enter the last circle of this spell of nullity, we come across “Cercle Marxiste de Rouen”, the latest degenerate product of the repugnant death throes of the currents emerging from the counter-revolutionary publication *Socialisme ou barbarie*.

This local sect evolved from the fringes of leftism as a parasite on the communist workers movement in a state of total disorientation after the forecasts of *Socialisme ou barbarie* and its successors had all proved to be wrong, ending up with an apologia for Menshevism: “The Mensheviks, on the other hand, developed positions which were more orthodoxly Marxist (than the Bolsheviks!) at the time: given the weakness of the development of the productive forces, the communist revolution could not be on the agenda, only a bourgeois revolution was objectively possible; but this type of organization really played an authentically counter-revolutionary role. We

³² Among the unforgettable arguments presented, we can find: “Theoreticians of Marxism believed that the difference on this point between the two systems consist in the fact that the socialist system can raise real wages or reduce working hours while the capitalist system cannot because of competition between capitalists seeking profit. The system can *not* increase raise wages and even reduce them without in any way risking any crisis. The capitalist system *cannot do so*. Left to itself and without any pressure from trade unions or political parties, it cannot any longer raise them and there is the crux of the contradiction. There is the crux too of the paradox of an effective union struggle which has caused embarrassment despite itself for the system recently.” (*Le profit et les crises*, p. 157)

should note in order to open the door to a host of reflections that history has historically (sic!) shown the latter to be right.”

Something nevertheless unites this ideological *bric-à-brac*, the whole flea market of putrefying “theoretical thought” and this something is a visceral counter-revolutionary nature and a basic hatred of the proletariat and communism.

Luxemburg does not need anyone to “rehabilitate” her, but we had to introduce her work by recalling the nature of the real forces that clash in the polemics addressed against her.

On the one hand, there is the revolutionary programme of the proletariat, the programme for a classless society, of which Luxemburg was an eminent leader. On the one hand, then, a leader of the communist movement, a first rate theoretician who knew Marx’s work intimately.

On the other hand, there is the repugnant brood of counter-revolutionary intellectuals, the little people who employ their minor talent to become bitter opponents of the emancipation of mankind, the ideologists of capitalist civilization payrolled to gain acceptance of its train of infamy, the descendants of Luxemburg’s assassins, who only deal with the communist programme in order to falsify and renege on it, with the great help of “supersession” and “updating”.

4. Simple reproduction and reproduction on an extended scale in Capital Volume II

4.1 The state of Capital Volume II

Capital Volume II (1885) was edited by Engels from the drafts left by Marx on his death two years previously. Its publication drew revisionism to attempt to use the theoretical elements it contained to establish a theory of capitalist development and its crises in rejecting the communist programme and its theory of the catastrophic development of the capitalist mode of production. These counter-revolutionary attempts drew opposition from the left in the Second International, above all from Luxemburg.

We have to recall briefly the origin of Capital Volume II, as well as the drafts by Marx for the chapters concerning simple reproduction and reproduction on an extended scale, before looking at the theories of Luxemburg and her criticism of revisionism in more detail.

As we have just mentioned, Capital Volume II was published after the death of Marx. The drafts used for this edition were written either between 1865 and 1870 or between 1877 and 1879. Engels used about half of Marx's texts in preparing Volume II. In fact, the drafts contain a good number of almost identical versions. In short, section III which deals with simple reproduction and reproduction on an extended scale is a "selection of texts from the available versions", this first having been written in 1870 and the second in the period 1877-1879. This second version also had been undertaken showing "traces of an intense struggle against depressing ill health", and consequently "the logical sequence is frequently interrupted, the treatment of the subject gappy". (Engels Preface to the first German Edition of Marx, Capital Volume II, Collected Works Vol. 36, pp. 8-9)

One of Luxemburg's great merits was to show that these texts were far from being the artistic whole Marx had wanted to achieve, being unfinished drafts, written by an ailing Marx towards the end of his life. So Luxemburg could remark that: "The final chapter in this section, Chapter 21, which deals with accumulation and expanded reproduction, is the most unfinished in the whole volume. It comprises a mere thirty-five printed pages, and breaks off midway through the analysis". (Luxemburg, *The Accumulation of Capital*, p. 116)

On the contrary, revisionism, represented for example by Tugan-Baronowsky, saw Volume II as being Marx's most fully developed work³³, with the plan in mind of opposing Volume II to Volume III to thereby justify the unlimited development of capitalist production. So, what could lead the reader to discover such an idyllic vision of the course of the capitalist mode of production in Marx's work?

For a reply, we have to go through the contents of Volume II and particularly to the sections concerning simple reproduction and reproduction on an extended scale.

³³ "It should not be forgotten that the 3rd book was written as Engels indicates well before the 2nd book which constitutes Marx's final work, his most mature study." (Tugan-Baranovsky, *Les Crises Industrielles en Angleterre*, p. 203, fn. 1).

4.2 The reproduction schemes: simple reproduction

In the capitalist mode of production, the totality of the social product can be broken down into constant capital, variable capital and surplus value ($c+v+s$).

Marx called constant capital that part of capital transformed into means of production during the course of production, that is raw material, auxiliary material and instruments of labour, which does not alter the magnitude of its value. This part of capital merely restores (over one or more production cycles) its value to the product.

On the other hand: “that part of capital, represented by labour power, does, in the process of production, undergo an alteration of value. It both reproduces the equivalent of its own value, and also produces an excess, a surplus value, which may itself vary, may be more or less according to circumstances. This part of capital is continually being transformed from a constant into a variable magnitude. I therefore call it the variable part of capital, or, shortly, variable capital”. (Marx, Capital Volume I, Collected Works Vol. 35, p. 219)

Within the social product, whose value is equal to $c + v + s$, we can distinguish two large departments.

On the one hand, the department of means of production, that is commodities destined for productive consumption (department I), on the other hand the department of means of consumption, that is commodities destined for individual consumption by the working class and the capitalist class (department II).

Each department can clearly be broken down into its respective elements $c + v + s$. This means that the value of the total product of department I will be $1c + 1v + 1s$, while that of department II will be $2c + 2v + 2s$.

Marx drew a distinction between simple reproduction and reproduction on an extended scale while analysing the reproduction of capital. The characteristic of simple reproduction is that the surplus value is individually consumed totally by the capitalist class (here we are making an abstraction of monetary circulation).

Going back to Marx's example in Capital Volume II (p. 510)

I $4,000c + 1,000v + 1,000s = 6,000$ Department of the means of production

II $2,000c + 500v + 500s = 3,000$ Department of the means of consumption

The total value of production is therefore 9,000: 6,000 for the department of means of production and 3,000 for the section of the department of means of consumption.

The capital in each department breaks down into $c + v + s$. This means that in order to produce 6,000 means of production, 4,000 means of production have been used of constant capital and 2,000 of living labour, which further breaks down into 1,000 of variable capital which goes to pay the workers' wages and 1,000 in surplus value. In the same way, in the department of means of consumption, we have 2,000 constant capital, 500 variable capital and 500 surplus value respectively. The capitalists in department I can find in their own section the equivalent in value and use value of means of production used to extort the maximum surplus value from the proletarians they exploit in order to renew the means of production used. Consequently, of the £6,000 (or hours of work) of means of production, 4,000 are bought by the capitalists in

department I to reproduce the constant capital used during the previous production cycle. The capitalists in department II on the other hand, cannot find the necessary elements for the reproduction of constant capital in their own department, and can only renew the constant capital by buying it from department I.

Besides, the workers and capitalists in department I have to consume means of consumption from department II in order to reproduce themselves.

Therefore, exchange between the departments can take place.

The workers in department I buy £1,000 of means of consumption needed for the reproduction of their labour power. The value obtained allows capitalists in department II to renew a part – half in this case – of their constant capital by purchasing means of production from department I, meaning that the capitalists in department I can get back the variable capital they advanced at the beginning of the production process. As we have said, simple reproduction is characterised by the fact that the capitalist class consumes all the surplus value for individual needs. Consequently, the capitalist class in department I does not take part in any accumulation. This class purchases £1,000 means of consumption from department II and, in return, the capitalists in this department can complete the renewal of their constant capital.

In the above example, the exchange between the two departments is carried out on the basis $2,000 c_2 = 1,000 v_1 + 1,000 s_1$. The constant capital in section II is renewed by exchange against the variable capital and the surplus value of department I, at the same time ensuring the reproduction of the labour power of the workforce and the bourgeoisie as a class. If we make a scheme of the result in order to demonstrate its general character, the exchange between the two departments in the context of simple reproduction takes place on the following basis:

$$c_2 = v_1 + s_1$$

Consequently:

1st. Constant capital in section I has been completely renewed. Exchange has taken place within department 1, the department of the means of production.

2nd The working class and the capitalist class in department I have been reproduced as classes.

3rd The capitalist class in department II has been able to reproduce its constant capital by means of exchange with department I.

If I in department I, the constant capital, variable capital and surplus value have been reproduced, it remains to be seen how this reproduction takes place in department II (leaving aside the constant capital mentioned in the 3rd point).

Marx breaks down department II, means of consumption for individual consumption into two sub-divisions:

Sub-division a): necessary means of consumption used to reproduce the proletarian labour force and the consumption of the capitalists.

Sub-division b): luxury means of consumption consumed only by the capitalist class.

The reproduction of variable capital in sub-division IIa easily takes place internally. The workers in sub-division IIa spend their wages on necessary means of consumption, that is, they spend the



value equivalent of their labour power in sub-division IIa. At the same time, the capitalists in this department recover the variable capital they have advanced.

However, the capitalists in sub-division IIb, those who produce luxury goods, do not recuperate directly the variable capital advanced to their workers, those who purchase necessary means of consumption from sub-division IIa. With the money obtained, the capitalists of sub-division IIa can then purchase luxury goods from sub-division IIb. Thus, this department recuperates the variable capital advanced to the workers.

In our example, department II can be broken down into the two following sub-divisions:

IIa: $1,600c + 400v + 400s = 2,400$ necessary means of consumption

IIb: $400c + 100v + 100s = 600$ luxury means of consumption

As far as the workers in sub-division IIa are concerned, we have seen they bought £400 necessary means of consumption and the capitalists have got back £400 of variable capital they can again advance for the next production cycle. The workers in sub-division IIb purchase £100 necessary means of consumption and the capitalist class of sub-division IIa will purchase luxury goods to the value of £100 from sub-division IIb.

The exchanges between the two sub-divisions, however, are not yet completed. The capitalist class of sub-division IIb must obtain necessary means of consumption and the capitalist class of IIa needs to purchase a supplementary mass of luxury goods from sub-division IIb to satisfy its consumption.

In our example, the capitalist class in sub-division IIb purchases £60 of necessary means of consumption. The capitalist class in sub-division IIa uses this £60 to purchase £60 luxury means of consumption, bringing its total consumption of luxury goods to £160. The capitalist class consumes 40% of the surplus value in the form of luxury means of consumption. Therefore, the capitalists in department I consume £400 of luxury goods obtained through the exchange between the two departments of capitalist production in the framework $c2 = v1 + s1$ examined above.

The overall exchange between department I and department II therefore breaks down as:

$$c2(a) = v1 + 3/5 s1$$

$$(1,600 c2 = 1,000 v1 + 600 s1)$$

And

$$c2(b) = 2/5 s1$$

$$(400 c2(b) = 400 s1)$$

These equations are valid in the case of our example where the capitalist class dedicates 40% of the surplus value to the consumption of luxury means of consumption and 60% to necessary means of consumption. More generally speaking, if α is the share consumed by the capitalist class in necessary means of consumption and $(1-\alpha)$ is the share consumed in luxury goods, we come to the following general result. In the case of simple reproduction, the exchange between the two large departments defined above will take place as follows:

$$c2(a) = v1 + s1\alpha$$



$$c2(b) = s1(1-\alpha)$$

In department II, the capitalist class in sub-division IIa consumes £160 luxury means of consumption obtained through the exchange with sub-division IIb and £240 of necessary means of consumption.

Lastly, the capitalist class in sub-division IIb consumes £40 luxury means of consumption and £60 necessary means of consumption. On a more general level, the exchanges between the two sub-divisions IIa and IIb can be considered schematically as:

$$v2(b) + s2(b) \alpha = s2(a) (1-\alpha)$$

To sum up, the scheme of simple reproduction, which is characterised by the fact that the capitalist class consumes for individual goals, the entire surplus value is thus:

$$I \quad 4,000c + 1,000v + 1,000s = 6,000 \text{ means of production}$$

$$IIa \quad 1,600c + 400v + 400s = 2,400 \text{ necessary means of consumption}$$

$$IIb \quad 400c + 100v + 100s = 600 \text{ luxury means of consumption}$$

And the large-scale exchanges between departments and sub-divisions are characterised by the following:

$$c2 = v1 + s1 \text{ for exchange between department I and department II}$$

$$v2(b) + s2(b) = s2(a) (1-\alpha) \text{ for exchange between sub-division IIa and sub-division IIb.}$$

4.3 The schemes of reproduction: reproduction on an extended scale

While the consumption of the whole surplus value by the capitalist class for individual goals characterises simple reproduction, the accumulation of part of the surplus value defines reproduction on an enlarged scale. We will come back later to the characteristic of the meaning of the schemes of reproduction. We should, nevertheless, be quite clear about simple reproduction being just a moment in the theoretical analysis of the reproduction of capital³⁴ and therefore having

³⁴ Similarly, it would be mistaken to consider the distinction between simple reproduction and reproduction on an extended scale as a historical succession with reproduction on an extended scale characterising the capitalist mode of production and simple production forms of pre-capitalist production. Luxemburg insisted on this when replying to Lenin: "Incidentally, the same author asserts that extended reproduction begins only with capitalism. He fails to realize that with simple reproduction, which he takes to be the rule for all pre-capitalist modes of production, we would probably not have advanced beyond the stage of the Paleolithic scraper even today." (Luxemburg, *The Accumulation of Capital*, p. 481, footnote 266.) This does not hold back cretinised Luxemburgism from declaring: "That part of surplus labour that the capitalists, unlike the feudal barons and the slave masters of antiquity who personally consumed all their profit, did not consume so as to reproduce, no longer "simply" what was there at the start of the production cycle, but in an extended scale." (*Revue Internationale* no. 29, p.16, 2nd semester, 1982). The same foolishness was put forth by the now defunct group PIC: "Capitalism is different from other systems of exploitation (feudalism, slavery). It is a system of extended reproduction and no longer just simple reproduction. The surplus product is not just taken away to be consumed by the capitalist class..." (*Bulletin de discussion internationale*).

no real application as the goal of the capitalist class. Its goal is not the consumption of surplus value, but the maximum production of it and therefore its accumulation too, to extract ever more surplus labour from the proletariat. Whatever the behaviour of the capitalist class regarding individual consumption may be, its moving force, its passion, remains accumulation, the lust of production for production's sake, the unbridled seeking after the maximum surplus value. This does not exclude the fact that society does not end up the year with a production identical or even inferior to that of the previous one. It is not only the nature of capitalist production that can make things go this way, but it must therefore regularly go on to phases of expansion following depression and crisis.

The schemes of reproduction on an enlarged scale therefore show part of the surplus value used in accumulation, with the other part used in the consumption of the capitalist class. This accumulation implies there is an additional constant capital and an additional variable capital coming into effect in the two departments mentioned above. The new conditions lead to a complete change in the exchange between the two departments compared with simple reproduction.

If the relations of exchange within department II were defined by $c2 = v1 + s1$ in simple reproduction, given that the surplus value was entirely consumed, it is now no longer the same. The $c2$ must be lower than $v1 + s1$ if accumulation is taking place. This means that the value of constant capital in department II must be lower than the value of the variable capital and the surplus value in department I. In the traditional presentations which are made of schemes of the reproduction on an extended scale, discussion generally regards Marx's last example, while it is the two last examples which concern this problem in particular (this is not the case in Luxemburg). According to Luxemburg, Marx's last example³⁵, actually called the second example in Capital Volume II is "the genuine fundamental scheme with which he then worked exclusively right down to the end of Volume II, whereas the first example had merely been a rough try, a preliminary draft:" (Luxemburg, *The Accumulation of Capital: An Anti-Critique*, p. 500, fn. 8)

In reality, a full understanding of the difficulties concerning the interpretation of the schemes of reproduction requires a consideration of the first schema used by Marx too, called scheme a, while the last two schemes, those generally taken into account, called 1st and 2nd examples have to be

Here we can see the chasm separating Luxemburg from her epigones. The ICC, for whom we have already shown what level can be reached in the comprehension of the fundamental principles of communism, and what means can be employed to reach its ends, once again recently demonstrated its lack of scruples showing once again to what point it was ready to confront "an acceleration of events and the challenges of the years of truth" (*Revue internationale*, no. 29, p. 20). In fact, the ICC, in order to justify its theory of decadence, is limited to republishing articles written several years previously, articles held back at the time so that the theoretical conceptions underlying this decadence could be made public. Eight years later ICC has not inched forward at all in relation to these rushed articles and in which (we have already mentioned this in *CouC* no. 2) the communist programme got a rough deal.

They have not even bothered to reply to the question which, nevertheless, would let us poor ignorant people understand the fantastic theory of decadence held by the ICC: how can the capitalist mode of production accumulate and thus realize a surplus value (and this at a level never previously seen in history), a surplus value which, for the ICC, has no effective demand. These concepts could be taken in between 1914 and 1945, but today they are more than ever mystical and counter-revolutionary.

³⁵ Chapter 21 of Capital Volume II, "Accumulation and reproduction on an extended scale", in fact contains section III on "Schematic presentation of accumulation" where Marx goes on to analyse successively the more or less worked out 3 schemes entitled:

Scheme a (p. 506); First Illustration (p. 510); Second Illustration (p. 514)

linked to the first. We will therefore show that the three schemas must be understood as particular moments in an incomplete research in which it would be incorrect to see the 3rd scheme (2nd example) as the definitive scheme or the last word in Marx's thought in this field. We have already stressed it was not one of the least merits of Luxemburg to have recalled:

"It is certainly true that Volume II of Capital is my no means the fully fleshed work that Volume I is, but only a skeleton, a loose assemblage of more or less finished fragments and rough drafts such as a researcher would note down for his own self-clarification. However, Marx's elaboration and completion of these drafts was impeded and interrupted over-and-over again by illness. (...) It is certainly true that to Marx himself it seemed, according to Engels, that this last part of Volume II was "urgently in need of revision," and also according to Engels, it remained "only a provisional treatment of the subject." (Luxemburg, *The Accumulation of Capital: an Anti-Critique*, p. 365)

We therefore have to follow Marx's path and examine the three schemas that are worked out to a greater or lesser extent in the drafts for Volume II. Marx firstly proposes to examine the reproduction of capital on an extended scale using the following scheme he called scheme a.

4.3.1 Scheme a

$$\left. \begin{array}{l} \text{I} \quad 4,000c + 1,000v + 1,000s = 6,000 \\ \text{II} \quad 1,500c + \quad 376v + \quad 376s = 2,252 \end{array} \right\} \text{Total } 8,252$$

What makes this scheme stand apart from the one for simple reproduction are not the quantitative determinations which indicate a value of the product at 8,252 instead of 9,000, in this case.

"It is not the quantity but the qualitative determination of the given elements of simple reproduction which is changed, and this change is the material premise of a subsequent reproduction on an extended scale." (Marx, *Capital Volume II*, *Collected Works Vol. 36*, p. 506)

Marx supposes that that half of the surplus value is accumulated both in department I and in department II, while the other half is consumed.

The reproduction of constant capital in department I (4,000c) is no different from that in simple reproduction. The capitalists in department I purchase the material for the renewal of the constant capital used for £4,000. The renewal of the constant capital in department II requires, just like in simple reproduction, an exchange with department I. This exchange of constant capital in department II is made against the fraction of capital in department I which transforms itself and is spent as revenue: the variable capital and half the surplus value ($v1 + \frac{1}{2} s1$).

"As one half of 1,000 is = 500 are to be accumulated in one form or another, invested as additional money capital, i.e., converted into additional productive capital, only $(1,000v + 500s)$ are spent as revenue, hence only 1,500 figure here as the normal size of IIc : we need not further examine the exchange between $1,500 I(v + s)$ and $1,500 IIc$, because this has already been done under the head of process of simple reproduction. Nor do 4,000 Ic require any attention, since their rearrangement for the newly commencing reproduction (which this time occurs on an extended scale) was likewise discussed as a process of simple reproduction." Marx, *Capital Volume II*, *Collected Works Vol. 36*, p. 507)

It remains to examine the reproduction of the 500 $s1$ and the $376 v2 + 376 s2$, that is the part of the surplus value in department I set aside for accumulation and the variable capital and surplus value in department II. In department II, just as in department I, half the surplus value is



accumulated, 188. This figure breaks down into 150 constant capital and 38 variable capital, with the organic composition of capital remaining unchanged at 4. The variable capital is thus equal to $\frac{1}{4}$ of constant capital. Marx therefore makes a slight slip in the calculation in his drafts, which explains why we do not use the same figures. He mistakes the effect of the ratio of variable capital to accumulated surplus value, which is $\frac{1}{5}$ in our example, with the ratio of accumulated variable capital and accumulated constant capital being $\frac{1}{4}$.

“Since we have assumed that in II likewise one half of the surplus value is to be accumulated, 188 are to be converted here into capital, of which $\frac{1}{4} = 47$, or, to round it off, 48, are to be variable capital, so that 140 remain to be converted into constant capital.” (Marx, Capital Volume 2, Collected Works Vol. 36, p. 507)

Marx never liked these “damned figures”, and, as Engels recalled, he was good at algebra, while he always had problems with arithmetic. This little slip in the calculation would not be worth mentioning if it did not show once again that state of the drafts for Volume II, their incompleteness, due to Marx being at the outset of his research and the fact the schemes consequently showed some imperfections. Faithful to the tradition that communists cannot count, Luxemburg recopied the same errors without hesitation. Nevertheless, by now the communist party has a new weapon snatched from the hands of the class enemy. It is called the electronic calculator³⁶. If only Marx had a pocket calculator instead of a long 19th century beard!

If we go back to our chickens, rather the schemes, instead of counting them, we can see along with the reader, if he or she hasn't dropped off, that the capitalist in department II purchases fewer means of production from department I while he advances variable capital (we should always remember we are not taking monetary questions into account). As far as the variable capital in department II is concerned, its reproduction is not fully described by Marx. In fact, the text of Capital II continues with a digression regarding a monetary question and Marx does not return to the matter.

Similarly, the accumulation of 500 s I is not envisaged in Capital, least of all in the scheme we are currently discussing, scheme a.

Marx leaves this example in the form of a plan to then study two other schemes which are traditionally known as the schemes of the reproduction of capital on an extended scale. As we shall show, scheme a could only lead Marx into unsurmountable difficulties hindering him in correctly demonstrating the reproduction of capital on an extended scale. Marx therefore went on to a second scheme called 1st illustration.

4.3.2 The “First Illustration” scheme

In this illustration, the value of total production in the first year is the same as in the scheme for simple reproduction, but the qualitative determinations between the two departments are modified. The “First Illustration” scheme is thus:

³⁶ Certainly, the use of this instrument always supposes the knowledge of a few elementary operations and does not consign the abacus to history. From this point of view, CouC stands in the communist tradition (cf. the errata in no. 2 and no. 12 without taking into account the many errors of the we gave up trying to note).

$$\left. \begin{array}{l} \text{I } 4,000c + 1,000v + 1,000s = 6,000 \\ \text{II } 1,500c + 750v + 750s = 3,000 \end{array} \right\} \text{Total 9,000}$$

The organic composition in department II is modified compared with scheme a to the extent that the variable capital required to put the constant capital into operation is twice the amount. The organic composition which was 1,500/375 or 4, is now equal to 1,500/750 or 2. On the other hand, it remains the same in department I.

The value of production in department I remains the same, while in department II it rises from 2,250 to 3,000 with the value of total production rising from 8,250 to 9,000. In department I, the capitalists accumulated half the surplus value. Consequently, 500s is broken down into 400c (constant capital) and 100v (additional variable capital to be used to set the additional constant capital in motion). This extra constant capital is purchased by the capitalists in department I within their own department. That means that the capitalist class in department I finds the material allowing it to increase constant capital among the mass of commodities representing the surplus value set for accumulation, thereby accumulating an additional constant capital that it purchases for a value of 400. The total value of constant capital thus rises to 4,400 in department I.

Marx, who previously had stated, just as in scheme a, that “The replacement of (1,000v + 500s) I by 1,500 IIv is a process of simple reproduction, which has been examined previously.” (Marx, Capital Volume II, Collected Works Vol. 36, p. 510) later envisages the accumulation of means of production. The capitalists in department II therefore purchase 100 means of production. This supplementary constant capital is purchased by the capitalist class in department II from department I. Department II must also accumulate an additional variable capital, which is 50, taking into account the organic composition of capital in department II, in order to set the additional constant capital in operation.

For its part, the capitalist class in department I obtains 100 in cash to go to constitute the money capital of the additional variable capital it requires. The capitalists in department II had to withdraw 150, (100c + 50v) for their accumulation from the surplus value, the balance (750 – 150) being left for their consumption.

At the end of accumulation, we obtain the following scheme:

$$\left. \begin{array}{l} \text{I } (4,000c + 400c) + (1,000v + 100v) + (1,000s + 100s) = 6,600 \\ \text{II } (1,500c + 100c) + (750v + 50v) + (750s + 50s) = 3,200 \end{array} \right\} \text{Total 9,800}$$

The use of an additional variable capital leads to the creation of an additional surplus value equal to the value of the variable capital to the extent that the rate of exploitation of the labour force is equal to 100%.

If the reproduction of capital on an extended scale continues on the same bases, that is with half the surplus value in department I accumulated and the other half used as revenue, 550s has been capitalized in the department, 440 in constant capital and 110 in variable capital.

In order to fully realize exchange between department I and department II, the constant capital to be replaced and accumulated must be equal to $v1 + \frac{1}{2} s1$ or $1,100 + 550 = 1,650$. However, the constant capital to renew is only worth 1,600, and therefore the remaining 50 have to be withdrawn from the surplus value in department II from the 800s.



Moreover, an additional variable capital of 25 has also to be withdrawn from the surplus value to set the additional constant capital in operation. The surplus value remaining on the hands of the capitalist class is thus $800 - (50 + 25) = 725$.

Furthermore, in order for the new workers in department I to be able to obtain the means of consumption equivalent to their wages (110), department II must accumulate a constant capital of the same value of 110.

“This leaves 615 IIs, of the 725 IIs. But if II converts these 110 into additional constant capital, it requires an additional variable capital of 55. This again must be supplied by its surplus value. Subtracting this amount from 615 IIs leaves 560 for the consumption of capitalists II...” (Marx, Capital Volume II, Collected Works Vol. 36, p. 512)

Consequently, of the 800 surplus value in department II, 160 ($50 + 110$) have been converted into additional constant capital and 80 ($25 + 55$) into additional variable capital. As we know, Luxemburg did not fail to stress that Marx placed the accumulation in department II in the expenditure on accumulation and expense on revenue in department I in the illustration of the second scheme. It is not a coincidence that Marx postulated in “scheme a” an equal rate of accumulation in both departments from the start.

Following the new accumulation, we obtain this scheme:

$$\left. \begin{array}{l} \text{I } (4,400c + 440c) \quad + (1,100v + 110v) \quad + (1,100s + 110s) = 7,260 \\ \text{II } (1,600c + 110c + 50c) + (800v + 55v + 25v) + (800s + 80s) = 3,520 \end{array} \right\} \text{Total } 10,780$$

Marx makes the following remark:

“If things are to proceed normally, accumulation in II must take place more rapidly than in I, because otherwise the portion $I(v\ s)$ which must be converted into commodities IIc will grow more rapidly than IIc , for which it must be exchanged.” (Marx, Capital Volume II, Collected Works Vol. 36, p. 64)

In reality, the rate of accumulation of surplus value is lower in department II than in department I. If this rate rises from 0.2 in the first year to 0.3 in the second year, it then flattens out at this level and therefore remains below the rate of accumulation in department I which stands at 0.5.

Marx therefore generalizes a passing phenomenon which intrigues him. Marx started out from the basis of an exchange between the two departments being identical to the one in simple reproduction so that the total variable capital and surplus value consumed by department I is equivalent to the constant capital to be renewed in department II. However, he increasingly understood that this equality could only be realized under certain conditions that he went on to define. We will go back to these problems in a more detailed form later on. Here we can just say that it should be emphasized that these remarks are a question of research, of preliminary drafts which were not the culmination Marx would have reached if he had been able to.

If we follow the accumulation on the same bases, we obtain:

$$\left. \begin{array}{l} \text{I } 5,324c + 1,331v + 1,331s = 7,986 \\ \text{II } 1,936c + 968v + 968s = 3,872 \end{array} \right\} \text{Total } 11,858$$

And so forth.

4.3.3 The scheme “Second Illustration”

After having considered progress in the value of production over several years, Marx began the study for his second illustration.

In the first year, the value of production is the same as in the scheme for simple reproduction, but the relations between the two departments are certainly modified. Marx supposes the same organic composition in both departments.

$$\left. \begin{array}{l} \text{I } 5,000c + 1,000v + 1,000s = 7,000 \\ \text{II } 1,430c + 285v + 285s = 2,000 \end{array} \right\} \text{Total } 9,000$$

In this scheme, for the first time c_2 does not equal $v_1 + \frac{1}{2} s_1$.³⁷ Consequently, if the capitalists accumulate half the surplus value and consume the other half, exchange can only take place between $(v_1 + \frac{1}{2} s_1)$ and c_2 , and it is necessary to withdraw surplus value for 70 from department II, thereby increasing the constant capital in department II by the same amount. A variable capital of 14, that is $70/5$, since the organic composition of capital (c/v) is 5 in this case, is required to set the additional constant capital in operation.

Furthermore, if the capitalists in department I accumulate half the surplus value, the increase in constant capital in department I would be $(500 \cdot 5)/6 = 417c$ which must be set in operation by an additional variable capital 83v.

An accumulation of constant capital in department II of the same value 83 can be realized and for this additional constant capital a variable capital of 17v will be accumulated. Here again Marx makes the accumulation in department II depend on the accumulation in department I:

“The 83v draw an equal amount out of IIc, which buys elements of constant capital and adds them to IIc. An increase to IIc by 83 implies an increase of IIv by $\frac{1}{5}$ of 83 = 17.” (Marx, Capital Volume II, Collected Works Vol 26, p. 519)

Consequently, with the start of the production process we obtain the following result:

$$\begin{array}{l} \text{I } \underbrace{(5,000c + 417c)}_{5,417c} + \underbrace{(1,000v + 83v)}_{1,083v} = 6,500 \\ \text{II } \underbrace{(1,430c + 70c + 83c)}_{1,583c} + \underbrace{(285v + 14v + 17v)}_{316v} = 1,899 \end{array}$$

The scheme at the end of the production process becomes

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

³⁷ Marx always considered: “The exchange of 1,500 $I(v + \frac{1}{2}s)$ for 1,500 IIc , is a process of simple reproduction and nothing further need to be said about it.” But, “a few peculiarities need to be noted here, which arise from the fact that in accumulating reproduction $I(v + \frac{1}{2}s)$ is not replaced solely by IIc , but by IIc , plus a portion of II_s .” (Capital Volume II, Collected Works Vol. 36, pp. 514-515)

The advanced capital has risen from 6,000 to 6,500 in department I, an increase of 1/12, while in department II it has risen from 1,715 to 1,899, an increase of about 1/9.

If the process of production continues at the same level, that is, accumulating half the surplus value and using the other half for individual consumption, the result in the third year is:

$$\left. \begin{array}{l} \text{I } 5,689c + 1,173v + 1,173s = 8,215 \\ \text{II } 1,715c + 342v + 342s = 2,399 \end{array} \right\} \text{Total } 10,614$$

At the end of the fourth year the result is:

$$\left. \begin{array}{l} \text{I } 6,358c + 1,271v + 1,271s = 8,990 \\ \text{II } 1,858c + 371v + 371s = 2,600 \end{array} \right\} \text{Total } 11,500$$

The schemes are interrupted for the considerations on the progress of accumulation of total capital. Capital in department I has risen from 6,000 (5,000 + 1,000) to 7,629 (6,358 + 1,271) while that in department II has risen from 1,715 (1,430 + 285) to 2,229 (1,858 + 371). Overall capital has risen from 7,715 to 9,858.

As we have pointed out, Marx only slowly began to realize (we shall come back to this later) the fact that the exchange between $v1 + s1x$ (where “x” represents the part of surplus value consumed for individual needs) and IIC can only partially be inserted in simple reproduction. In the previous scheme, he remarked that only a part of capital in IIC entered simple reproduction.

“As for $IIC = 1,430$, it must, all other conditions remaining the same, be replaced by an equal magnitude of value out of $I(v + s)$, in order that simple reproduction may take place in II, and to that extent we need not pay any more attention to it here. It is different with the additional 70 IIs. What for I is merely a replacement of revenue by articles of consumption, merely commodity exchange meant for consumption, is for II not a mere reconversion of its constant capital from the form of commodity capital into its natural form, as it is in simple reproduction...” (Marx, Capital Volume II, Collected Works Vol. 36, p. 517)

Marx came to the end of the various schemes analysed and tried to draw some conclusions about the exchange of $c2$ when there is accumulation.

1. Firstly, $c2$ can equal $v1 + s1x$ and so $c2$ is lower than $v1 + s1$. “This must always be so, otherwise I does not accumulate.” (Marx, Capital Volume II, Collected Works Vol. 36, p. 520)
2. $v1 + s1x > c2$. In the case where $v1 + s1x$ is higher than $c2$, exchange between the two departments implies that a supplementary constant capital is added to $c2$ to equalize the amounts. This also leads to an increase in variable capital used to set in operation the additional constant capital obtained after an exchange between the two departments. The whole of the additional capital is taken from the surplus value in department II and constitutes an accumulation.
3. $v1 + s1x < c2$. In this case where $v1 + s1x$ is below $c2$, department II has not completely reproduced its constant capital though exchange with department 1 and has to bridge this gap by purchasing constant capital from department I. This does not require a new accumulation of variable capital for department II, seeing that thanks to this operation, constant capital is only reproduced on the previous basis. Marx, on the other hand, did not envisage consequences of this type of relationship in department I. If Marx had shown that $c2$ always had to be below $v1 + s1$,



he would have established another absolute limit on this occasion: for it to be possible to achieve reproduction on an extended scale, $v_1 + s_1x$ must be lower than $c_2 + s_2$. So we have the following inequalities:

$$c_2 < v_1 + s_1$$

$$c_2 + s_2 > v_1 + s_1x$$

These inequalities can be systematized as:

$$v_1 + s_1x - s_2 < c_2 < v_1 + s_1$$

That is to say, the value of variable capital and surplus value consumed in department I minus the surplus value of department II must be below the constant capital of department I, which must in turn be below the sum of capital and total surplus value in department I.

Throughout this we have, it should be repeated, set aside monetary questions, something we shall return to, but it is not useful to study them here when considering the other questions to be considered.

Marx's exposition on reproduction on an extended scale is made practically with these considerations. So, while the chapter on simple production contains 13 sections, the one on reproduction on an extended scale contains only 4. While Marx had, for example, analysed within the framework of simple reproduction – and with the difficulties we shall see later on – questions such as the reproduction of money or fixed capital, these points are just mentioned in passing in the chapter on reproduction on an extended scale. The schemes for studying the latter are, as we shall see in detail later on, far from being “finalized” and form drafts that did not reach a conclusion. In short, Capital Volume II is far from being a finished book, and, above all in this part, remains in the state of a draft.

5. The Revisionist Attack

5.1 Tugan-Baranovsky

Revisionism, in the person of Tugan-Baranovsky, tried to take the schemes from Capital Volume II to use them in his systematic attempt to falsify and demolish the communist programme, thus to turn the proletariat into a plaything of capital.

Tugan-Baranovsky claimed that the conclusions to be drawn from Capital Volume II, as far as crises are concerned, stand in contradiction to those presented in Volume III. “The theory of outlets which form the basis of Capital Volume III is in complete contradiction to the reproduction schemes for social capital given in Volume II.” (Tugan-Baranovsky, *Les Crises Industrielles en Angleterre*, p. 203 fn. 1)

Tugan-Baranovsky went on to remark that Volume II had in fact been written after Volume III and concluded that the drafts for Volume II were Marx’s most mature work. However, according to Tugan-Baranovsky, Marx was unable to publish the so-called new perspectives offered by the schemes before he died. This prig could even state: “Marx’s analysis remained unfinished and he could not draw the general conclusions. His famous schemes remain without a logical completion, like a completely alien body in the harmonious system of Marxism. Seeing that the logical deductions that result and which Marx completely neglected are clearly in contradiction with the ideas he professed before the elaboration of the schemes, it is no surprise that the school of Marx found itself powerless to continue with their master’s work as the problem of markets remains without a solution.” (Tugan-Baranovsky, *Les Crises Industrielles en Angleterre*, p. 203)

Tugan-Baranovsky considered that the conception of crises Marx had developed in Volume III followed the thought of Sismondi and saw the cause of crises in the underconsumption of the masses, but a study of the reproduction schemes showed that the defects of classic theory could be overcome in the ways suggested by Say and Ricardo. He considered the theory of Say and Ricardo to be completely correct from a theoretical point of view, and if their adversaries bothered to calculate the figures for the repartition of commodities in the capitalist economy, they could easily understand that the rejection of this theory concealed a logical contradiction.

If the theory of outlets of the classics was to be rejected because it overlooked the fact that the value of the means of production transferred to the product had to be included in the value of the commodities (that is, it overlooked the reproduction of constant capital), thanks now to the of reproduction schemes a complete theory of markets could be offered, and Tugan-Baranovsky thought it was his mission to reveal to the astounded masses the real secrets of accumulation, the secrets that the leaders of the communist party of the previous generation (Marx and Engels) had not finally discovered.

However, Tugan-Baranovsky’s theory was not at all a simple continuation of the theory of Ricardo and Say.

According to Tugan-Baranovsky, the reproduction schemes showed, as long as certain proportions between and within the departments are respected, that accumulation could proceed without any limit. Production offered production its main and increasing market, so it was not the weakness of the demand of the masses that could hinder the realization of capitalist production. Moreover, if a certain proportion between different moments of capitalist production was respected, it could find its markets, even if consumption declined.



“The accumulation of social capital leads to a reduction in social demand for means of consumption which goes hand in hand with the increase in overall social demand for commodities. (...) It is therefore possible for accumulation to be accompanied by an absolute decline in social consumption. A relative decline in social consumption – in relation to the general total social product – is inevitable in any case.” (Tugan-Baranovsky quoted by Mattick in *Economic Crisis and Crisis Theory* from *Studien zur Theorie und Geschichte der Handelskrisen in England*, p. 25 & p. 27)

Tugan-Baranovsky took this paradox as far as stating that the reproduction of social capital was completely possible even if there was just one worker left to keep the constant capital in motion, as long as a certain proportionality was respected.

“It is not hard to construct a new scheme ... [showing] ... with the evidence that the greatest replacement of workers by machines ... to make whatever machine superfluous and useless. Let us suppose all workers, except the last one, are replaced by machines, then this single worker puts into motion the colossal mass of machines and with their help produces new machines and the means of consumption of the capitalist class. The working class would disappear, but this in no way makes it difficult to realize the products of capitalist industry. The capitalists would have a great mass of means of consumption at their disposal and the entire annual social product would be absorbed by the production and consumption of capitalists the following year. If the capitalists, with their passion for accumulation, wanted to restrict their own consumption, that would be fully possible. In this case, the production of means of consumption for capitalists would be reduced and a very large part of the social product would consist in means of production to be used in further development of production. For example, coal and iron would be produced for the further development of the production of iron and coal. The extended production of coal and iron in each subsequent year would absorb the coal and iron produced in the previous year and so on for ever until the natural resources of the minerals in question became exhausted.” (Tugan-Baranovsky, French version, p. 212)

This means that crises could only be explained by the breakdown of the proportion between the two departments. Money was considered as being just a means of exchange, if a crisis did break out there was overproduction on one hand complemented by underproduction on the other hand. The crisis could be dispelled simply by re-establishing proportionality between capitals.

However, given this, the anarchy of production would reappear periodically. All the same, one could admit that a better knowledge of the bourgeois economy and a greater control of the state with increased planning could soften crises, reducing, in fact, even cancelling the catastrophic and revolutionary perspectives of the communist movement.

“The widespread view, shared to a certain extent by Marx, is that the poverty of the workers – i.e. the great majority of the population – renders the realization of the products of an ever-expanding capitalist production impossible due to insufficient demand. This view is to be rejected as mistaken. We have seen that capitalist production creates its own market – consumption being only one of the moments of capitalist production. If social production were organized through planning, and the managers of production were thoroughly equipped with information about demand and with the power to transfer labour and capital freely from one branch of production to another, the, however low the level of social consumption, the supply of commodities would not exceed the demand.” (Tugan-Baranovsky, *Studien zur Theorie und Geschichte der Handelskrisen in England*, p. 13.. quoted by Luxemburg in *The Accumulation of Capital* p. 224)



While the process of capitalist accumulation was revamped in an idyllic vision, the “harmonist” theories of Say and his school were also being rehabilitated. Tugan-Baranovsky sank deeper and deeper into vulgar economics and increasingly challenged the proletarian theory of value to substitute it with the ultra-vulgar subjectivist theory of utility value.

5.2 The communist programme as the critique of political economy

The communist programme does not neatly fit into the continuation of classical political economy as it is above all a critique of this science which reached its peak with Ricardo and Sismondi. Starting in 1830 with the growth of the class struggle, classical political economy degenerated and was transformed into vulgar political economy.

“Once for all I may state here, that by classical political economy, I understand that economy, which since the time of W. Petty, has investigated the real relations of production in bourgeois society, in contradistinction to vulgar economy, which deals with appearances only, ruminates without ceasing on the material long since provided by scientific economy, and there seeks plausible explanations of the most obtrusive phenomena, for bourgeois daily use, but for the rest, confines itself to systematising in a pedantic way, and proclaiming for everlasting truths, the trite ideas held by the self-complacent bourgeoisie with regard to their own world, to them the best of all possible worlds.” (Marx, Capital Vol. I, Collected Works Vol. 35, p. 92)

Therefore, the communist programme is neither in line with the disproportionalists Say and Ricardo, nor those of the underconsumptionist theories of Sismondi. Nevertheless, Marx stressed that Sismondi had got further with the question of crises than Ricardo. If Ricardo was “the most stoic” adversary of the proletariat, and if he had understood better the “positive nature of capitalism”, Sismondi had “more intimately grasped the narrow-minded and skimpy nature of production founded on capital”. “Sismondi, by contrast emphasizes not only the encountering of the barrier, but the creation by capital itself, which thus gets itself into contradictions, contradictions in which he glimpses the impending breakdown of capital.” (Marx, Grundrisse, Collected Works Vol. 28, p. 338)

So, it is in fact false to state, as Lenin does in his polemic against the populists, that:

“Sismondi did not in least understand capitalist accumulation, and in his heated controversy on the subject with Ricardo truth was really on the side of the latter. Ricardo asserted that production creates a market for itself, whereas Sismondi denied this, and based his theory of crises on this denial. (...) From the viewpoint of the modern [i.e. Marxist ed.] analysis this is how matters stand. Production does indeed create a market for itself (...)” (Lenin, A characterisation of Economic Romanticism, Collected Works Vol. II, pp. 154-155)

We can see that revolutionary theory was far from rallying to the classics, but instead undertook a systematic critique of their theory of crises. Lenin was carried away by his polemic against the Russian populists, finding himself unable to restore revolutionary orthodoxy. Even worse, he went towards the most vulgar theories and his judgement on Sismondi was too unilateral as it does not explain the importance of the latter’s opposition to Ricardo.

“Whereas Ricardo’s political economy ruthlessly draws its final conclusion and therewith ends, Sismondi supplements this ending by expressing doubt in political economy itself.” (Marx, Introduction to the Critique of Political Economy, Collected Works Vol. 29, p. 301)



We should not conclude from this that Marx was a disciple of Sismondi and underconsumptionism, using as a pretext that he did not rally to Ricardo. Being opposed to what a Tugan-Baranovsky may suppose, for example, revolutionary theory cannot state that, on the ruins of bourgeois economic science, it is not the utopian and reactionary petit- bourgeois socialist Sismondi who offers the communist programme a theoretical arsenal to demolish the old world.

On the contrary, the communist programme develops by undertaking a radical critique of Ricardian political economics and the doubts which arise about it, as expressed by Sismondi, because Sismondi “forcefully criticizes the contradiction of bourgeois production, but he does not understand them, and consequently does not understand the process whereby they can be resolved.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 248)

It is also untrue to suppose, as Paul Mattick does, as a follower of a theory of the falling rate of profit inspired by Grossmann and thus a defender of a counter-revolutionary Ricardian theory, when he states that Marx had two theories of the crisis, one based on the falling rate of profit and the other on underconsumptionism.

“As already pointed out, for Marx the crisis was due, on the one hand, to the fall in the rate of profit inherent in accumulation, independently of all the phenomena of crisis visible on the surface of society. The debates on crisis and breakdown have continued to the present day, in part thanks to the ambiguity of Marx’s statements.” (Mattick, Economic Crisis and Crisis Theory, part 3. At: Marxists.org/archive/mattick-paul/1974/crisis/ch03.htm)

We shall comment on the passages we have judged negatively later on, but it is always the case that while some see Marx as a Hegelian, others see him as a Sismondian and this is a measure of how much they give up the revolutionary dialectic, while the others rejuvenate themselves with Ricardian concepts. If Mattick had been truly able to restore the communist theory on the fall of the rate profit instead of serving up a Ricardian version, he would have saved himself from seeing contradictions where they cannot exist.

The theses of Tugan-Baranovsky were only a return to Ricardian concepts that had already been rubbished by the communist party. Marx obviously could not accept the thesis stating that products are exchanged with other products and that production automatically creates its own market.

“There is a piling up of improvements, a cumulative development of productive powers// requires a constantly expanding market and that production expands more rapidly than the market, then one would merely have used different terms to express the phenomenon which had to be explained – concrete terms instead of abstract terms. ... This occurs at the end of the cycle. ... since market and production are two independent factors – that the expansion of one does not correspond with the expansion of the other.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp 153-154)

We must be clear that this does not at all mean the alignment of the positions of the communist party with those of underconsumptionism. The conflict between market and production, between the conditions under which surplus value and capital are produced and those under which they are realized cannot be separated from the condition of valorization of capital and therefore the fall in the rate of profit.

Marx was able to criticize Ricardo, who used his incorrect theory of money to deny the possibility of crisis.



This is the essential point of the break between classical political economics and the communist programme. This is precisely the essential point separating classical political economy and the communist programme: “Mr Wagner could have formalized the differences between me and Ricardo from Capital and from Sieber’s work (if he knew Russian). Ricardo did indeed concern himself with labour solely as a measure of value and was therefore unable to find any link between his theory of value and the nature of money.” Marx, *Marginal Notes on Adolph Wagner’s “Lehrbuch der Politischen Oekonomie”*, Collected Works Vol. 24, p. 534)

Political economy as a science could not go beyond the bounds of the bourgeois outlook of commodity categories as historical products that were not eternal, have not always existed and so were subject to disappear as well with a superior organization of society.

“It is one of the chief failings of classical economy that it has never succeeded, by means of its analysis of commodities, and, in particular, of their value, in discovering that form under which value becomes exchange value. (...) the value form of the product of labour is not only the most abstract, but also the most universal form, taken by the product in bourgeois production, and stamps that production as a particular species of social production, and thereby gives it its special historical character. If then we treat this production as one eternally fixed by Nature for every state of society, we necessarily overlook that which is the *differentia specifica* of the value form, and consequently of the commodity form, and of its further developments, money form, capital form &c.” (Marx, *Capital Volume I*, Collected Works Volume 35, pp. 91-92).

In this way, political economy transforms the commodity and the social relations that go with it into a product (use value), while exchange is reduced to simple barter, thereby denying not only capitalist production as the generalized production of commodities, but also the simple production of commodities.

It is in the nature of the commodity that the exchange value it potentially contains, and which is indicated ideally by its price as realized as money, that is, its value is autonomized as money. If the capitalist is obliged to sell to realize the value of the commodity, it is not equally certain that he comes face to face with a purchaser. The possibility of the crisis therefore lies in the possibility of a separation between sale and purchase.

“The difficulty of converting the commodity into money, of selling it, only arises from the fact that the commodity must be turned into money but the money may not be immediately turned into commodity, and therefore sale and purchase can be separated. We have said this form contains the possibility of crisis, that is to say, the possibility that elements which are correlated, which are inseparable, are separated and consequently forcibly reunited, their coherence is violently asserted against their mutual independence. Crisis is nothing but the forcible assertion of the unity of phases of the production process which have become independent of each other.” (Marx, *Theories of Surplus Value*, in Collected Works Volume 32, pp. 139-140)

Consequently, if one stops thinking about money only from the point of view of its function as a means of circulation in order to see that it also has the function of a means of payment, and with this comes the possibility of crisis to the extent that a separation between sale and purchase can occur, the theories of disproportionality go down the drain.

“The function of money as the means of payment implies a contradiction without a *terminus medius*. In so far as the payments balance one another, money functions only ideally as money of account, as a measure of value. In so far as actual payments have to be made, money does not serve as a circulating medium, as a mere transient agent in the interchange of products, but as the



individual incarnation of social labour, as the independent form of existence of exchange-value, as the universal commodity. This contradiction comes to a head in those phases of industrial and commercial crises which are known as monetary crises.” Marx, Capital Volume I, Collected Works Vol. 35, p. 148)

5.3 The revolutionary “milieu”, the inheritors of political economy

“Revolutionary Perspectives” no. 6 published an article “The accumulation of contradictions”, which is anything but a serious criticism of Luxemburg’s positions. The CWO (Communist Workers Organization)³⁸ quoted a short fragment of her work:

“As long as this surplus value is contained in the form of the commodity, however, it is useless to the capitalist. Once it has been produced, it must be realized and transformed into the pure form of value – i.e. into money.” (Luxemburg, The Accumulation of Capital, p. 13)

It was followed by a commentary that merits pride of place in the book of howlers of the workers movement: “Once again Luxemburg reveals her confusion on the nature of money. It is not “pure value” but a special case of the commodity form, the universal commodity which effects the exchange between all others.” (Revolutionary Perspectives, n°. 6, p. 22)

The imbecile who did not understand a single word of what Luxemburg said (she said that money was “the form of pure value” and not pure value, which means that when value is freed in money, it is freed from any particular determination to acquire a universal form, allowing it to continue in process to be able again to valorize itself by the transformation into the elements of productive capital, the means of production and labour power), and we see again here the old worn out Ricardian junk; money is only considered in its function of a means of circulation, thus denying any contradiction between commodity and money and therefore any possibility of crisis.

We have already shown in CouC no. 4³⁹ that the C.W.O. totally ignores the communist theory of value. They also leave out, as good Ricardians, the function of money as the universal money, abstracting the function as means of payment, which prevents them from admitting any real crisis affecting the bourgeois economy. They end their charge against Luxemburg with an argument which has nothing to do with the matter, but which shows how far they can go off target, which at least shows the proletariat the sense of humour of the C.W.O.: “gold and not super-tankers operate as money for reasons of convenience, not because it is pure value.” (id.)

In order to make us clearly see that it has understood nothing of the contradictions of the capitalist mode of production, the C.W.O. continues its argument.

“After this pure nonsense, Luxemburg’s theory cannot cope with a system where the state functions as the “collective capitalist”, and where exchange can take place via equivalent values and without each commodity passing through the C-M cycle or, as Marx would have said, presupposing the “ideal” existence of money. Thus, in Russia, for example, though the product of Department II passes through the C-M cycle, the bulk of those of Department I do not, and the state delivers means of production in exchange for equivalent commodity output. If we deny that these are not commodities, or that they contain surplus value realised and capitalised without assuming the

³⁸ Now called ICT - International Communist Tendency.

³⁹ As regards the agrarian question, cf. “Communisme contre valeur”, in Communisme ou civilisation no. 4, 1978, and the republication of « La question agraire » www.robingoodfellow.info [Note added in 2009]

money form, we are denying the commodity character of the bulk of production in Russia et. al. and thus accepting the Stalinist view that state capitalism equals socialism.” (ibid. p. 22).

The communist programme does not deny the commodity character of production, or more exactly the fact that production is capitalist production based on the exploitation of wage labour, nor that capital and surplus value can be realised and capitalised, but instead denies for the same reason that the state can guarantee at any place at any time the realization of the social product. It also denies that state intervention allows the control over the law of value and that it can therefore suppress the contradiction between the commodity form and the money form by allowing value to pass without difficulty from the commodity to money. If bourgeois society could use the intermediary of the state, for example, to guarantee the automatic realization of the social product, there would be the end to the possibility of crises. The law of value would have been brought to heel and with it the catastrophic crisis and the spectre of social revolution that follows it like a shadow. The CWO. surrenders to political economy and its myths by renouncing the communist theory of value for a Ricardian substitute, and so is incapable of understanding the nature of crises that periodically shake the capitalist mode of production. It is also led to state implicitly that the possibility of crisis does not exist in societies where the state has a near monopoly of economic activity.

What is the origin of the crisis? Unperturbed, the CWO answers, from the fall in the rate of profit. If the CWO is happy to wallow in the Ricardian mud with its theory of value and money, and its conception of the fall in the rate of profit, this all falls in line with its Ricardian premises. Just as Ricardo admitted a fall in the rate of profit leading to stagnation discouraging any accumulation, given the progressive decline of the productive power labour due to the effects of falling production in agriculture, the CWO takes up the conceptions of the Stalinist Grossmann, that is the fall in the rate of profit under the influence of the faster accumulation of constant capital than variable capital (and therefore a rise in the organic composition) independent of surplus value and its production. This fall could last until the cows come home, as long as surplus value does not prove insufficient to guarantee accumulation at a certain moment.

In fact, in Grossmann’s interpretation, the share of surplus value going to accumulation gets endlessly larger, while that going to consumption falls in the same period. Decreasing rates of return in agriculture and the rise of rent are substituted by a theory of the relative fall in labour productivity and a rise in the organic composition causing partial crises, which are only disproportions between existing surplus value and the supposed need for an increase in the organic composition, and therefore a growing mass of constant and variable capital to accumulate. Grossmann’s theory, which we shall return to, is not only unable to restore correctly the revolutionary understanding of crises and the contradictions of capitalist production, but it also openly abandons Marx’s point of view. Grossmann falsified Marx with a cynicism which speaks reams about his supposed intellectual qualities.

So, in Marx the rate of accumulation, the share of surplus value accumulated, is determined by the rate of profit, which means the rate of profit will be high when the rate of accumulation tends to rise, and at this point the rate of economic growth may increase, while the movement is the opposite in Grossmann, that is, the rate of accumulation rises while the rate of profit falls, and to such extent that economic growth can accelerate.

Grossmann falsifies the theory of relative overpopulation by supposing that the rise in the organic composition with the liberation of workers by the machine will not cause relative overpopulation. It is true to say that variable capital, in his scheme, can increase at the same rate and so not lead to



a tendency towards relative overpopulation, so while the organic composition rises, this ideal period would last until the crisis. To the extent that he admits, for the phase of real submission, a tendency for an increasing growth of the share of the surplus value accumulated, he denies the need for capital to create a middle class to consume an increasing share of the self-same surplus value. Clearly this all a largely out of the reach of the CWO., always ready to laugh mockingly at what is correct and profound in Luxemburg.

Just as Ricardo denied any possibility of a general crisis, while admitting the falling rate of profit, the CWO denies the possibility of a general crisis and chatters noisily about a fall in the rate of profit, which it tries to explain to us by means of Ricardian nonsense.

It is not worth the trouble to reproach Mattick (a follower of Grossmann and so a guru for the CWO. on the question of the rate of profit), who sees in Russia, for example, a capitalist society where crises have been controlled, for smuggling back in the same conceptions. We should not think that in the same way for the decayed and stultified epigones of Luxemburg, the ICC, shed much light of the question. By confusing dialectical contradiction with incoherence, the ICC happily arms itself from the bourgeois arsenal to refute the falling rate of profit. In the purest Ricardian style, it correctly asks itself why the crisis does not come about with the pretext of the rate of profit having fallen from 100% to 10% and then to 1%. In short, the ICC has invented a new law according to which it is enough to add another zero to the denominator of the rate of profit to write another idiom, and it really uses and abuses this discovery.

We shall deal in detail later with the conditions which make the fall in the rate of profit cause ever greater crises. Here we can just remark that it is a Ricardian argument of the first water, worthy of Tugan-Baranovsky, that states that the crisis may arise because the conditions of production and realization are not identical. Let us recall what Marx said about the way in which capital seeks to overcome the effects of the fall in the rate of profit:

“Part of the commodities on the market can complete their process of circulation and reproduction only through an immense contraction of their prices, hence through the depreciation of the capital which they represent. The elements of fixed capital are depreciated to a greater or lesser degree in just the same way. It must be added that definite, presupposed, price relations govern the process of reproduction, so that the latter is halted and thrown into confusion by a general drop in prices. This confusion and stagnation paralyses the function of money as a medium of payment, whose development is geared to the development of capital and is based on those presupposed price relations. The chain of payment obligations due at specific dates is broken in a hundred places. The confusion is augmented by the attendant collapse of the credit system, which develops simultaneously with capital, and leads to violent and acute crises, to sudden and forcible depreciations, to the actual stagnation and disruption of the process of reproduction, and thus to a real falling off in reproduction.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 253)

And more in general:

“Since this decline of profit is synonymous with a decline in the ratio of immediate labour to the amount of objectified labour which it reproduces and posits anew, capital will try everything to make up for the smallness of the proportion of living labour to the size of capital in general, and hence for the smallness of the proportion which surplus value, if expressed as profit, bears to the pre-posit capital. It will seek to do so by reducing the allotment made to necessary labour and by still more expanding the quantity of surplus labour with regard to the whole labour employed. Hence, the highest development of productive power together with the greatest expansion of



existing wealth will coincide with depreciation of capital, degradation of the labourer, and a most straightened exhaustion of his vital powers.

“The contradictions lead to explosions, cataclysms, crises in which by momentaneous suspension of labour and annihilation of a great portion of capital, the latter is violently reduced to the point where it can go on fully employing its productive powers without committing suicide. Yet, these regularly recurring catastrophes lead to their repetition on a higher scale, and finally to its violent overthrow.” (Marx, Grundrisse, Collected Works Vol. 29, p. 134)

These two extracts contain everything the supposed disciples deny. Catastrophic, and not partial, crisis; fall in the rate of profit, which causes the failure to realize value and surplus value and so the collapse of capitalist production, which has to regain its footing by devalorizations, which are all the greater the greater the development of the productive power of labour.

Only the simple mindedness of the CWO can believe that such crises can be avoided with state aid.

The miserable debate between the neo-Ricardians of the CWO and the neo-Sismondians of the ICC follows the line of political economy with some more vulgarity, which the communist programme has already criticized. This speaks reams on the capacity of the so-called revolutionary milieu to carry out its theoretical tasks. The fear is that when the real movement requires something, these turbocharged activists will turn, just like the sects at the beginning of the workers movement, into an obstacle for the emancipation of the proletariat.

5.4 Rosa Luxemburg

We can return to Luxemburg to say that it was not the least of her merits to have recalled the contradictions between use value and exchange value, between commodity and money and between production and realization.

There is no automatic transformation of the commodity into money, the realization of value and its autonomization in the money form. There lies the possibility of crisis.

If Luxemburg correctly recalled against Tugan-Baranovsky and unfortunately against a certain Lenin too, that the realization of the commodity, the realization of its value in money, is not automatic, that it constitutes⁴⁰, to uses Marx’s term “the death-defying leap” of the commodity, at the same time her error was to see in this potential difficulty a permanent difficulty, to identify the possibility with the necessity of the crisis. This made her fall back into a kind of underconsumptionist logic.

“The factors which turn this possibility of crisis into [an actual] crisis are not contained in this form itself; it only implies that the framework for a crisis exists.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 140))

⁴⁰ The concept of realization has an equivalent here in the Hegelian dialectic where it means the value of the transition from necessity to freedom, the most difficult dialectical transition for Hegel (and not that of quantity into quality, as we erroneously stated in no. 7).

Luxemburg did not find herself working with the entire communist theory of the crisis when she remained in the field of circulation without linking in the bases of the crisis and therefore its need for the production process.

With the generalization of commodity production, when goods become a product of capital and a moment in the value process, the contradiction between commodity and money is posed to a much greater degree as the contradiction between commodity capital and money capital. The realization of the value of the commodity capital, and so of the surplus value it contains, is not an automatic fact as the contradiction included in this transition is moved to a much higher level and affects the whole social product ($c + v + s$) and not just 's' or any other part of capital.

The bases for this crisis have to be sought in the contradictory development of labour productivity in the capitalist mode of production, in the fact that it now constitutes (from the start of the phase of real submission, which was the case in 1847 in Britain) a production relation that is too restricted to develop the productive forces that come into conflict with it. This conflict appears periodically in ever increasing crises of overproduction. The possibility of these crises must therefore be sought within capitalist production, in the contradiction valorization/devalorization, which appears as the tendency of the rate of profit to fall. Capital devalorizes in the attempt to achieve the maximum surplus value, the extra value, in the hunt for the maximum valorization, and devalorizes when the value contained in the commodity, a product of capital, falls. Given that labour productivity must be increased in order to increase relative surplus value, the mass of means of production and raw material, in short the equivalent to constant capital in this ever increasing mass of commodities, increases in relation to the variable part of capital, and only the use of this part allows the extraction of surplus value, the exclusive goal of capitalist production.

It is also necessary to expect the increase in the level of labour productivity during the regular shaking up of this productivity during equally vast crises. The possibility for these crises to expand and assume a greater dimension lies in the contradiction between the commodity form and the money form, between the conditions in which commodities are produced and those in which they are realized.

Tugan-Baranovsky denied both the possibility of the crisis and its dialectical complement of the bases of the necessity of the crisis. He denied that there was any contradiction between commodity and money, which he transformed into a simple instrument in exchange. He transformed the commodity into a product and capitalist production into the production of use values with this production expanding indefinitely the production of means of production to the detriment of those of consumption. Consequently, if a crisis came about, it could only be due to a poor division of capital between the two types of production, a division that could be increasingly controlled though an improved knowledge of economic organization and production planning. The crises resulting from such disproportions could only be particular and could therefore could not shake to the roots the mode of production which caused them. It was therefore a pure and simple return to the theories of Say and Ricardo.

6. Crises and disproportions

6.1 A pretended argument: the composition of the social product

Tugan-Baranovsky was fully aware that his theories could not explain a general crisis, so he engaged in theoretical contortions to try to show how a partial crisis could become general.

Ricardo's error was not merely that of having followed Adam Smith's dogma and divide the social product into $v + s$, variable capital and surplus value and so fail to take into account constant capital (which Sismondi had also failed to do). Luxemburg correctly recalled (as opposed to Lenin, who let himself fall into this type of argument against Sismondi, pretending to ignore that Marx had used the same argument against Ricardo) that the problem posed by Sismondi was the contradiction between use value and exchange value, of obtaining effective demand to realize the product, and so the possibility of a crisis if the conditions of production and the conditions of realization were not identical.

"Yet, when later critics of Sismondi (such as, for example, the Russian Marxist [V.I.] Lenin) believe, with an air of condescension, that they could dismiss his entire theory of accumulation as invalid, as "nonsense" by referring to the fundamental error in the value-analysis of the total product, they merely demonstrated that they themselves had failed to notice the actual problem with which Sismondi was concerned. It was Marx himself, who in his subsequent analysis exposing Smith's gross error for the first time, most clearly demonstrated that the problem of accumulation is by no means solved by merely taking into account the value-content of the total product corresponding to constant capital. This was demonstrated even more strikingly by the circumstances that shaped Sismondi's own theory. In expounding his conception, Sismondi became embroiled in bitter controversy with the representatives and vulgarizers of the classical school – i.e. with Ricardo, Say, and McCulloch. The two camps represented opposing viewpoints: Sismondi asserted the sheer impossibility of accumulation, whereas Ricardo, Say and McCulloch argued that it could proceed ad infinitum. In relation to Smith's error, however, both sides now found themselves of the same side of the fence: both Sismondi and his opponents disregarded constant capital in their respective theories of reproduction; yet none of them sought to make a fixed and infallible dogma out of Smith's confusion in relation to the resolution of the total product into $v + s$ in such a pretentious way as did Say." (Luxemburg, *The Accumulation of Capital*, pp. 131-132)

6.2 Disproportion and harmony

Marx never denied the possibility of crises due to the disproportion between of within sectors. For, it was not only a possibility, but also a necessity in a society where individual labour must be accepted by the market to become social labour and where capitalists produced independently of human needs with only profit in mind.

This made it inevitable that the permanent adaptation of production to needs took place in an anarchic way and was only realized by attempts and crises, which showed if one or another production was overproduction while a shortage occurred in a different one. Furthermore, the disproportions inherent in capitalist anarchy could affect much larger sectors of the social organism. Marx therefore showed that disproportions between the fixed and circulating parts of capital, by their very nature, would occur:

"Moreover, all equalizations are accidental and although the proportion of capital employed in individual spheres is equalized by a continuous process, the continuity of this process itself equally

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presupposes the constant disproportion which it has continuously, often violently, to even out.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 124)

“On the contrary, the question that has to be answered is: since, on the basis of capitalist production, everyone works for himself and a particular labour must at the same time appear as its opposite, as abstract general labour and in this form as social labour – how is it possible to achieve the necessary balance and interdependence of the various spheres of production, their dimensions and the proportions between them, except through the constant neutralization of a constant disharmony? This is admitted by those who speak of adjustments through competition, for these adjustments always presuppose that there is something to adjust, and therefore that harmony is always only a result of the movement which neutralizes the existing disharmony.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 158.)

“It goes without saying that, in the whole of this observation, it is not denied that too much may be produced in individual spheres and therefore too little in others; partial crises can thus arise from disproportionate production (proportionate production is, however, always only the result of disproportionate production as the basis of competition) and a general form of this disproportionate production may be overproduction of fixed capital, or on the other hand, overproduction of circulating capital.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 150)

However, it was not the contradictions inherent in capitalist production which the communist programme hoped would lead to catastrophic crises, but a much more important contradiction that was not permanently manifested, but which regularly exploded and produced increasingly violent shocks.

6.3 Tugan-Baranovsky revises communism

Tugan-Baranovsky did not make the slightest advance on Ricardo-Say by sticking to this type of crisis. On the contrary, from the point of view of proletarian theory it was a real regression, a falling back into the worst aspects of political economy. Not only was Tugan-Baranovsky forced to consider money from the viewpoint of the means of circulation and ignore that of the means of payment, and consequently deny any contradiction between the commodity and money, so also denying the possibility of crisis, but this falling back also led to denying capitalist production and the crises springing from it, which are necessarily resolved violently in the form of a crisis.

Tugan-Baranovsky therefore denied the specificity of capitalist production to establish a mode of production which, by a little tinkering, could become everlasting.

The capitalist mode of production, the generalized production of commodities, is transformed into the production of use values in which the production of means of production proceeds independently from that of means of consumption.

Tugan-Baranovsky “forgets” that the goal of capitalist production is not the development of the means of production, nor the increase of their mass in relation to the means of consumption, but to extract the maximum surplus value, and it matters but little if this is done by producing means of production or means of consumption as they only matter here as supports for exchange value and the extra value called surplus value. Capitalist production, whose use values consist of means of production or means of consumption, only aims at the production of the greatest surplus labour so as to obtain an ever-greater surplus value, the production and reproduction of capitalist relations of production, which means endlessly increasing exploitation of the working class, with the



correlation of the latter's exhaustion, degradation and alienation. The department of means of production, seen from the aspect of its support for exchange value, has neither the priority, nor the specificity compared with the department of means of consumption. Capitalist production reigns in both departments and the capitalists in each department have the same master: capital, value in process which seeks the maximum valorization.

6.4 Tugan-Baranovsky revises the schemes of reproduction

Tugan-Baranovsky also presents some extremely confused schemes in that he proposes the splitting of the department of the means of consumption into two distinct sections: the section of means of consumption for workers and a section of luxury means of consumption for consumption by the capitalist class⁴¹.

This all denatures completely the reproduction schemes. Marx did not make the two departments that he introduced in his schemes correspond to distinct social classes. In fact, if necessary means of consumption are consumed by the working class, they are also consumed by the capitalist class, while the luxury means of consumption are consumed by the capitalist class alone in Marx's schemes.

Therefore, it is incorrect to identify department II or the division of necessary means of consumption exclusively for the proletarians and, thereby, equate the value of production in department II and the value of labour power.

The schemes describe a very high level of abstraction of the relationships there should be between the two great departments of social production, as the division of them is based on the distinction between productive consumption and individual consumption and not on a class logic, besides, there is a distinction within department II between necessary means of consumption and luxury means of consumption and this does not involve, as we have seen, the specification of the two classes present in the schemes, the working class and the capitalist class.

It is no coincidence if the revisionist tradition reasons about schemes of this kind which allow it to introduce all possible manipulations of the theory (e.g. L. Von Bortkiewicz, a guru for the CWO, among others, which uses as a point of departure the schemes of Tugan-Baranovsky for the "correction" – in a Ricardian sense, of course – of the theory of the transformation of values into production prices).

The characteristic of luxury means of consumption is not that they are consumed by the capitalist class, but that they play no role in the determination of the value of labour power. In fact, theoretical communism never excluded the possibility that workers too obtained luxury means of consumption, as the labour aristocracy, as it is paid wages equal to or higher than the value of the labour power, receives a decisive share in the consumption of luxury goods by workers.

⁴¹ "Mr. Tugan-Baranovsky compiled his own Schemes which differed from Marx's (and which were incomparably less clear than Marx's), at the same time omitting a theoretical explanation of those elements of the process that they were supposed to illustrate (...) Mr. Tugan-Baranovsky did not in any way show why it is essential to divide social production into two departments (I: means of production and II: articles of consumption) although, as Mr. Bulgakov justly remarked, "in this one division there is greater theoretical meaning than in all former arguments about the market theory." (Lenin, Remarks on the Question of the Market Theory, Collected Works Vol. IV, pp. 62-62)

Clearly, for reasons of this scheme (which we are using, but we shall return to this: for now we can say that the schemes cannot ipso facto be assimilated with “reality”) the workers do not consume luxury means of consumption as these commodities are only for capitalists. But if the function of the schemes⁴² was such that it was justified to consider the problem from this viewpoint, in the a more concrete analysis of accumulation and the consumption of the working class, Marx shows that this class could consume luxury means of consumption, and also that this consumption could rise following a general wage increase. In fact, in the passage on simple reproduction in the sub division of luxury means of consumption, Marx notes that in a phase of expansion:

“It is not alone the consumption of the necessities of life which increases. The working class (now actively reinforced by its entire reserve army) also enjoys momentarily articles of luxury ordinarily beyond its reach, and those articles which at other times constitute for the greater part consumer “necessities” only for the capitalist class.” Marx, Capital Volume II, Collected Works Vol. 36, p. 409)

Also, if the workers manage to win a general wage increase,

“(…) in consequence of a rise in wages, the demand of the labourers for the necessities of life will rise particularly. Their demand for articles of luxury will increase to a lesser degree, or a demand will develop for things which formerly did not come within the scope of their consumption. The sudden and large-scale increase in the demand for the necessary means of subsistence will doubtless raise their prices immediately. The consequence: a greater part of the social capital will be employed in the production of necessities of life and a smaller in the production of luxuries, since these fall in price on account of the decrease in surplus value and the consequent decrease in the demand of the capitalists for these articles. On the other hand, as the labourers themselves buy articles of luxury, the rise in their wages – within these limits – does not promote an increase in the prices of the necessities of life, but simply displaces buyers of luxuries. More luxuries than before are consumed by labourers, and relatively fewer by capitalists. Voilà tout.” (Marx, Capital Volume II, Collected Works Vol. 36, p. 338)

If the working class in its entirety earns a wage that is equal to or less than the value of labour power and if the relations are unfavourable with the capitalist class, it still participates in the consumption of luxury goods because a part of the working class, the better paid part, its aristocracy, earns a wage equal to or above that value. Consequently, independently of the phenomena that lead the exploited and subject classes to their own detriment to imitate in certain ways the consumption (and this can only be very partial) of the superior classes, the working class, through its aristocracy, can consume in a durable fashion, at least in periods of expansion, luxury

⁴² There figured among the goals following the reproduction schemes (which implicates the exposition of the problem in its purest form) the clarification of the reproduction of luxury items, as it is true that “It is impossible for conventional political economy to say anything sensible about the barriers to luxury production from the standpoint of capitalist production itself. But the matter is quite simple, if the moments of the reproduction process are properly analysed. If the reproduction process is hindered, or if its progress, in so far as it is already conditioned by the natural increase of the population, is prevented by the disproportionate employment of the kind of productive labour which is expressed in unproductive articles, with the result that too few necessary means of subsistence, or too few means of production, etc., are reproduced, luxury must be condemned from the standpoint of capitalist production. Apart from that, luxury is an absolute necessity for the mode of production which produces wealth for the non-producers, hence must give wealth the necessary forms in which it can be appropriated by the wealthy simply for their enjoyment.” (Marx, The Immediate Production Process, Collected Works Vol. 34, p. 449)

means of consumption. We recalled in no. 6 the material bases of this aristocracy and what means were used by capital to forge the golden chains not only, of course, for this aristocracy, but also to a certain extent for the whole of the class, in exchange for its political and ideological subjection.

The attitude of the ICC and the GCI (Groupe Communiste Internationaliste) is quite untrustworthy when, for example, it bitterly attacks communism and its theory of the labour aristocracy by making an amalgam and by refusing to face battle openly with this theory. Pretending to ignore (and ignorance, even if feigned, is never a political argument) that the concept of the labour aristocracy as well as its role of forming the basis for reformism were developed by Marx and Engels and later taken up, if not always in a completely restored manner, by Lenin, it enters into polemics with the by-products of Stalinism, which are taken in this case for communist theory, and seek by this miserable subterfuge to throw discredit on revolutionary theory that they are all too painstakingly careful not to attack directly.

6.5 Tugan-Baranovsky freed of any limit

If Tugan-Baranovsky uses theories foreign to the proletariat concerning luxury means of consumption to push his case, this aspect is just one of the moments in his overall denial of the contradictions of capitalist production and its internal bases.

He only considers the consumption of the working class. The reduction of its total consumption could only be a particular case implying the fall of the overall wage such that the mass of wages paid to workers as a whole would be lower than during the previous production cycle, despite the increase in the mass of wages caused by the hiring of new workers. That means that the individual wage in the first period multiplied by the number of workers employed would be higher than the new wage of a larger number of workers. In other words, the fall in the individual wage would be such that the overall mass of wages paid would fall, despite the growth in the number of workers employed.

Without rejecting it (and it is quite believable, in fact), this case can only come about in certain periods of capitalist accumulation, and, nevertheless, it is only in this perspective, that of a rapid accumulation of fixed capital, that Tugan-Baranovsky operates. On the other hand, if we consider department II overall, that is, including the individual consumption of the capitalist class and those who live off surplus value (landowners, middle classes), the hypothesis of a fall in consumption requires deeper study. In any case, this fall in consumption during a period of prosperity is a view to be rejected, even supposing that the value of proletarian labour power has fallen so much that the total value of wages is lower than that in the previous period, despite an increase in the working class population. An increasing share of the surplus value goes to maintain an ever-expanding middle class, whose relative increase in relation to the working class is accomplished by the increased exploitation of the proletariat.

For the same reason, there is a relative fall of department II compared to department I, (a question we shall return to, in as much as it would mean a rise in the organic composition, and would be better viewed from another standpoint) in as far as the value of production in department II is not exclusively for the working class, but also includes the capitalist class and its hangers on.

We should also remember that, in order to have a clearer view of the general panorama of capitalist production, we are only considering capital employed in productive sectors of the bourgeois economy and therefore leaving out capital used in unproductive sectors, such as commerce and trade. Tugan-Baranovsky was led by his taste for paradox to reject capitalist production itself, along with its exclusive goal in the quest for the maximum surplus value.



If the communist programme could admit a fall in total consumption under certain conditions, it has always rejected most energetically the idea that the capitalist mode of production could survive for long the absolute fall in the number of workers. To the extent that such a fall would rapidly mean (from the time that the resort to the increase in productivity and intensity would no longer compensate for the absolute fall in the surplus value extorted due to the decrease in the number of workers) a fall in the mass of surplus value extorted, the capitalist mode of production would be on course for exceptionally gave crises, and this would mean reaching one of the absolute limits of capitalist production and consequently of automation within the set-up of bourgeois society.

“At any rate, it is but a requirement of the capitalist mode of production that the number of wage workers should increase absolutely, in spite of its relative decrease. Labour power becomes redundant for it as soon as it is no longer necessary to employ it for 12 to 15 hours daily. A development of productive forces which would limit the absolute number of labourers; i.e., enable the entire nation to accomplish its total population in a shorter time span, would cause a revolution, because it would put the bulk of the population out of the running. This is another manifestation of the specific barrier of capitalist production, showing also that capitalist production is by no means an absolute form for the development of the productive forces and for the creation of wealth, but rather that a certain point it comes into collision with this development. This collision appears partly in periodical crises, which arise from the circumstances that now this and now that portion of the labouring population becomes redundant under its old mode of employment. The limit of capitalist production is the excess time of the labourers. The absolute spare time gained by society does not concern it. The development of the productive power concerns it only in so far as it increases the surplus labour time of the working class, not because it decreases the labour time for material production in general. It moves thus in a contradiction.” (Marx, Capital Volume III, Collected Works Vol. 37, pp. 262-263)

An absolute fall in the number of workers would rapidly cause a decrease in the mass of surplus value extorted by capital and lead on equally rapidly to a crisis. This possibility therefore implies an increase in labour productivity that the capitalist mode of production would be unable to attain. As Bukharin remarked, the organic composition of capital would be particularly high, and even if the rate of surplus value would be particularly high too, the rate of profit would be ridiculously low. Labour productivity would be sky high, as would the mass of means of production and consumption. Just one man’s work could maintain all mankind! If the opposite was the case, that is if labour productivity could not keep up with the increase of the organic composition, our single worker would be the Robinson Crusoe capitalist, alone on this planet, working immense machinery, providing himself with all that was required to reproduce his labour power and absorbing through accumulation the surplus value produced, with the organic composition rising to the same extent.

This is the wonderful perspective that Tugan-Baranovsky outlines for the capitalist mode of production, thereby denying that it is just a capitalist mode of production and therefore a mode of production that corresponds to a certain level of development of the productive forces, a development which by now has become unable to guarantee any further progress before its own forces rise up against it.

6.6 The communist theory of underconsumption

Even if Marx strongly rejected disproportionalist theories, this did not mean he accepted underconsumptionist ones instead. We shall deal with certain points in detail regarding this theory in a future number of our review, while for the moment stressing with Engels that

underconsumption is a characteristic of all class societies, while overproduction is characteristic only of capitalist production:

“But unfortunately, the underconsumption of the masses, the restriction of the consumption of the masses to what is necessary for their maintenance and reproduction, is not a new phenomenon. It has existed as long as there have been exploiting and exploited classes. Even in those periods of history when the situation of the masses was particularly favourable, as for example in England in the fifteenth century, they underconsumed. They were very far from having their own annual total product at their disposal to be consumed by them. Therefore, while underconsumption has been a constant feature in history for thousands of years, the general shrinking of the market which breaks out in crises as the result of a surplus of production is a phenomenon only of the last fifty years; and so Herr Dühring’s whole superficial vulgar economics is necessary in order to explain the new collision not be the new phenomenon of overproduction but by the thousand-year-old phenomenon of underconsumption. It is like a mathematician attempting to explain the variation in the ratio between two quantities, one constant and one variable, not by the variation of the variable but by the fact that the constant quantity remains unchanged. The underconsumption of the masses is a necessary condition of all forms of society based on exploitation, consequently also of the capitalist form; but it is the capitalist form of production which first gives rise to crises. The under-consumption of the masses is therefore also a prerequisite condition of crises, and plays in them a role which has long been recognized. But it tells us just as little why crises exist today as why they did not exist before.” (Engels, *Anti-Dühring*, Collected Works Vol. 25, p. 272)

We therefore have to find the origin of crises of overproduction in what characterizes the new mode of production, that is in the capitalist mode of production. It is the kingdom of the generalized market economy, where labour power itself becomes a commodity (wage labour) and where the goal of production is not the production of use values, whether they are means of production or means of consumption, but the creation of the maximum surplus labour, the maximum surplus value.

“It must never be forgotten, that in capitalist production what matters is not the immediate use value but the exchange value and, in particular, the expansion of surplus value. This is the driving motive of capitalist production, and it is a pretty conception that – in order to reason away the contradictions of capitalist production – abstracts from its very basis and depicts it as a production aiming at the direct satisfaction of the consumption of the producers.” (Marx, *Theories of Surplus Value*, Collected Works Vol. 32, p. 126)

Consequently, the origin of overproduction is to be sought in the internal contradictions of production based on capital, that is in the conditions of production and realization of surplus value and capital:

“The criterion of this surplus production is capital itself, the scale on which the conditions of production are available and the unlimited desire of the capitalists to enrich themselves and to enlarge their capital, but by no means consumption, which from the outset is inhibited, since the majority of the population, the working people, can only expand their consumption within very narrow limits, whereas the demand for labour, although it grows absolutely, decreases relatively, to the same extent as capitalism develops.” (Marx, *Theories of Surplus Value*, Collected Works Vol. 32, pp. 123-124)

So, Marx, in the very chapters where he seemingly takes the turn of an underconsumptionist theory, he in fact rejects it explicitly. If, as we have seen, Marx strongly rejected the theory that capitalist production automatically created its own markets, it would be untrue to say there was the allegiance

to a theory of the lack of effective demand that derived from something other than the contradictory development of capitalist production, that is from something other than the periodic resolution in increasingly major crises, the contradiction of valorization/devalorization which is manifest in the form of the falling rate of profit.

“As soon as manufacturing gains sufficient strength [thus in the phase of formal submission ed.], and particularly large-scale industry [phase of real submission ed.], it creates in its turn a market for itself, by capturing it through its commodities. At this point commerce becomes the servant of industrial production, for which continued expansion of the market becomes a vital necessity. (...) What restricts this mass production is not commerce (in so far as it expresses existing demand), but the magnitude of employed capital and the level of development of the productive power of labour.” (Marx, Capital Volume III Collected Works Vol. 37, pp. 334-335)

In order for capital to valorize to the greatest extent to extort the greatest surplus value from the productive worker, it has to devalorize at the same time, that is the material elements which incorporate exchange value contain less value given the rise in labour productivity. It follows, all things being equal, that the same value is incorporated in a growing mass of commodities. Capital stands on the basis of the law of value which it tends to negate by increasing labour productivity, the productivity it has to increase, as we have seen, in order to exploit to the maximum proletarian labour power.

On the other hand, in order just to raise this labour productivity to obtain the maximum surplus labour, the organic composition of capital, that is, the ratio between constant capital (means of production and raw materials) and variable capital (wages) must rise too. Now surplus value only comes from the exploitation of labour power, thus the employment of variable capital. This contradictory movement also causes the tendency for the rate of profit to fall. If the counter tendencies to this fall are not strong enough and, therefore, if this movement does not develop into a dramatic fall in the rise of labour productivity, the fall in the rate of profit would prevent any further accumulation, thus, any further realization, not only of surplus value or a part of capital, but tendentially all of it.

The need to massively devalorise capital follows and this is seen in the ruinous drop in prices for the capitalists, but which takes capital back to a level at which the destruction of exchange value contained in the commodities permits it to restart. We have seen that this devalorization appears as a drop in prices, that is the destruction of exchange value, but this could take place along with, or thanks to, the destruction of use values (the block on sales causes the deterioration of commodities, unused machines go to rust etc.) and while the capitalist mode of production has reached a high degree of maturity, we have already said that this systematic destruction must be organized systematically, if the capitalist class does not want society to collapse. This large-scale organization of devalorization of capital exists and the bourgeoisie realizes it in imperialist wars, reactionary wars, which have the sole perspective of maintaining a surpassed mode of production, which exists only by holding the proletariat in a vice by having nothing to offer it, after having always shortened its chains (having stopped gilding them), than the destruction of an increasingly deadly imperialist war.

“Meanwhile we just note here: in reproduction, just as in the accumulation of capital, it is not only a question of replacing the same quantity of use values of which capital consists, on the former scale or on an enlarged scale (in the case of accumulation), but of replacing the value of the capital advanced along with the usual rate of profit (surplus value). If, therefore, through any circumstance of combination of circumstances, the market prices of the commodities (of all or most of them, it



makes no difference) fall far below their cost prices, then reproduction of capital is curtailed as far as possible. Accumulation, however, stagnates even more. Surplus value amassed in the form of money (gold or notes) could only be transformed into capital at a loss. It therefore lies idle as a hoard in the banks or in the form of credit money, which in essence makes no difference at all.” (Marx. Theories of Surplus Value, Collected Works Vol. 32, p.125)

So, the crisis of the capitalist mode of production is really a catastrophic crisis which concerns the entire capitalist production and not just a part, as counter-revolutionary theories, be they disproportionalist or underconsumptionist, both proclaimed. On a political level, the former lead to the voluntarism of the party *deus ex machine* as it has to add a dose of subjectivity to the objective conditions so that the proletariat can seize power, hence the recourse to various tactical expedients, while the latter end up in fatalism, the negation of the party and organization, the acceptance of pacifism and the refusal of the class struggle, as the proletariat cannot rise to the class consciousness which it is always searching for. The emergence of the catastrophic crisis for the dialectic and revolutionary conception means the polarization of antagonism, the heightening of class struggles meaning that those at the bottom no longer want to be governed as before, but also that those on top cannot govern as before. It implies that the proletariat can and must constitute itself as a distinct political party in opposition to those of other classes in rigorous preparation for the inevitable class war. It consequently means conducting a theoretical and practical war without failure at the same time. It prepares systematically a military organization aiming at insurrection and the seizure of political power, meaning nothing other than the revolutionary dictatorship of the proletariat based on revolutionary violence and the merciless recourse to red terror.

7. Luxemburg's attempt at restoration and its limits

7.1 Luxemburg adjusts Tugan-Baranovsky

Even if Luxemburg went on to attack Tugan-Baranovsky armed as an orthodox Marxist, at the same time she was wrong to accept one of his false statements; that is the supposed contradiction existing between Capital Volume II and Volume III. Tugan-Baranovsky considered Volume II to be the peak Marx reached in his research as it was written after Volume III and led on to invalidating the theories of crises laid out in that volume. Luxemburg thought that contradictions did exist between the two volumes, but did her best to show that Volume II contained schemes which, on the one hand were imperfect, seeing that Volume II was incomplete, and on the other hand were based on methodological hypotheses that that made it impossible for them to restore the true processes of accumulation.

Luxemburg admitted that it was possible to draw from the schemes the conclusion that there was the possibility of unlimited expansion of capitalist production. If, as far as Tugan-Baranovsky was concerned, it was an idea that Marx lacked time to clarify and that he had just developed for the first time, Luxemburg on the contrary, did her best to show that this novelty was only a vulgar rehabilitation of the theories of Say and Ricardo, the surrender of the communist theory when faced by bourgeois political economy, while at the same time doing what she could to rehabilitate Volume III as regards the schemes in volume II.

“Finally, the scheme contradicts the conception of the capitalist total process and its trajectory laid out by Marx in the third volume of Capital. The fundamental idea of this conception is the immanent contradiction between the unconfirmed capacity for expansion of the productive forces and the restricted capacity for expansion of social consumption under capitalist relations of distribution.”⁴³ (Luxemburg, *The Accumulation of Capital*, p. 246)

“To be sure, according to the scheme in the second volume, to which Tugan-Baranovsky clings as his only support, the market is identical with production. Expansion of the market follows necessarily from the expansion of production, since production constitutes its own exclusive market [...] According to the scheme, then, the contradiction that is identified in the analysis of the third volume does not exist.” (Luxemburg, *The Accumulation of Capital*, pp. 248-249)

Luxemburg is led to criticize Marx's schemes of reproduction in order to demonstrate the true theory of crises found, according to her point of view, in Volume III. Seeing that she accepts Tugan-Baranovsky's perspective of a contradiction between the two volumes, in order to maintain orthodoxy, she attempts to show that the schemes contain numerous errors and that they cannot

⁴³ As we can note, Luxemburg, while all the time fighting hard against harmonist theories of Tugan-Baranovsky and vigorously recalling quite correctly the contradictions between commodity and money, between the production of capital and its realization, did not explicitly link the theory of crises as expressed in Volume III to the contradiction of valorization/devalorization, which appears in the aspect of the tendential fall in the rate of profit. In fact, in her response to critics she was led to declare “there is still some time before capitalism collapses because of the falling rate of profit, roughly until the sun burns out” (*Anti-critique*, p. 499 fn. 4) and thus she remained far from orthodox in her position and did not fully restore the original positions of the communist programme. Thus, she fell back (not to speak of her epigones) into an underconsumptionist position that had long before been surpassed by revolutionary communism.

take into account the overall reality of capitalist accumulation due to their methodological presuppositions.

7.2 Luxemburg criticizes the reproduction schemes

Apart from certain “technical” imperfections, Luxemburg challenges the schemes on the following points:

1) They do not correctly resolve the problem of the reproduction of the mass of money material in simple reproduction. The introduction of gold produced to provide money leads to the appearance of a disequilibrium that Luxemburg proposes to reabsorb by creating a third division, the division of means of circulation.

2) When Marx takes monetary circulation into consideration, the extended reproduction scheme is “thorny” and becomes defective with the circulation of money. However, Luxemburg considers that the difficulties Marx met when dealing with the problems regarding this circulation of money while he looked into “the sources of money” derive from a more profound problem Marx does not state clearly: that is, where is the effective demand for surplus value to be found? In his schemes, which are based on the hypothesis of a society composed only of workers and capitalists, Marx could not correctly resolve the problem of “the sources of money” to the extent that the problem lying hidden behind these difficulties, which he had not identified, was that of effective demand for realizing surplus value. This point formed the leitmotiv of Luxemburg’s theory, the mainstay of her conceptions. According to Luxemburg, it was quite impossible to find this effective demand within the bounds of purely capitalist production, that is, without any other forms of production, therefore within a capitalist mode of production as symbolized by the schemes. The capitalist mode of production had to live in osmosis with the pre-capitalist sector in order to realize surplus value, while at the same time eating away this sector and therefore progressively cancelling the bases it requires for its accumulation.

3) When labour productivity is taken into account, this leads to a disproportion between the two divisions of social production. Luxemburg tried to take into account the effects of the increase in labour productivity, which implies a rising organic composition. When Luxemburg made this organic composition change, she made a surplus of means of production appear in the scheme of extended reproduction in division II, while a deficit of means of production appears in division I.

4) The scheme excludes sudden leaps in production and the unequal development between the different divisions. Finally, we come to what Luxemburg stated above all in the section above: the scheme shows no crisis other than those that result from a disproportionality in production, that is, due to the lack of social control over the production process.

We shall dedicate particular arguments to the question of the reproduction of money matter, the question which opens the way to the study of the reproduction of capital employed unproductively, and if we want to find an area where confusion reigns supreme in the communist movement, it is just this one. The pathetic analyses of the ICC or the CWO in their “explanations” of the role of arms production show just how long and hard is the road to be followed so that just a minority, leaving aside the proletariat, comes round to renewing itself with the cardinal principles of the communist programme.

If Luxemburg thought that she could pick out the difficulties we enumerated above and so if a contradiction arises between the theories of crises as sketched out in Volume III and those that can be drawn from the schemes in Volume II, this is because of, according to Luxemburg, the



hypotheses on which these schemes rest. That is because Marx illustrated the process of extended reproduction within a completely capitalist society and so it is not possible for other crises to exist except crises of disproportion within the framework of this analysis.

“This premise [a society composed only of workers and capitalists] is a theoretical expedient – in reality there has never been a self-sufficient capitalist society with the exclusive dominance of capitalist production. This theoretical expedient is entirely admissible, however, where it does not alter the conditions of the problem itself, but rather enables them to be expounded in their pure form. A case in point is the analysis of the simple reproduction of the total social capital. Here the problem itself is based on the following fiction: in a society with capitalist production (i.e. one based on the generation of surplus value), the entire surplus value is consumed by those who appropriate it, namely the capitalist class. The scheme seeks to present the necessary configuration of social production and reproduction under such conditions. The way the problem is posed here presupposes that production knows no other consumers than capitalists and workers, and it thus corresponds fully to Marx’s presupposition of the universal and exclusive dominance of the capitalist mode of production. One fiction is the theoretical counterpart to the other. Equally admissible is the assumption of the absolute dominance of capitalism in the analysis of the accumulation of individual capitals as given in the first volume of *Capital* [...] Yet this is an element whose movement follows an independent course and is in contradiction with the movements of the other elements, such that the total movement of social capital is no mechanical aggregate of the individual movements of capitals, but yields instead a peculiarly transposed result.” (Luxemburg, *The Accumulation of Capital*, p. 250)

In fact, Luxemburg considers that Marx’s aim in Volume II “was to give an exposition of the process of accumulation in a society under the general and exclusive domination of the capitalist mode of production, and consisting exclusively of capitalists and workers.” And so, “Under these presuppositions, however, this scheme allows no other interpretation than that of production for production’s sake.” (Luxemburg, *The Accumulation of Capital* p. 238)

Luxemburg therefore did not pose the problem of the coherence of *Capital* Volume II and Volume I. If a contradiction does appear in the scheme in Volume II, it is due to Marx’s method of abstraction, which is even very helpful elsewhere, not being adapted to the study of extended reproduction. Luxemburg therefore considers that Marx could not avoid coming across difficulties in the study of schemes of reproduction, because it was impossible to provide an answer – and this appeared most strikingly when dealing with problems concerning the circulation of money – in itself to the question of the origin of effective demand required for the realization of the surplus value to be used in accumulation.

7.3 Marx’s “The Economy”

Luxemburg’s error was to have made too much of “technical” problems or mistakes in calculations, which are clear to see in the unfinished nature of *Capital* Volume II and to see unsurmountable theoretical problems hidden behind them which undermined the coherence of *Capital* overall.

So, if *Capital* remained unfinished, what can be said about the whole of Marx’s project as his “The Economy” had to comprise of, as noted in the Introduction to the Critique of Political Economy in 1859, six sections; Capital, Landed Property, Wage labour, The State, Foreign Trade and The World Market.

If we look at the General Introduction to the Critique of Political Economy, 1857, we can be led to think that the last point, the World Market, should be the place to offer a full analyses of crises.



The introduction maps out the plan of his work in the Introduction, a plan which repropose in fact the sections mentioned above.

“The arrangement has evidently to be made as follows:

(1) The general abstract determinations, which therefore appertain more or less to all forms of society, but in the sense set forth above. (2) The categories which constitute the internal structure of bourgeois society and on which the principal classes are based. Capital, wage labour, landed property. Their relation to one another, Town and country. The 3 large social classes. Exchange between them. Circulation. Credit system (private). (3) The State as the epitome of bourgeois society. Analysed in relation to itself. The “unproductive” classes. Taxes. National debt. Public credit. Population, Colonies. Emigration. (4) International character of production. International division of labour. International exchange. Export and import. Rate of exchange. (5) World market and crises.” (Marx, Introduction 1857, Collected Works Vol 28, p. 45)

Consequently, it is only when we get to the last point with the study of the world market, in which all the contradictions of bourgeois society flood out, that a theory of crises had to be explicitly worked out. Capital, which remained unfinished and formed just one of the six areas of study, only considers the kinds of crisis, the possibility of crises and the tendencies towards crises which appear in capital's life cycle, but a thorough study of crises could not be expected to emerge from Capital in general, nor from Volume III in particular. This once again shows the immense task that the real communist movement has to confront. It will have to use the red thread to finally stitch together what was only sketched out, that is to say the 6 books on The Economy of which only one was partly written. This cannot be the simple realization of a work that could have been completed, but instead one that is enriched and confirmed by the historical experience of the past century or so. But this is not the task of a hack writer and the communist movement will have to rid itself of gurus such as Grossmann (high priest of the CWO sect, for example) who states with pure phantasy that Marx had changed his plan and instead of the six sections had produced Capital which, even if unfinished, forms a coherent whole and not just part of a larger work.

7.4 The Volumes of Capital

Neither Volume II nor Volume III therefore provided a fully developed theory of crises. If Marx had wanted to published the two volumes together, they would not have appeared on the same level of abstraction. As they were not intended to study crises in a particular way, and not being on the same level, it would be quite normal that, from the point of view of crises, it would not be possible to draw out the same crises in the schemes in Volume II, which are based on hypotheses which by definition eliminate certain kinds of crisis, and in Volume III, where the tendency for the rate of profit is dealt with.

Luxemburg made a mistake when she lined up with Tugan-Baranovsky in seeing contradictions between the two volumes while, on the one hand, their objective was not the study of crises and, on the other hand, they did not stand on the same methodological level.

While Capital Volumes I and II deals with the analysis of capital “in general”, Volume III deals with the study of “many capitals”, of “various capitals”. Volume I considers the overall process of capitalist production, while Volume II, which is at the same level of abstraction, deals with the process of circulation. The two volumes therefore form a whole in which the general analysis of the process of production and circulation is given. In contrast, Volume III “On the contrary, [...] must locate and describe the concrete forms which grow out of the movements of capital as a whole. In their actual movements, capitals confront each other in such concrete shape, for which

the form of capital in the immediate process of production, just as its form in the process of circulation, appear as special instances. The various forms of capital, as evolved in this book, thus approach step by step the form which they assume on the surface of society, in the action of different capitals upon one another, in competition, and in the ordinary consciousness of the agents of production themselves.” (Marx, Capital Volume III, Collected Works Vol, 37, p. 27)

Consequently, unlike what the ineffable Grossmann states, the connection between the volumes does not end up in the reproduction of reality by means of a process of a series of approximations proceeding from the abstract to the concrete, but instead implies a change in the level, that is to say, that the volumes of Capital do not stand at the same level of abstraction and do not seek the same goal in the analysis of capital.

Luxemburg did not understand this and also saw contradictions where there were none. We therefore have on the one hand Capital Volumes I and II which describe capital “in general” and on the other hand Volume III which examines the reciprocal action of capitals and therefore regards capital “in its diversity”. This is why, for example, it is only in Volume III that we can take into account the breakdown of surplus value between the different fractions of the capitalist class (as well as landowners) who appropriate it.

Luxemburg did not note the methodological difference between the analysis of capital in Volume II and that in Volume III. She is therefore forced to accept the existence of contradictions in Marx’s work. It is however untrue to think, as the Trotskyist Rosdolsky does, that Luxemburg judged the hypotheses of Marx to be inadequate when changing from the analysis of economic processes from the point of view of the individual capitalist to the analyses from the point of view of total capital. Luxemburg, on the contrary, always insisted on the importance of the category of total capital and the methodological challenge encountered when seeing things from the point of view of totality, that is the point of view of the revolutionary proletariat, in her fight against revisionism. What she criticized in Marx was therefore not his method of abstraction in the analysis of total capital, but the analysis of the accumulation of total capital, therefore solely in the study of extended reproduction.

“If I consider the total capital of a nation, e.g., in distinction from the totality of its wage labour (or also landed property), or if I regard capital as the general economic basis of one class in distinction from another class, I am considering it in general.” (Marx, Grundrisse, Collected Works Vol. 29, pp. 227-228)

Furthermore, in Volume II Marx proceeds from the framework of the study of “capital in general”, of “capital as such”, to the abstract analysis of the reproduction of total capital. He was therefore completely right to set aside certain elements that were to be examined methodologically later on.

“Here we need to consider only the forms capital passes through in the various stages of its development. The real conditions within which the actual process of production takes place are therefore not analysed. It is assumed throughout, that the commodity is sold at its value. We do not examine the competition of capitals, nor the credit system, not the actual composition of society, which by no means consists only of two classes, workers and industrial capitalists, and where therefore consumers and producers are not identical categories. The first category, that of the consumers (whose revenues are in part not primary, but secondary, derived from profit and wages), is much broader than the second category, and therefore the way in which they spend their revenue, and the very size of the revenue give rise to very considerable modifications in the economy and particularly in the circulation and reproduction process of capital. Nevertheless, just as the examination of money – both in so far as it represents a form altogether different from the

natural form of commodities, and also in its form as means of payment – has shown that it contained the possibility of crises, the examination of the general nature of capital, even without going further into the actual relations which all constitute prerequisites for the real process of production, reveals this still more clearly.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 124)

Here we can measure the profundity of the criticisms of a Samuelson, for example, who reproached Marx for not having taken credit into account in his schemes of reproduction, while at this stage of the analysis Marx had explicitly put aside such an idea. In this way, given that the framework of the study was that of capital in general, Marx had to set aside certain fundamental aspects for reaching a deeper understanding of crises and their manifestation. Luxemburg did not grasp this and believed that there were contradictions where in fact there was only a methodological change in the analysis of capital, and by making the error, she accepted the presuppositions of revisionism. She was therefore led to see theoretical gaps in the schemes where at most there were some arithmetical errors which would have been corrected if Marx had been able to complete the whole of his work.

In this first part, we have attempted to refute the methodological presuppositions that justify a presumed contradiction between Volume II and Volume III. We have still to examine an objection of Luxemburg’s: the one that links the study of total capital to the existence of a capitalist society in which precapitalist forms of production still continue to exist. This will in fact lead us on to analysing the theory of crises proposed by Luxemburg, crises which for her were due to the absence of effective demand for surplus value to be capitalized.

8. The crisis in Luxemburg

8.1 Recalling the results obtained previously

We have tried to show in the previous chapter that the supposed existence of a contradiction on the level of the theory of crises between Volume II and Volume III of Capital has no basis. This thesis was maintained by revisionism in order to demolish revolutionary theory and to substitute the perspective of the catastrophic crisis of the capitalist mode of production with its harmonious development. Unfortunately, this was also accepted by Luxemburg in the hope of getting revolutionary theory back on its feet again, but in doing so she imagined she had found contradictions in Capital Volume II.

Now Capital was only part of a much larger work called “Economics” formed of six parts of which the last was explicitly dedicated to the analysis of crises. Consequently, it is wrong to expect to find in Capital a special analysis of crises, but at the very most, following the areas studied, more or less important indications for their understanding. On the other hand, not only Volume II, but also Volume III, did not aim to provide a developed theory of crises, and furthermore they did not stand on the same level of abstraction. This difference means that the lessons to be drawn as regards the theory of crises are not the same.

In Volume II, for methodological reasons in the analysis of capital, Marx made certain hypotheses which implied that he did not take into consideration – and this was not the objective of Capital as we have seen – certain fundamental aspects for understanding crises. Volume III, without therefore replying completely to the problem of crises, did not have this aim just as much as Volume II did not, due to the level of abstraction: the analysis of capital “in its diversity” – with Volume III sometimes taking up elements that were very useful in understanding crises which had been explicitly left out of Volume II. Consequently, there is no contradiction between Capital Volume II and Volume III, but instead a difference on a methodological level. So, if there are clearly some imperfections in Marx’s schemes, they are of a technical nature, resulting from the incompleteness of the work, and not of a theoretical nature.

8.2 What Luxemburg’s theory is not

It remains for us to see Luxemburg’s last methodological objection. She reproached Marx for having analysed capitalist society in its pure form as if it were composed exclusively of workers and capitalists. Consequently, Marx had committed the error of not taking into account the relations the capitalist mode of production maintained with other forms of production. These relations are fundamental for the capitalist mode of production, and especially (this is the basis of Luxemburg’s theory of accumulation) for the realization of surplus value. Replying to this objection boils down in fact to criticizing the theory of realization of surplus value as it was developed by Luxemburg, so this is the question we must now address.

We are certainly not going to comment here on what Luxemburg’s theory is. This means, just like Luxemburg herself, we do not consider the results worked out in chapter 25 of her book of 32 chapters as the nec plus ultra of her theory. As she has the opportunity to reply her critics in *The Accumulation of Capital, Or, What the Epigones Have Made Out of Marx’s Theory – An Anti-Critique*, her conception was confined to a point of view stretching throughout her work and which could be summed up as the question: “Where does the effective demand for the surplus value to be accumulated come from?”

Consequently, we will not discuss here the conclusions reached in chapter 25 dedicated to the contradictions in the scheme of extended reproduction. Her analysis contains the appearance of a disproportion between the department of means of production and that of means of consumption due to the effect of the rise in the organic composition of capital such that there is an overproduction of means of consumption and an underproduction of means of production in each case. O. Bauer and A. Pannekoek, for example, were to dispute this result above all. But leaving aside the value of the replies that were put forward, we should note that we are dealing with a disproportion, with underproduction of the one hand and overproduction on the other, in a partial crisis allowed for by the various Sayers and Tugan-Baranovskys, and so this is not the type of crisis that can be used to establish the perspective of the communist revolution. If certain pseudo-Marxist authors, such as Léon Sartre, use such crises as the basis for their conception, it was not the case for Luxemburg.

8.3 Luxemburg's theory of crises

8.3.1 The dangerous leap of the commodity

Luxemburg saw the capitalist production process as having the goal of surplus value production, however, in order for this to be capitalized, that is, accumulated, the surplus value first had to adopt the money form. All this at first sight is in line with what Marx had always stated.

“(…) the process of production, is complete as soon as the means of production have been converted into commodities whose value exceeds that of their component parts, and, therefore, contain the capital originally advanced, plus a surplus value. These commodities must then be thrown into circulation, they must be sold, their value realized in money, this money afresh converted into capital, and so over and over again. (...) The first condition of the accumulation is that the capitalist must have contrived to sell his commodities, and to reconvert into capital the greater part of the money so received.” (Marx, Capital Volume I, Collected Works Vol. 35, p.564)

Luxemburg considered that the problem of the realization of capital and of surplus value reached a particularly acute level when the reproduction of total capital was considered, or, more precisely, when considering the enlarged reproduction of total capital. In fact, according to her, in the framework of simple reproduction, a framework which holds true only in a theoretical fashion in the capitalist mode of production, there is no real difficulty in representing the process of reproduction along with the realization of the social product to which it is subordinated.

So, in simple reproduction, capital does not encounter difficulties. The constant capital consumed must be replaced and this renewal gives rise to a demand for this fraction of capital, which is designated ‘c’ in the schemes of reproduction. In the same way, the equivalent of variable capital is reproduced without any problems. The workers have been paid their wages and have spent them, so realizing the part represented by ‘v’ in the social product.

If demand for means of production used allows for the complete reproduction of capital in department I, the demand for means of consumption by the workers only allows a partial realization of capital in department II. In order to achieve the completion of simple reproduction, we have to take into account the demand for means of consumption supplied by the capitalist class for its reproduction as a class, using up the whole of the surplus value for the goal of individual consumption. Consequently, the whole of the social product is realized. The capitalist class holds all the money that it advanced for the means of production and thus uses it for the renewal of constant capital consumed during the production process. The workers, by spending their wages in the purchase of means of consumption, allow the capitalist class to recover the variable capital

advanced, so that they realize the part of the social product equivalent to 'v'. Finally, the surplus value is entirely consumed by the capitalist class. Its realization in money, therefore does not pose a problem, as an effective demand comes from the capitalists motivated by the need to reproduce themselves as a class. We should clearly note here, if we wish to avoid making unjustified criticisms of Luxemburg, that that she does not pose the problem of the origin of money required for the realization of the social product in this case, and whether this origin is to be found in gold or credit etc. does not interest us here. She posed the question simply to attempt to show that she thought there was a difficulty that Marx encountered when drawing up his schemes. This difficulty, in fact, for Luxemburg, showed there was a much greater problems, that of the effective demand for realizing the surplus value to be capitalized, the problem that lies at the heart of Luxemburg's conception of the crisis.⁴⁴

If within the framework of simple reproduction, the capitalist mode of production does not come across any difficulty in the realization of surplus value, it is not at all the same when dealing with extended reproduction. Simple reproduction was a theoretical invention justified for the analysis of reproduction, but in no way does it correspond to a particular relationship of the capitalist mode of production, which has the goal of seeking the maximum surplus value and the accumulation of surplus value to obtain an ever-greater surplus value. This fictional hypothesis fitted in well with the other one that society was composed exclusively of workers and capitalists, with the consumption of the unproductive classes being counted as consumption of the capitalist class seen as a whole. On the contrary, it is not so simple when dealing with extended reproduction.

Here we are dealing with a hypothesis that corresponds effectively with the essence of capitalist production. In this framework, part of the surplus value is accumulated; however, Luxemburg insisted in showing that this surplus value could not find, before being able to accumulate, effective purchasers – if we maintain the hypothesis of an exclusively capitalist society, that is the hypothesis maintained by the schemes, and, more generally speaking, in the theoretical analysis of capital – who would be able to allow its realization in money capital.

The realization took place without problems for the others involved in social capital, as the reasoning is the same as with simple reproduction. The means of production employed in the production process had to be replaced and effective demand existed for them. The same was the case for means of consumption required for the reproduction of the labour force. The workers allowed the capitalists to get back the variable capital they had advanced by realizing its value. For the part of the surplus value consumed in the individual consumption of the capitalist class and the classes that lived off surplus value, there was also effective demand, as these classes had to reproduce themselves as such. There remained a part of the surplus value to be realized, the part to be accumulated. This took the form of means of production and means of consumption. It

⁴⁴ “In the opinion of this author, Marx’s analysis was compromised by the fact that, in his attempt to resolve the problem, he mistakenly formulated the question in terms of “sources of money”. In reality, however, the question is one of actual demand, i.e., the use to which commodities will be put, and not one of sources of money to pay for them. As far as money as a medium of circulation is concerned, it must be assumed - when considering the process of reproduction as a whole – that capitalist society always disposes of the requisite quantity of money for its process of circulation, or that it is able to create surrogates for this purpose. By contrast, the colossal social acts of exchange elicited by real economic needs are to be elucidated here. Although it cannot be overlooked that capitalist surplus value must necessarily pass through the money form, it is a question here of attempting to identify the economic demand for the surplus product, without further concern as to the origin of the money to pay for it.” (Luxemburg, *The Accumulation of Capital*, p. 106)

needed to be realized before it could be accumulated, meaning that it had to change from the commodity capital form to the money capital form. Only in this way could it convert from money capital into productive capital to perform a production cycle on a larger scale than the previous one. The realization of this part of the surplus value required, just as with all the other parts of the social product, effective demand. The purchasers therefore had to consider the means of production and consumption under the aspect of use value. The commodities had to find a buyer. The existence of a buyer did not emerge automatically from the capitalist social organization. On the contrary, production takes place in an anarchic fashion and no seller knows if he will find a purchaser for his commodities.

“The leap taken by value from the body of the commodity, into the body of the gold, is, as I have elsewhere called it, the *salto mortale* of the commodity. If it falls short, then, although the commodity itself is not harmed, its owner decidedly is. The social division of labour causes his labour to be one-sided and his wants are many-sided. This is precisely the reason why the product of his labour serves him solely as exchange value. But it cannot acquire the properties of a socially recognized universal equivalent, except by being converted into money. This money is, however, in someone else’s pocket. In order to entice the money out of that pocket, our friend’s commodity must above all things be a use value to the owner of the money. For this, it is necessary for the labour expended upon it be of a kind that is socially useful, a kind that constitutes a branch of the social division of labour. But division of labour is a system of production which has grown up spontaneously and continues to grow behind the backs of the producers. The commodity to be exchanged may possibly be the product of some new kind of labour that pretends to satisfy newly arisen requirements, or even to give rise itself to new requirements. A particular operation, though yesterday, perhaps, forming one out of the many operations conducted by the producer in creating a given commodity, may today separate itself from this connection, may establish itself as an independent branch of labour and send its incomplete product to market as an independent commodity. The circumstances may or may not be ripe for such a separation. (...)”

The quantitative division of labour is brought about in exactly same spontaneous and accidental manner as its qualitative division. The owners of commodities therefore find out that the same division of labour that turns them into independent private producers also frees the social process of production and the relations of the individual producers to each other within that process from all dependence on the will of those producers, and that the seeming mutual independence of the individuals is supplemented by a system of general and mutual dependence through or by means of the products.” (Marx, Capital Volume I, Collected Works Vol. 35, pp. 116-117)

8.3.2 A realization impossible within the framework of the capitalist mode of production

If we say that it is the capitalists who purchase the means of production and consumption, which is what the schemes in fact state, it is not accumulation of capital in this case, because commodities are purchased from the point of view of use value⁴⁵. It is at most accumulation, clogging of means

⁴⁵ “The foundation of accumulation is precisely the non-consumption of surplus value by the capitalists. For whom is production by this other, accumulated part of surplus value? According to the Marxian scheme, the movement has Department I as its starting point, the production of means of production. Who needs these additional means of production? The scheme answers: Department II needs them, in order to be able to produce more means of consumption. Yet who needs these additional means of consumption? The scheme answers: it is in fact Department I, because it now employs more workers. The argument is apparently going around in a circle. The production of more means of consumption merely in order to maintain more workers, and the production of more means of production merely in order to employ these

of production and consumption, but not accumulation of capital which means the seeking of the maximum surplus value, the capitalists then not being interested in the use value as such, but by the exchange value, by the seeking of the maximum extra exchange value, or in brief, surplus value.

In as much as we are dealing with the reproduction of constant capital used up in the production process, the replacement of the means of production, this effective demand is correct according to the point of view of the capitalist class. It is a question of returning to the previous state for the capitalist productive apparatus, as the demand for means of production too has a meaning for the capitalists. It is the same again for what concerns the part of surplus value spent by the capitalists to reproduce itself as a class. It is personal needs of capitalists which engender effective demand to the extent that they possess the surplus social product. As regards the part of social capital equivalent to 'v', variable capital, there is no longer, following Luxemburg, any difficulty in realizing it as the workers spend their wages with the goal of reproducing their labour power.

On the contrary, it is impossible to find within a pure capitalist society, the one that was sketched by Marx in his schemes, effective demand for the surplus value to be accumulated. Moreover, this effective demand must increase in line with the increase of the accumulation of capital. Marx shows that the form of circulation characteristic of capital is M-C-A', money-commodity-money increased by a surplus value, while the form of simple circulation is C-M-C, commodity-money-commodity.

"The simplest form of the circulation of commodities is C-M-C, the transformation of commodities into money, and the change of the money back again into commodities; or selling in order to buy. But alongside of this form we find another specifically different form: M-C-M, the

additional workers, is an absurdity from the capitalist standpoint." (Luxemburg, *The Accumulation of capital*, p. 88)

"In the following year the capitalists would again exchange this larger mass of commodities among themselves, and the results would all be applied to expand production yet again – and so on, year after year. If someone were to answer along those lines, we would end up with a carousel circling around by itself in empty space. In that case it would not be capitalist accumulation, i.e., the piling up of money capital, but the opposite: the production of commodities for the sake of commodity production. From the standpoint of the capitalists that would make no sense whatsoever." (Luxemburg, *Anti-Critique*, p. 358)

The most amusing aspect of the affair is the argumentation of the CWO who, as we have already seen, have not understood what is going on. They advance two arguments against Luxemburg's main conception. We will return to the second argument later on as it is not important here and, in any case, extremely vulgar. On the other hand, the first argument demonstrates a total incomprehension of what's being talked about. Propping themselves up with the works of Marx and not even in the least surprised that Luxemburg, who knew Marx much better, could let this slip by, the CWO declares "Why should be such a mystery to a self-proclaimed Marxist we cannot see. First, Marx (and not just Tugan-Baranovsky as Luxemburg would have us believe) did actually agree with the above statement which Luxemburg made sarcastically" (*Revolutionary Perspective*, n°.6, p.12). What the CWO has not understood (apart from the idiocy consisting in associating Marx with Tugan-Baranovsky) is that when Marx spoke of production for production's sake, he meant the lust of exchange value for exchange value, the seeking after surplus value for surplus value, and Luxemburg knew Marx's position fully and so criticized those who wanted to turn capitalist production into production aimed at use value, the lust for use value as use value, thereby transforming capitalist production into a harmonious and eternal mode of production.

If we take a further step into vulgarity, we can find the Cercle marxiste de Rouen, which is just as worried by the same perplexity as the CWO: "In fact, what is difficult to understand is how someone who claims to be Marxist in the most literal sense could have the slightest hesitation in admitting that production in the capitalist regime does not aim at satisfying needs, whatever they may be, and whoever may be those who feel them." (*Bulletin du Cercle marxiste de Rouen* no. 2)

transformation of commodities back again into money; or buying in order to sell.” (Marx, Capital Volume I, Collected Works Vol, 35, p. 158)

“In the circulation C-M-C, the money is in the end converted into a commodity that serves as a use value; it is spent once for all. In the inverted form, M-C-M, on the contrary, the buyer lays out money in order that, as a seller, he may recover money. By the purchase of his commodity, he throws money into circulation, in order to withdraw it again by the sale of the same commodity. He lets the money go, but only with the sly intention of getting back again. The money, therefore, is not spent, it is merely advanced.” (Marx, Capital Volume I, Collected Works Vol. 35, p. 159)

“The circuit C-M-C starts with one commodity, and finished with another, which falls out of circulation and into consumption. Consumption, the satisfaction of wants, in one word, use value, is its end and aim. The circuit M-C-M, on the contrary, commences with money and ends with money. Its leading motive, and the goal that attracts it, is therefore mere exchange value.” (Marx, Capital Volume I, Collected Works Vol. 35, p. 160)

In the framework of the accumulation of total capital, when Luxemburg examines the problem of realization, the phase M-C is already finished and C must now be realized in money, following through the phase C-M.

If it is said that it the capitalists that realize C, they do so in the framework of the formula C-M, that is, the formula of simple circulation and not that of the accumulation of capital. The commodity must satisfy a need and its aim is use value, while accumulation if the form M-C and its aim is exchange value.

8.3.3 Relations with pre-capitalist forms of production

Consequently, surplus value cannot be realized within a society composed exclusively of capitalists and workers. If we viewed it from the perspective of the individual capitalist, it was easy to conceive that demand for the commodities could exist, nevertheless, Marx showed that this was not at all automatic and that a division between sale and purchase was quite possible. Consequently, the transformation of value into money, the realization of value, contains the possibility of a crisis. On the contrary, when we consider the matter from the point of view of total capital, the realization of the surplus value to be capitalized cannot be obtained as the effective demand for it is insufficient. As long as we remain within the framework of the relations of capitalist production, it is impossible to realize the surplus value ready for accumulation. Capital's only perspective is that of finding effective purchasers, and these purchasers could only be found outside capitalist production and therefore inside pre-capitalist production relations, be it inside or outside the capitalist nation. This spreading outside constitutes a manifestation of imperialism, an organic manifestation of the capitalist mode of production. It goes without saying that inter-capitalist foreign trade could not be seen as a solution to the difficulty. It would only shift the problem from one state to another to reappear at a higher level in the totality of the capitalist world. Therefore, only relations that the capitalist mode of production has with pre-capitalist production can assure the realization of surplus value. Therefore, for Luxemburg, it is only in pre-capitalist sectors that one can try to find purchasers for the part of surplus value destined for accumulation. If purchase by capitalists of the surplus value only means the accumulation of means of production and consumption, that is, the accumulation of use values, that would therefore imply a totally absurd perspective for a capitalist mode of production thirsting for surplus value. On the other hand, a solution could be found starting from the availability of purchasing power outside the capitalist mode of production.

The purchasers from pre-capitalist forms of production could, unlike capitalists, consider commodity capital equivalent to the surplus value destined for accumulation from the perspective of use value, without changing the orientation of their mode of production. They alone could need this mass of supplementary commodities and the effective demand they set free would allow for the realization of surplus value enabling the surplus value to turn from commodity capital into the form of money capital. With the realization of the surplus value, when the M-C-M' cycle is concluded, the capitalist class can launch into capital accumulation, realize its being and satisfy its passion in the search for the maximum surplus value. The accumulation of surplus value for the sake of surplus value⁴⁶.

“Until now, expanded reproduction has only been considered from one side, namely in terms of the question of how surplus value is realized. This is the difficulty with which sceptics have been exclusively concerned to this day. The realization of surplus value is indeed the vital question for capitalist accumulation. If the consumption fund of the capitalists is disregarded altogether in order to simplify the problem, then the realization of surplus value requires a circle of purchasers beyond capitalist society as its first condition. Purchasers are deliberately referred to here, rather than consumers, since the realization of surplus value says nothing a priori of the material form of surplus value. The decisive moment here is that surplus value can be realized neither by workers – nor capitalists, but by social strata or societies that do not engage in capitalist production. There are two conceivable cases here:

1) Capitalist production supplies means of production beyond its own requirements (i.e. beyond those of its workers and capitalists), and these are purchased by non-capitalist strata and countries.” (Luxemburg, *The Accumulation of Capital*, p. 253)

The realization of surplus value

“... is a priori bound up with non-capitalist producers and consumers. The existence of non-capitalist purchasers of surplus value is thus an immediate, vital condition for capital and its accumulation, and it is as such the decisive factor in the problem of capital accumulation.

Be that as it may, the fact of the matter is that the accumulation of capital as a historical process, in all its relations, is contingent upon non-capitalist social strata and forms. (...)

The solution as defined by Marx's theory lies in the dialectical contradiction that the movement of capitalist accumulation requires an environment of non-capitalist social formations, that it is in a constant process of metabolism with the latter as it proceeds, and that it can only exist for as long as it finds itself within this milieu.

On this basis, the concepts of internal and external markets, which have played such a prominent role in the theoretical disputes around the problem of accumulation, can be revised. Internal and external markets certainly each play a great and fundamentally differentiated role in the course of capitalist development - not as concepts of political geography, however, but rather as ones of

⁴⁶ “Except as personified capital, the capitalist has no historical value, and no right to that historical existence (...) and so far only as the necessity for the capitalist mode of production, But, so far as he is personified capital, it is not values in use and the enjoyment of them, but exchange value and its augmentation, that spur him into action. Fanatically bent on making value expand itself, he ruthlessly forces the human race to produce for production's sake; he thus forces the development of the productive powers of society, and creates those material conditions which alone can form the real basis of a higher form of society (...)” (Marx, *Capital Volume I*, *Collected Works Vol. 35*, pp. 587-588)

social economy. From the standpoint of capitalist production, the internal market is the capitalist market, this production is itself the purchaser of its own products and the supplier of its own elements of production. The external market, from the point of view of capital is the non-capitalist social environment, which absorbs its products and supplies it with elements of production and labour power. From this economic standpoint, Germany and the U.K. for the most part represent the internal, capitalist market for one another in terms of their reciprocal exchange of commodities, whereas the exchange between German industry and German peasants as both consumers and producers represents external market relations as far as German capital is concerned.” (Luxemburg, *The Accumulation of Capital*, pp. 263-264)

With the surplus value finally realized, money capital can again be accumulated, the value can lose its money form and take on that as a means of production and labour power so as to be able to valorize within the process of production, thanks to the exploitation of wage labour. However, at the end of the production process, the problem of the realization of the surplus value appears afresh and cannot find a solution except in the relations between the capitalist mode of production with precapitalist forms of production. But here, according to Luxemburg, the capitalist mode of production progressively enters an unsurmountable contradiction. The relations the capitalist mode of production finds indispensable what it itself destroys to the same degree that it seeks them. Dragging the precapitalist forms of production in its wake, it destroys them and this phagocytosis reduces the base required for the realization of a surplus value which increases endlessly with capitalist accumulation. Consequently, by becoming ever purer, always increasingly nearing the “model” described in the schemes, the capitalist mode of production sees its collapse drawing nigh. So, it announces the social catastrophe predicted by Marx and his school, behind which hovers the spectre of the proletarian revolution.

“The general result of the struggle between capitalism and the simple commodity economy is the following: once it has replaced the natural economy with the simple commodity economy, capital itself supplants the latter. While it is true that capitalism lives from non-capitalist formations, it is more precise to say that it lives from their ruin; in other words, while this non-capitalist milieu is indispensable for capitalist accumulation, providing its fertile soil, accumulation in fact proceeds at the expense of this milieu, and is constantly devouring it. Historically speaking, the accumulation of capital is a process of metabolism occurring between capitalist and precapitalist modes of production. The accumulation of capital cannot proceed without these precapitalist modes of production, and yet accumulation consist in this regard precisely in the latter being gradually swallowed up and assimilated by capital. Accordingly, capital accumulation can no more exist without non-capitalist formations, than these are able to exist alongside it. It is only in the constant and progressive erosion of these non-capitalist formations that the very conditions of the existence of capital accumulation are given.” (Luxemburg, *The Accumulation of Capital*, p. 302)

“The assumptions made by Marx in his reproduction scheme thus merely correspond to the objective historical tendency of the movement of accumulation and its theoretical end result. The accumulation process tends to replace the natural economy with the simple commodity economy, and to replace the latter with the capitalist economy everywhere – i.e., it tends to bring capitalist production to a position of absolute dominance as the single and exclusive mode of production in all countries and in all branches.

This is the beginning of a dead-end street, however. Once the end result is achieved – at least in terms of the theoretical construction, if not in practice – accumulation becomes an impossibility: the realization and capitalization of surplus value is transformed into an insoluble problem. At the very moment when Marx’s scheme of expanded reproduction corresponds to reality, it registers



the endpoint, the historical confines of the movement of accumulation, and thus the end of capitalist production. In capitalist terms, the impossibility of accumulation implies the impossibility of the further development of the productive forces, and thus the objective historical necessity of capitalism's demise. Hence derives the contradictory movement of the last, imperialist phase of capital's historical trajectory." (Luxemburg, *The Accumulation of Capital*, pp. 302-303)

9. Vulgar Marxism against Luxemburg

9.1 The reactions within social-democracy

The publication of Luxemburg's book provoked a huge polemic within international social-democracy.

The challenge for the revisionists was clearly not that of saving communist theory of crisis, but of wiping it out. Criticism, even within the German Social-Democratic party, took a particular turn with the perspective of demolishing everything that could be constituted as a defence of revolutionary orthodoxy, even in a watered-down form.

"A 'review' of *Accumulation* [by Gustav Eckstein] which appeared in *Vorwärts* on February 16, 1913, was striking in tone and content even to the less involved reader; and this was all the more astonishing because the criticized book is purely theoretical and strictly objective, nor was it aimed against any living Marxist. But that was not good enough.

Against those who had published a favourable review of my book, a highhanded official campaign was initiated, and the central newspaper pursued this campaign with particularly notable warmth.

(...)

Such a fate has befallen no other party publication as far as I know, and over the decades Social Democratic publishers have certainly not produced all gold and pearls. All these events clearly indicate that, in one way or another, there have been passions at work other than those of "pure science". (Luxemburg, *Anti-Critique*, pp. 347-348)

Luxemburg was surprised by the wide range of criticisms and published a reply "The Accumulation of Capital, Or, What the Epigones Have Made Out of Marx's Theory – An Anti-Critique". Among the contemporary critiques there were Otto Bauer, Pannekoek and Eckstein.

Lenin wanted to write a critique of Luxemburg, but he did not have the time to carry out the project. At the very most, we can note a certain agreement between his opinion and the criticism of Bauer, Pannekoek and Eckstein.

He wrote to Kamenev:

"I have just read Rosa's new book *Die Akkumulation des Kapitals*. She has got into a shocking muddle. She has distorted Marx. I am very glad that Pannekoek and Eckstein and O, Bauer have all with one accord condemned her, and said against her what I said against the Narodniks." (Lenin, *Collected Works Vol. XXXV*, p. 94)

Then in 1915 in his book on Marx he wrote:

"On the question of the Marxist theory of the accumulation of capital there is a new work by Rosa Luxemburg. *Die Akkumulation des Kapitals* (Berlin, 1913), and an analysis of her incorrect interpretation of Marx's theory by Otto Bauer, *Die Akkumulation des Kapitals* (*Die Neue Zeit*, XXXI, 1913, S. 831 und 832). See also Eckstein in *Vorwärts* and Pannekoek in *Bremer Bürger-Zeitung* for 1913." (Lenin, *Karl Marx [1915]*, *Collected Works Vol. XXI*, p. 90)

Even if it is certain that Lenin did not share Luxemburg's views, it is an exaggeration to state on the basis of some short comments (which, for example, Mattick tend to do) that he was in agreement with whatever Bauer wrote.

A study of a very large number of the critiques show that their authors did not know what they were talking about.

What do the little people working in the so-called revolutionary milieu have to say? Whether it is a question of criticism, like these from the CWO or, what is even worse, from the epigones of the ICC, it is just a chorus of ineptitude.

Criticism of Luxemburg, past and present, generally states that there has never been a problem of realization, that the schemes demonstrate who purchases the surplus value, that production creates its own market, that the problems did not exist outside the head of Luxemburg, who could not even count and had never understood the functioning of Marx's schemes.

9.2 Otto Bauer

Part of the criticism at the time, just as those made later, were dedicated to the analysis of objections which derived from the introduction of the increase in the organic composition in the schemes. This was the type of exercise undertaken by Bauer and Pannekoek. Bauer was almost the only one to think that it was necessary to produce a specific reply to the problem Luxemburg posed, that he had the material for a special explanation. But Bauer's reply was a complete revision of Marx's theory which gained him a place among the "graduates of the people" so roundly criticized by Marx.

Luxemburg did not miss the opportunity to give him a hiding, rubbishing Bauer's theoretical "novelties".

Bauer considered that Marx's schemes were insufficient and flawed with errors made "to suitably illustrate Marx's thought" and this "for the first time"⁴⁷. But Bauer's schemes, far from improving

⁴⁷ Among the conclusions or false hypotheses of Bauer there is an important one the forms the basis of his scheme and which is taken up by Henryk Grossmann when he interprets the tendency of the rate of profit to fall in his own way.

"With the advance of capitalist development, the part of the surplus value consumed by the capitalists falls while the part of the surplus value accumulated rises. The rate of accumulation, that is the ratio of the surplus value accumulated to total surplus value increases." (Grossmann, *Das Akkumulations- und Zusammenbruchgesetz des kapitalistischen Systems*, p. 123)

This is in total contradiction with the communist programme which instead states that, to the extent that the rate of profit falls, the rate of accumulation also falls. Bauer's point of view which is taken up by Grossmann and developed in his book on the crisis of the capitalist mode of production. Here he writes: "Despite the fall in the rate of profit, accumulation proceeds at an accelerated rate because the scope of accumulation expands not in proportion to the level of the rate of profit, but in proportion to the weight of the already accumulated capital" (Grossmann, *Das Akkumulations- und Zusammenbruchgesetz des kapitalistischen Systems*, p.118-119; English version p. 74). He continues with a quotation from Marx: "A fall in the rate of profit and accelerated accumulation are different expression of the same process..." and then, as every good falsifier, he 'forgets' the rest of the passage: "... only in so far as both reflect the development of the productive power. Accumulation in turn, hastens the fall of the rate of profit, in as much as it implies concentration of labour on a large scale, and thus a higher composition of capital. On the other hand, a fall in the rate of profit again hastens the concentration of capital and its centralization

the model, only managed to cast a deeper shadow over this difficult question. The led Luxemburg to state that after the enchantments of Bauer, she prepared to “stick to Marx” without correcting “his arbitrary elements”. As regards the means of production, these were realized through exchange between capitalists, while means of consumption would be realized the following year by the workers, the enlargement of the field of production being supplied by an increase in the population. It may seem that that surplus value could be realized only in a transitory manner, but if a longer-term view of several years is taken, there would not be any difficulties.

Luxemburg had little difficulty in dealing with Bauer’s critique. Apart from carrying this through in the best tradition of communism, she was able to wax ironical on his conceptions of the theory of population when he believed that:

“... Marx’s formulas have something to do with “years,” and the good man goes to great effort over the course of two printed pages to explain things to me in more “popularized” fashion with the help of three-part formulas using both Greek and Latin letters of the alphabet. However, Marx’s

through expropriation of minor capitalists, the few direct producers who still have anything left to expropriate. This accelerates accumulation with regard to mass, although the rate of accumulation falls with the rate of profit.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 240)

The reader can see the levels to which the intellectual honesty of Professor Grossmann fall.

The communist programme, when it is not badly treated by falsifiers, becomes the refuge for grotesque imbecile attacks which, in the case of the petit bourgeois ex-PIC, now ‘L’insécurité sociale’, who muddle along trying to dispute the fall in the rate of profit. After an attack on Marx, where they state above all: “We should remember that Marx’s theory of the tendency of the rate of profit to fall form an integral part of his attempt to construct a “scientific” socialism. In order to provide a mathematical (1) basis to his analysis of the crisis, he had to take up such a tool. It is of little importance that this tool has neither mathematical or economic bases, that it often forms mere scriblings of equations of pure phantasy...”, that is the critique of the theory of the fall in the rate of profit. “The first thing that pops up is the lack of any direct relationship between the rate of profit and the organic composition of capital: $s/c + v$ fall in line with the overall increase in capital independently of the place maintained by constant capital or variable capital. For example, supposing there are two sectors that have the same increase of their total capital ($c + v$) divided in the first case more or less equally (slight variation in the organic composition), and in the second case essentially for constant capital (major increase in the organic composition) the result in both cases would be the same fall in the rate of profit.

Organic composition 1: $(c + x)/(v + x)$. Rate of profit 1 $s/(c + v + 2x)$

Organic composition 2. $(c + 2x)/v$. Rate of profit 2: $s/(c + v + 2x)$

The stupidity of the argument leaves us speechless, coming as they do from such numbskulls who speak about “scriblings of equations of pure phantasy”, while being unable even to count on their fingers. If the fool who wrote such stuff had a flicker of nous, he or she would have known (but as a petit bourgeois, could not know) that the creation of surplus value is linked to the employment of variable capital, that surplus value comes from the exploitation of living labour power with the value ‘v’ in the schemes. Capital exploits this labour power of the value ‘v’ in order to appropriate a surplus value ‘s’. If everything else remains the same, variable capital increases by the quantity ‘x’ and surplus value by a quantity ‘xt’ (with $t = s/v$). Consequently, in the first case considered, the rate of profit does not become $s/(c + v + 2x)$, but $(s + xt)/(c + v + 2x)$ and this rate of profit could rise, fall or remain the same according to changes in the organic composition. In the above example, the value of the marginal organic composition is (x/x) . Consequently, with an unchanged rate of surplus value as we have supposed, is c/v is below 1, the rate of profit falls, if c/v is equal to 1 the rate of profit remains the same, and if c/v is above 1, the rate of profit rises.

Apart from all this, the petit bourgeois sees no direct relationship between the rate of profit and the organic composition of capital and therefore need some kicks in the pants to open his eyes.

In the second case, the rate of profit falls and is equal to $s/(c + v + 2x)$ but whatever the case established above may be, the two rates of profit are different: $(s + xt)/(c + v + 2x) \neq s/(c + v + 2x)$.

schematic presentations of accumulation have absolutely nothing to do with calendar years. What Marx was getting at was the economic metamorphosis of commodities, the fact that in the capitalist world the sequence of economic events goes like this: production – exchange – consumption, and so on in an endless chain. Since exchange is the unavoidable intermediate phase that must be passed through by all capitalist commodities, and since it is the only connecting element between producers and consumers, the exact time when the commodities are realized is not a matter of prime concern in relation to profit-making and accumulation. Those depend on the two following hard-fisted realities:

1. That in the case of the “collective capitalist”, just as in the case of each individual capitalist, one cannot undertake any expansion of production until the bulk of the existing commodities have been exchanged.

2. That the “collective capitalist”, as is true for each individual capitalist, does not undertake any expansion of production if an expanded market does not beckon to him.

Where does the capitalist class as a whole find a growing market as the basis for its accumulation?” (Luxemburg, *Anti-Critique* p. 399)

As for means of consumption, Bauer, who seems to confuse the newly hired workers and the ones taken on during previous production, finds nothing better than to get the workers to realize them, forgetting that in order for the workers to purchase means of consumption to reproduce their labour power, they must first receive the equivalent in variable capital from the capitalist class in the form of wages, all of which implies that this class throws itself into accumulation and thus, from the point of view of Luxemburg, surplus value is realized.

9.3 Sweezy

After being long left dismayed, after almost 30 years Professor Paul Sweezy takes up exactly the same arguments as Bauer⁴⁸, the self-same arguments criticized by Luxemburg. We should ask if Prof. Sweezy has ever got beyond the opening pages of Luxemburg’s book. One of the arguments that Sweezy picks up from Bauer shows how far our authors shy away from a real reply to Luxemburg:

“The massive exportation of commodities outside the capitalist world would make it impossible to maintain production on an extended scale the following year. It would be impossible to obtain either the means of production necessary for the development of the productive system, or the means of consumption needed to maintain the increased working population. If this part of the surplus value disappeared from the capitalist market, accumulation would not be made any more possible, as Luxemburg believed: on the contrary, all accumulation would be impossible.” (??)

⁴⁸ “... in discussing expanded reproduction [Luxemburg] implicitly retains the assumptions of simple reproduction. The dogma, which she never questions for a moment, that the consumption of workers can realize no surplus value implies that the total amount of surplus value, and hence also the consumption of the workers, must always remain fixed and constant as in simple reproduction. Actually, accumulation typically involves adding to variable capital, and when this additional variable is spent by workers it realizes a part of the surplus value which has the physical form of consumption goods.” (Sweezy, *The Theory of Capitalist Accumulation*, p. 204 – available at archive.org/details/in.ernet.dli.2015.461479/page/n5/mode/2up)

Luxemburg had criticized the point of view beforehand when dealing with Vorontsov. The problem is not to transfer the surplus value, but to realize it. Commodity capital can be realized in money capital through the exchange with pre-capitalist forms of production, and this can give rise to capitalist accumulation. For this to take place, it goes without saying that purchasing must also occur of commodities and other forms of production when the money capital is converted into elements of productive capital⁴⁹. Luxemburg had already recalled this in criticizing Bulgakov over the accumulation of capital. She repeated it in the Anti-Critique:

“Bulgakov betrays the fact that, for all his enthusiastic rendition of the Marxian reproduction schemes, he fails to understand wherein the actual problem lies (unlike the sceptics from Sismondi to Danielson, who at least had been groping around in its vicinity): he rejects external trade as a putative way out of the difficulty, because this reintroduces the surplus value that has been realized back into the country, “albeit in a changed form.” Bulgakov thus believes, in accordance with the crude conception of von Kirchmann and Vorontsov, that it is a question of eliminating a certain quantity of surplus value, of wiping it from the face of the earth; he has no inkling of the fact that it is a question of the realization of surplus value, of the metamorphosis of commodities, and thus that it is precisely the “changed form” of surplus value that is at issue.” (Luxemburg, *The Accumulation of capital*, p. 222)

9.4 Grossmann

Henryk Grossmann dedicated many pages to the critique of Luxemburg. These include two particular articles, one on gold production in the schemes of reproduction of Marx and Luxemburg, and the second being a refutation of Bauer and Luxemburg concerning the introduction of the organic composition in the schemes. We shall come back to comment on these articles at the right moment because neither aims at the central theory of Luxemburg.

Similarly, his book ‘The law of the Accumulation and the Collapse of the Capitalist System’ does not directly deal with the critique of this central thesis.

He restricts himself to make criticisms, which are often correct, of the consequences which leads Luxemburg to understand the capitalist mode of production and its accumulation (constant crisis independent of the phases of the capitalist mode of production, crisis not linked to the sphere of production etc.) when he examines the differences between the conception of the crisis based on a Ricardian interpretation of the fall in the rate of profit and Luxemburg’s theory.

We shall come back to these questions later on, while now our interest lies in the analysis of the fundamental position of Luxemburg “where does effective demand for the realization of surplus value come from?”

⁴⁹ Sweezy says the same in a more vulgar fashion than Bauer, but with the additional weakness of saying it thirty years later. “It is not possible to sell to non-capitalist consumers without also buying from them. (...) the surplus value cannot be disposed of in this way; it can at best change its form. Who is to buy the commodities ‘imported’ from the non-capitalist environment? If there could have been, as a matter of principle, no demand for the ‘exported’ commodities there can just as little a demand for the ‘imported’ commodities. The whole distinction between ‘capitalist’ and ‘non-capitalist’ consumers is, in this context, quite irrelevant.” (Sweezy, *ibid.* p. 205)

9.5 Mandel and competition

Characteristic of the total incomprehension of Luxemburg is the critique of vulgar Marxists, generally university professors.

The error Luxemburg made, according to them, is that Luxemburg did not take the movement of competition into account in the analysis of the crisis. One of the highest-flying representatives of this critique is Prof. Ernest Mandel.

“The error made by Luxemburg was that of treating the world capitalist class as a whole, that is, of making an abstraction of competition. It is true to say that Marx started his calculations of the rate of profit in Capital Volume III with the capitalist class as a whole and Luxemburg quotes this reference in a triumphant way to confirm her thesis. But she seems to overlook that in his overall plan of Capital, Marx specified crises fall outside the domain of capital “taken as a whole” and result precisely from the phenomena which call them different capitals that is to say competition. It is competition which determines all the dynamic, all the laws of the development of capitalism.” (Mandel, *Traité d'économie marxiste*, Tome 1, p. 452)

By pushing the errors of his Leninist teachers who fought against Luxemburg to the limit, the Trotskyist Mandel only succeeds in exposing the theoretical decomposition of Trotskyism and his counter revolutionary pillaging of the communist programme⁵⁰.

All his reproaches show that these criticisms do not understand, on the one hand, what Luxemburg wished to say when she spoke of the impossibility of the realization of surplus value in a capitalism that has rid itself of pre-capitalist forms of production and, on the other hand, by making the phenomena of competition an abstraction, she did nothing else than consider as correct the theoretical presuppositions of Marx in the analysis of accumulation.

“We leave this aside because the actual movement of competition belongs beyond our scope, and we need present only the inner organization of the capitalist mode of production, in its ideal average, as it were.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 818)

For Marx, competition only executed the laws of capitalism, making them obligatory for the individual capitalist under the sentence of disappearance, but competition does not create the inner laws of capitalism, but only enforces them, which made Bordiga say that the law of competition is one of the most secondary laws of the capitalist economy.

“It is not our intention to consider here the way in which the laws immanent in capitalist production manifest themselves in the movements of individual masses of capital, where they assert themselves as coercive laws of competition, and are brought home to the mind and consciousness of the individual capitalist as the directing motives of his operations. But this much is clear; a scientific analysis of competition is not possible before we have a conception of the inner nature of capital, just as the apparent motions of the heavenly bodies are not intelligible to any but him who is acquainted with their real motions, motions which are not directly perceptible by the senses.” (Marx, Capital Volume I, Collected Works Vol. 35, p. 321)

⁵⁰ Clearly, if there is a mudhole to be found, the CWO slips in to wallow around. It can find nothing better than to take up the argument of competition to use against Luxemburg.

By remaining with competition, the level of comprehension of vulgar political economy remains on the surface of economic phenomena without going into their essence⁵¹.

“Thus everything appears reversed in competition. The final pattern of economic relations as seen on the surface, in their real existence and consequently in the conceptions by which the bearers and agents of these relations seek to understand them is very much different from, and indeed quite the reverse of, their inner but concealed essential pattern and the conceptions corresponding to it.” (Marx, Capital Volume III, Collected Works Vol. 37, pp. 206-207)

Competition then is for vulgar economics, a field in which we do not hesitate to include the vulgar Marxist, the *deus ex machina* that explains it all.

“In short, competition has to shoulder the responsibility of explaining all the meaningless ideas of the economists, whereas it should rather be the economist who explain competition.” (Marx, Capital Volume III, Collected Works Vol. 37, p, 852)

From a general standpoint, all illusions about competition are tied to a vulgar theory which states that value can be created in circulation. In this final step in the decline of vulgar Marxism, takes into consideration, at this level of the analysis, the appearances of competition which would turn out to be the negation of the law of value and its substitution with a theory of value based on the law of supply and demand.

In no way can the arguments which foresee the crisis from a partial point of view be in agreement with communist theory, and in this aspect, Luxemburg could not be more orthodox, she who always knew how to represent, as Lukacs recalled, the point of view of the totality.

We could analyse the formation of the rate of profit in order to clearly state our ideas about the origin of competition and its role. Marx is very clear about this in these passages.

“Competition does not create it [profit – ed.]. it lowers or raises its level, but does not create the level which is established when equalization has been achieved. And when we speak of a necessary rate of profit, what we wish to know is precisely the rate of profit independent of the movements of competition, which in turn regulates profit itself. The average rate of profit sets in when there is an equilibrium of forces among the competing capitalists. Competition may establish this equilibrium but not the rate of profit which makes its appearance with this equilibrium.” (Marx, Capital Volume III, Collected Works Vol. 37, pp. 851-2)

If blind eyes, mute mouths and deaf ears of the counter revolution could see, say and hear something other than bourgeois ideology, they would make out that, for Marx, competition among individual capitalists is caused by the fall in the rate of profit. This rate expresses the determinations of total capital, of the collective capitalist seeking the maximum valorization of capital and which is at the same time its devalorization. This contradiction appears in the form of the tendency of the rate of profit to fall.

⁵¹ “... vulgar economy, which deals with appearances only, ruminates without ceasing on the materials long since provided by scientific economy, and there seeks plausible explanations of the most obtrusive phenomena, for bourgeois daily use, but for the rest, confines itself to systematizing it in a pedantic way, and proclaiming for everlasting truths, the trite ideas held by the self-complacent bourgeoisie with regard to their own world, to them the best of all possible worlds.” (Marx, Capital Volume I, Collected Works Vol 35, p. 92)

“A. Smith attributed the fall in the rate of profit as capital grows to the competition of capitals among themselves. Ricardo objected to this that while competition may certainly reduce the profits in the different branches of business to an average level, even up the rate of profit, it cannot depress this average rate itself. A. Smith’s proposition is correct to the extent that it is only in competition – the action of capital on capital – that the immanent laws of capital, its TENDENCIES, are realized. But it is incorrect in the sense in which he understands it – namely that competition imposes on capital laws external to capital, laws brought in from outside, which are not capital’s own laws. Competition can permanently depress the rate of profit in all branches of industry, i.e., the average rate of profit, only if, and only to the extent that, a general and permanent fall in the rate of profit operating as a law is conceivable also prior to and regardless of competition. Competition executes the inner laws of capital; it turns them into coercive laws in relation to the individual capital, but it does not invent them. It realizes them. To wish to explain them simply by competition means to admit that one does not understand them.” (Marx, Grundrisse, Collected Works Vol. 29, pp. 135-136)

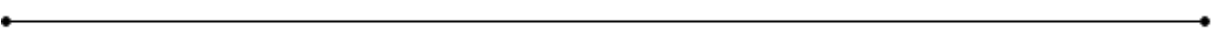
It is also vital to know that competition expresses itself in a different way following the conditions of the cyclical development of capital in line with the change in the rate of profit. What happens during a crisis of relative overaccumulation, when a part of capital has to be devalorized in order to re-establish the rate of profit?

“The rate of profit would not fall under the effect of competition due to overproduction of capital. It would rather be the reverse; it would be the competitive struggle which would begin because the fallen rate of profit and overproduction of capital originate from the same conditions.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 251)

“The competitive struggle would decide what part of it would be particularly affected. So long as things go well, competition effects an operating fraternity of the capitalist class, as we have seen in the case of the equalization of the general rate of profit, so that each shares in the common loot in proportion to the size of his respective investment. But as soon as it is no longer a question of sharing profits, but of sharing losses, everyone tries to reduce his own share to a minimum and to shove it off upon another. The class, as such, must inevitably lose. How much the individual capitalist must bear of the loss, i.e., to what extent must he share in it all, is decided by strength and cunning, and competition then becomes a fight among hostile brothers. The antagonism between each individual capitalist’s interests and those of the capitalist class as a whole then comes to the surface, just as previously the identity of these interest operated in practice through competition.” (Marx, capital Volume III, Collected Works Vol. 37. p. 252)

But even if competition cannot create the laws of capital, this does not mean that it plays no role in capitalist production. As Marx noted in the passage on Smith quoted above, it does not create the laws, but realizes them. The relationship between immanent laws and competition is a bit like the relationship between the production of value and its realization in exchange. Here too there is a dialectic between the creation of laws of capital and their realization, but the dialectic is not the strongest point of vulgar Marxism. The real movement of competition has to be the object of a special study which cannot be made before uncovering the essence of capitalist production.

Therefore, even if the argument is of no help in understanding why, from the standpoint of total capital, capitalist accumulation takes place, at this level of abstraction, calling on competition is vain, even dangerous because it would hinder the understanding of capitalist relations of



production, it has to be reintroduced at a given moment of the analysis in order to demonstrate how the tendencies of the bourgeois economy are realized.

If:

“What competition does not show, however, is the determination of value, which dominates the movement of production; and the values that lie beneath the prices of production and that determine them in the last instance. Competition, on the other hand, shows: 1) the average profits, which are independent of the organic composition of capital in the different spheres of production, and also of the mass of living labour appropriated by any given capital in any given sphere of exploitation; 2) the rise and fall of prices of production caused by changes in the level of wages, a phenomenon which at first glance completely contradicts the value relation of commodities; 3) the fluctuations of market prices, which reduce the average market price of commodities in a given period of time, not to the market value, but to a very different price of production, which diverges considerably from this market value. All these phenomena seem to contradict the determination of value by labour time as much as the nature of surplus value consisting of unpaid surplus labour. Thus everything appears reversed in competition.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 206)

It is useless to say to vulgar Marxists that it is revolutionary theory that is turned back to front.

9.6 Wage rises and the realization of surplus value

Using the argument of the rise in wages against Luxemburg in the best of cases boils down to limiting the problem. It is an argument totally alien to the communist programme for which the general tendency of the capitalist mode of production in the phase of real subsumption is to lower relative wages, which is another way of saying tendentially raising the rate of exploitation. This means that with the development of the capitalist mode of production, the mass of surplus value to be realized rises and not falls, while on the other hand the forms of production prone to effect this realization would tend to fade away.

9.7 Bukharin

Bukharin, even though he could outplay Simenon's Monsieur Mandel in contradiction, for example, implicitly fell into the argument of competition we have just criticized. He reproached Luxemburg with confusing the accumulation of money with the accumulation of capital. We can clearly understand Sweezy, who understood nothing in the debate, but was ready to glean arguments from any place where he could bustle around reproducing this criticism. Bukharin rejects Luxemburg's argument as too mechanical in as far as there is no rigid balance between the quantity of money in circulation and the growth in the value of production.

For Bukharin, therefore, there was not, on the one hand, a pile of commodities representing surplus value and, on the other, a bag of gold. He objected that the surplus value is realized successively, not simultaneously. Thus, the money circulating within the capitalist class allowed for the progressive realization of surplus value⁵². The problem is not one of increasing the mass of gold produced in relation to the growth of surplus value. The acceleration of the rate of circulation and

⁵² Here we also find the CWO again as it takes Bukharin's critique into account.

the development of the credit system were sufficient to satisfy the needs of the capitalist class, while in the contrary case it would be sufficient just to increase gold production slightly.

“Luxemburg’s basic mistake is that she takes the total capitalist as an individual capitalist. She underrates this total capitalist. Therefore, she does not understand that the process of realization occurs gradually. For the same reason she portrays the accumulation of capital as an accumulation of money capital.

The total capitalist is equated with the typical individual capitalist, the first of course cannot be his own customer. Furthermore, if the amount of additional gold is equivalent to the value of the additional numbers of commodities, this gold can only come from abroad (as it is obviously nonsense to assume a corresponding production of gold). Finally, if all capitalists have to realize their surplus value at once (without it wandering from one pocket to another, which is strictly forbidden) they need ‘third persons’.” (Bukharin, *Imperialism and the Accumulation of Capital*, available at www.marxists.org/archive/bukharin-works/1924/impacck/ch2.htm).

Paradoxically Bukharin blames Luxemburg for the whole theoretical framework in which Marx was reasoning. All the hypotheses employed by Luxemburg for her analysis were taken from Marx. The hypothesis of an exclusively capitalist society, the hypothesis of a rate of circulation equal to 1, the taking into consideration of gold as the sole source of money and the analysis from the point of view of total capital are all Marx’s and Luxemburg merely acts as a faithful disciple⁵³. It is too much to hear that Bukharin states that Luxemburg would have been right if she had used these hypotheses. Bukharin also slips on the question of the individual capitalist, meaning that he takes the same tack for arguments which he criticized Luxemburg for using, those of competition. By objecting to Luxemburg that the realization of surplus value took place gradually, Bukharin approved of arguments which do not have much to do with the argument and merely go to strengthen her position. If the rate of circulation can vary from 1 to 10, where other means of payment, such as credit, spring up where they previously did not exist, all that is of no interest here. In the abstract framework where the problem is posed, it is supposed that money capital equal to $c + v$ is advanced (for ease of presentation, it is supposed that the rate of circulation of money equals 1, but it could equally be $1/10$ ($c + v$) is we accept that the rate of circulation of money is 10). A capital to the value of $c + v + s$ has to be realized at the end of the production process. All things being equal for there to be effective demand, the monetary mass must increase to the value equal to s .

If the rate of circulation of money was 10, the increase in the monetary mass would have to be $1/10 s$. This does not go against what Luxemburg says, but actually reinforces her position. Her principal objection is not refuted, while the representation of her practical solution appears to be even more true. It is easy to accept than only $1/10$ of the surplus value needs to be exchanged in the framework of relations with pre-capitalist forms of production in order allow the realization of total surplus value without modifying her overall standpoint. It would be absurd to envisage variations in the rate of circulation or any other get out (money from fixed capital etc.) within the

⁵³ “But so far as the necessary further supply of money material on the basis of capitalist production is concerned, we see surplus value incorporated in products thrown into circulation without the money required for their conversion into money, on the one hand, and on the other surplus value in the form of gold without previous transformation of products into money. The additional commodities to be converted into money find the necessary amount of money at hand, because on the other side additional gold (and silver) intended for conversion into commodities is thrown into circulation, not by means of exchange, but by production itself.” (Marx, *Capital Volume II*, *Collected Works Vol. 36*, p. 342)

framework we are using. Marx had rejected all this in his analysis. Moreover, the problem Luxemburg poses is not a technical one, that is, to find a greater quantity of gold, or money, but that of realizing surplus value, the transition of the surplus value from its commodity form to its money form. One of the moments of value has to be the money capital form if it is to follow the pathway through which it valorizes. According to Luxemburg, however, capitalists cannot consider the means of production and consumption to be used in accumulation according to their use value, as their purchase would mean glutting the means of production and consumption, but in no way realizing capital. Only pre-capitalist forms of production, as their production is not based exclusively on exchange value, the seeking of surplus value, could have a “need” for these means of production or consumption and so offer effective demand for their realization (it matters little if payment is in gold or international credit offered by the capitalist system itself)⁵⁴.

9.8 Emmanuel

Last and not least, Mr. Emmanuel is a great Stalinist facing the Eternal, an infallible means for realizing surplus value. All that is required is the threat to dispossess the bourgeois class of its capital to the gain of a bureaucracy that would lock it up in labour camps. In short, a reading of Solgenitsyn’s novels would be a goad enough for the capitalist class to realize surplus value, as just the thought counts.

Emmanuel dedicates some dozens of pages to Luxemburg in his ‘Le Profit et les Crises’, but only in the last dozen does he come to the point and the next to last before realizing that he has only glimpsed at the problem Luxemburg had posed.

If the fear of the Gulag is not enough to oblige capitalists to realize surplus value, Emmanuel thinks it would be madness not to do so, and seeing that in general capitalists are not mad, they will realize surplus value. If they do not realize surplus value, there would be a crisis, therefore it is enough to realize it in order to avoid the crisis: seeing things this way, the capitalist class can only realize surplus value. QED

But if all this is still not sufficient to get the capitalist to invest, Emmanuel drags out other well-worn arguments, such as the goad of competition, the natural growth of the population and, why not, the rise in real wages.

The reader who is drowning under a cascade of ineptitude jumps out of his seat on turning the page. A more serious argument has cropped up.

“When the three piles of commodities are sold within the system, as Luxemburg supposes, a large part of the surplus value to be used in capitalization will ipso facto be already realized by some companies while others will not yet have sold their quota-part of the product which corresponds to the first three piles. The whole branch of luxury items will have, in this moment, following Luxemburg’s hypotheses, sold all its product and realized the whole of the surplus value. As for the branch of means of consumption for the workers, where year on year growth is rather weak, the ratio of sold to unsold commodities would at the same time be so small that, taking into account the different rates of sale in individual companies, it will be equal to zero for a large number of

⁵⁴ This means it is incorrect to say, as does the CWO and the Bulletin critique de Rouen, that there is “a question which immediately springs to mind, and which Luxemburg is careful not to consider: where on earth do these buyers get their purchasing power.”

them. The companies will, at this time, have completely realized everything, while other companies will have realized at the same time only part of their stock.

The same phenomenon will be repeated to a lesser extent in department I. After being sellers, the companies will become buyers. As such they make up this motor force which Luxemburg desperately sought for, the “animal spirit”, the locomotive which hauls everything into the process of extended reproduction.” (Arrighi Emmanuel, *Le Profit et les Crises*, Maspero 1974)

Let us suppose that the argument used by Emmanuel contains a relationship between the department of means of production and the sub secretion of means of luxury consumption. Let us then suppose that the capitalists in department I buy luxury means of consumption from the capitalists in department II who use the money so received to renew the worn constant capital and can also therefore increase their productive capacity. If the department of means of production has a production of 6,000 which is divided into $4,000c + 1,000v + 1,000s$ which can split into two sections, one producing raw material and the other machinery, we get the following scheme:

$$1a - 2,000c + 500v + 500s = 3,000 \quad (\text{machinery})$$

$$1b - 2,000c + 500v + 500s = 3,000 \quad (\text{raw material})$$

We have therefore supposed that the capitalist class in department I which has a surplus value of 1,000 has used half for the purchase of luxury consumption. It gets this money as, for example, a bank loan. Consequently, £500 are paid into department II which can buy commodities for the same value in department I.

We can assume that the sub section of luxury means of consumption only uses raw materials and not machines. In this case, £500 go to sector Ib. As it is supposed that c and v are realized without difficulty, by now the whole of sector Ib will realize the value of its production and consequently the surplus value created in the same sector. The capitalist class in Ib has £500 to pay off the bank loan, a loan which stands at £250 for it. The capitalist class uses the remaining £250 to buy machinery, supposing that it does not use raw material or need extra variable capital. In this case, all of the surplus value in department Ia will be realized. Consequently, a part of the surplus value in Ia is not realized. However, we can imagine a fresh division in half in two sub sections of subsection Ia and so on. Each time half of the surplus value in section 2a will not be realized. This would only after and infinity of operations. But the rate of the circulation of money which determines the number of operations that can be realized is not infinite, and so a part of the surplus value will remain to be realized. Furthermore, this process would require a special division of labour. The problem Luxemburg posed would become somewhat less important, but all the same it would not be resolved, even by imposing very strong constraints on the bourgeois economy.

10. Beyond Luxemburg: the position of the communist programme

10.1 The structure of Volume II

The underlying reason for Luxemburg's error was that of not having clearly seen the qualitative leap taking place in the circuit of capital when it leaves the standpoint of individual capital to reach the level of total capital.

We have already seen that Capital Volume I and Volume II stand on the same level of abstraction, that of "capital in general", that they examine the capitalist production process considered as a whole, being the unity of the production process and the circulation process. "In Book I [Capital Volume I] the process of capitalist production was analysed as an individual act as well as a process of reproduction: the production of surplus value and the production of capital itself." (Marx, Capital Volume I, Collected Works Vol 36, p. 350), while Volume II is subtitled "The Process of Circulation of Capital". Of the three Parts of Volume II, the first two are at the level of individual capital and the third, which contains the analysis of extended reproduction, is at the level of total capital.

"But in both the first and second parts it was always only a question of some individual capital, of the movement of some individualized part of social capital.

However, the circuits of the individual capitals intertwine, presuppose and necessitate one another, and form, precisely in this interlacing, the movement of the total social capital. Just as in simple circulation of commodities the total metamorphosis of a commodity appeared as a link in the series of metamorphoses of the world of commodities, so now the metamorphosis of the individual capital appears as a link in the series of metamorphoses of the social capital. But while simple commodity circulation by no means necessarily comprises the circulation of the capital – since it may take place on the basis of non-capitalist production – the circuit of the total social capital, as was noted, comprises also the commodity, circulation lying outside the circuit of the individual capital, i.e., the circulation of commodities which do not represent capital.

We have now to study the process of circulation (which in its entirety is a form of the process of reproduction) of the individual capitals as components of the total social capital, that is to say, the process of circulation of this total social capital." (Marx, Capital Volume II, Collected Works Vol 36, pp. 351-352)

The circuit of individual capital examined in the first part of Volume II does not take the form $M-C-M'$ as used when studying the reproduction schemes, but a form $C-M-C'$, which masks certain particularities of money capital and notably dissimulates the possibility of a division between sale and purchase and therefore the possibility that commodity capital is not realized in money. On the other hand, if we turn from individual capital to total capital, the circuit $M-C-M'$ needs to take a qualitative leap in terms of presentation.

10.2 The circuit of individual capital

We have already briefly mentioned the circuit of capital in the previous chapter. We shall come back to the matter now for what Marx called the first stage of capital, that is the form of circulation in which capital appeared in Capital Volume I, the form $M-C-P-C'-M'$ (capital, money, money capital, production, commodity capital with surplus value, money capital with surplus value).

We have seen that the form M-C-M' is the general form of capital as it appears in circulation. Money is as the beginning and the end of this formula. The aim of this process is therefore exchange value, or, more precisely, surplus value. There is no difference between the two ends of the circuit, the only difference being quantitative and constituting surplus value. But surplus value is not created in circulation through the sale of the commodity above its value, but in production by the exploitation of labour power. This is what the developed form M-C-P-C'-M' shows. If we proceed from the money form to the commodity form, which is increased a bit by surplus value in the production process to produce a new commodity capital, which is then realized in money capital, the value valorizes. In this movement, value changes from one form to the other by increasing and valorizing. If now we take abstractly the production process in which surplus value is produced, that is the value is reproduced and increased, for us, who are interested in the two ends of the circuit, we can see that the act M-C is converted into means of production and labour power. Value changes from the money form into the commodity form, money capital is converted into the elements of productive capital.

“As the end of M-C, the commodity is bound to dissolve because it will enter the production process to be consumed productively. If it continues to exist as a commodity, i.e., remains available in as much as the condition for the process, either because it has not yet entered the process, or because this process does not take place.” (Marx, Capital Volume II, Ch.1, The circuit of money capital, reconstruction from the Manuscripts by Rubel, La Pléiade, Tome II, pp. 521-2)

“According to the type of commodities the capitalist intends to manufacture, he transforms M into means of production and labour power into ones that mean his requirements. But the general determination is that of the capitalist process in its totality. M must be changed into means of production and labour power, whatever their nature, i.e., take the material form of productive capital. On the contrary C'-M' does not have this content outside simple metamorphosis of the commodity into money. C-M does not become C'-M' unless by comparing the value C' to C to that of M to M'. Nevertheless, this comparison takes place outside circulation itself. If C', the product, is sold at its value, this sale it at the same time the realization of the value of the capital advanced and the surplus value which has been added on to it during production. The same value has done nothing other than undertake the first metamorphosis of all commodities by changing its commodity form into the money form.” (ibid. pp. 522-523)

The money is converted into means of production and certain labour power suiting the specific activity of the capitalist, within the section of production where he invests capital. On the other hand, in the act of C'-M' the value in the form of commodity capital has to adopt the money form and its value has to be realized by changing from the state of commodity capital to the money form.

“In M-C, capital has to adopt a determined form of use. In C'-M' it has to shed this form and readopt the form of exchange value by passing from the state of commodity capital to that of money capital.” (ibid. p. 521)

“The phases and the metamorphoses of the circulation of capital are at the same time interrupted and mediated by the process of production which, so as to say, divides them into two phases. The first phase, M-C, while at the same time being a formal metamorphosis, constitutes a moment in the real metamorphosis of the value of capital when it is transformed into productive capital. The second phase, C'-M', is a pure and simple metamorphosis like that of any other commodity which changes from its original form into the money form. In the first phase, the capitalist withdraws a commodity from circulation, in the second he throws a commodity back into circulation. The value

that he throws into circulation in the money form in the first phase is lower than the value that he withdraws in the same form at the end of the second phase. The first time he withdraws from circulation a commodity value lower than the one he puts back later on. Consequently, if in relation to the change in form the first metamorphosis is at the same time real while it is unreal in the second, under the relation of the change of value, the advanced value of the capital passes in the first phase from the money form to the use form, while in the second phase there is the realization not only of the value advanced, but also the surplus value created during production.” (ibid. pp. 524-525)

We have examined the circuit of individual capital, but the problem takes on another form when the circuit is observed from the standpoint of total capital.

10.3 The circuit of total capital

10.3.1 From individual capital to total capital

We have seen during our treatment of individual capital that the realization of the social product is not automatic and the capitalist, if he does not sell his commodities, risks losing his capital completely or partially, depending on volume of sales he is able to make.

If the surplus value of these commodities is involved, this loss could also pass on to the capital advanced even though, in the extreme case, it would be the entire capital that the capitalist could not realize. How does the circuit of capital appear when we view it from the standpoint of total capital?

We have already seen that Luxemburg thought that it was not possible for the collective capitalist to find effective demand for the accumulated surplus value. According to her, it was impossible to generalize for total capital the same process as that given for individual capital. It is true that the circuit of capital cannot be given in the same way both for individual capital and total capital. But this does not mean there is an absolute impossibility in realizing surplus value. The problem is rather the change in the level as the transition from individual capital to total capital brings with it a change in the form of the circuit. When considering the individual capitalist, a buyer had to find who, except in a particular case, would be different from the seller. In other terms, the buyer who could realize the value and the surplus value contained in the commodities is generally a different person from the capitalist who produced the commodities he tries to realize in money. With the collective capitalist, on the contrary, and remaining within the framework of capitalist relations of production, we are dealing with the same person. The commodity, or more precisely, the commodity capital in his hands (indicated by M' because it has increased to a higher value than that of the elements of production making up the initial capital) is the same as that which the capitalist must purchase to start a new cycle of accumulation. It is in any case, still following Luxemburg, of the same value even if its material content is not the same. The circuit of total capital does not unfold as $M-C-C'-M'$ which is the condition for the existence of the cycle $M'-C'-C''-M''$, but in a succession of $M-C$ cycles in which money is always the driving force of the movement and thus its goal remains surplus value, the seeking after exchange value for the exchange value. If it possible for total capital to perform the movement $C'-M'$ too, this is because the capitalist class performs the movement $M'-C'$. Value is realized because money is converted into productive capital and labour power. The process adopts this form:

M-C....P....C'

M'-C'.....P.....C''

M''- C''P.....C'''

M'''- C'''.....P.....

(etc.)

As ever, money capital provides the impetus for the whole process of the seeking for the maximum surplus labour which constitutes the goal of this process of capitalist production.

“...it constitutes the form in which every individual capital appears upon the scene and opens its process as capital. It therefore appears the primus motor, leading impetus to the entire process. (...) Similarly. The capitalist production of commodities – whether considered socially or individually – presupposes capital in the form of money, or money capital, both as the primus motor of every incipient business, and its continual motor.” (Marx, Capital Volume II, Collected Works Vol. 36, pp. 352-353)

The point of departure is found in money capital, a money capital with the value M', higher than M. here it does not matter much if technical means, such as credit or gold, allow for its mobilization, it is money capital that provides the impetus for the entire process.

10.3.2 Mattick's Ricardian interpretations

The remarks we are going to make here must in no way be considered as the same as the, to put it briefly, Ricardian answer which consists in stating that realization is assured by accumulation.

One of the most significant representatives of this tendency is Paul Mattick, a devoted follower of the Stalinist Grossmann.

“Commodity production creates its own market in so far as it is able to convert surplus value into new capital. The market demand is a demand for consumption goods and capital goods. (...) It is the growth of capital in its physical form which allows for the realization of surplus value outside the capital-labour exchange relations. So long as there exists an adequate and continuous demand for capital goods, there is no reason why commodities entering the market should not be sold. (...) A larger market presupposes a larger production, even though a larger production may not find an adequate market demand. In the attempt to safeguard capital by augmenting it, the capitalists accelerate the accumulation process. There is no certainty that the expansion of production will extend the market in equal measure. However, this very acceleration is itself a market extension in that it increases the demand for the means of production.” (Mattick, Marx and Keynes, pp. 76-78)

According to this conception, there is always a “stable base” which is the previous market (therefore a kind of equivalent of $c + v$) while the expansion of the market is realized by the accumulation of s . If this is not possible, it is due to a lack of surplus value and not to the impossibility as such in realizing the surplus value. The conception implies that the crisis is a partial crisis. This aspect is, besides, shared with Luxemburg who considered that $c + v$ are realized without any difficulty. The difference between the two schools lies in surplus value. In one case there is a lack of surplus value to ensure accumulation, and the crisis results from the production process, if problems of realization existed or not.



“Even assuming the non-existence of the realization problem, Marx saw the accumulation process as historically limited because it destroyed its own source of existence and secret of development though the fall of the rate of profit in the course of the rising organic composition of capital.” (Mattick, Marx and Keynes, p. 79)

In the other case, the surplus value does not find effective demand and cannot be realized. The crisis emerges in the circulation process independently of the production process. In one case, the necessity of the crisis is advanced, without demonstrating the possibility, in the other, the possibility is shown, without demonstrating the necessity⁵⁵. In one case, the production process is at the fore, without demonstrating how the crisis appears at the level of the circulation process, and in the other case the circulation process is at the fore, without demonstrating how the crisis is born in the production process. In one case, there is the construction of a Ricardian conception of the crisis, in the other, a Sismondian conception, in short, there is fall back into political economy when it is time to criticize it.

10.3.3 From the possibility to the necessity of crises

If the transformation of M' into C' allows for the realization at the same time of C' in M' , if the conversion is simultaneously the realization, that does at all not mean that this happens automatically. It was one of Luxemburg's great merits to have recalled the contradictions which Marx stressed in the passage from the commodity to money.

“In the first place, if we consider only the nature of the commodity, there is nothing to prevent all commodities from being superabundant on the market, and therefore all falling below their price. (...) That is all commodities, apart from money. (...) the commodity must be converted into money, only means that all commodities must do so. And just as the difficulty of undergoing this metamorphosis exists for an individual commodity, so it can also exist for all commodities. The general nature of the metamorphosis of commodities – which includes the separation of purchase and sale just as it does their unity – instead of excluding the possibility of a GENERAL GLUT, on the contrary, contains the possibility of a GENERAL GLUT.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 135)

Realization is not inevitable to the extent that conversion is not either.

“At a given moment, the supply of all commodities can be greater than the demand for all commodities, since the demand for the general commodity, money, exchange value, is greater than the demand for all particular commodities, in other words the motive to turn the commodity into money, to realize its exchange value, prevails over the motive to transform the commodity again into use value.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 135)

So doing, capitalist production is paralysed and the crisis breaks out. The conversion of M' into C' does not take place and, consequently, the realization of C' in M' is not performed. A crisis of

⁵⁵ “The general abstract possibility of crisis denotes no more than the most abstract form of crisis, without content, without a compelling motive factor: sale and purchase may fall apart. They thus represent crisis potential and their coincidence always remains a critical factor for the commodity. The transition from one to the other may, however, proceed smoothly. The most abstract form of crisis (and therefore the formal possibility of crisis) is thus the metamorphosis of the commodity itself; the contradiction of exchange value and use value, and furthermore of money and commodity, comprised within the unity of the commodity, exists in metamorphosis only as an involved movement.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 140)

overproduction ensues and the totality of capital tends to fail to follow its process. Therefore, unlike the perspectives of a partial crisis, the one so liked by both Luxemburgists and Leninists, the communist programme states that the crisis of overproduction is general and catastrophic. It is not just a part of s that cannot be realized, but the totality of capital ($c + v + s$) which tends no longer to function as capital. Seeing it is not just a part of the surplus value to be accumulated which must act as capital, but capital as a whole, whether it is new capital or previous capital, the crisis can affect the totality of social capital.

Clearly this glut is only relative and only exists at a certain price level. The price level determines what proportion of surplus value or a greater or smaller part of the capital advanced will not be realized, ruining the producer and the merchant. The crisis is at the same time the reestablishment of a broken unity, but in a violent reestablishment. The greater the advancement of the process of valorization/devalorization, the greater the level of labour productivity, the greater the development of the contradiction between use value and exchange value, the greater is the violent devalorization of capital, with the ruinous fall in prices and the destruction of capital etc.

But the metamorphosis of merchant capital into money capital with the realization of capital only highlights the possibility of the crisis.

“Incidentally, those economists are no better than who (like John Stuart Mill) want to explain the crisis by these simple possibilities of crisis contained in the metamorphosis of commodities – such as the separation between purchase and sale. These definitions which explain the possibility of crises, by no means explain their actual occurrence. They do not explain why the phases of the process come into such conflict that their inner unity can only assert itself through a crisis, through a violent process. This separation appears in the crisis; it is the elementary form of the crisis. To explain the crisis on the basis of this, its elementary form, is to explain the existence of the crisis by describing its most abstract form, that is to say, to explain the crisis by the crisis.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 133)

So, if we have just shown the possibility of crisis, it is vital to seek its bases whose carrying through is made possible the contradiction which exists between merchant capital and money capital. This necessity of crisis, the answer to why it happens, is therefore to be sought within the production process in the process of valorization/devalorization, that is more formally speaking, in the tendency of the rate of profit to fall. The cycle M^2-C' is a new cycle of valorization starting with the conversion of money capital into the elements of productive capital. But, at the same time, it is the realization, it is the end of the old productive cycle with the realization of merchant capital in money capital. The conversion and realization of capital will depend in the ratio of M^2-M/M , that is, the rate of profit.

If the valorization of capital turns out to be insufficient, the new cycle of capital valorization which began with M^2-C' and therefore the realization of C' as M' cannot be made does not take place, and the crisis breaks out. It is a general crisis of overproduction and the totality of capital tends to be unable to continue its process.

Therefore, the origin of the crisis is to be found in the production process, in the contradiction valorization/devalorization. As the dramatic fall in the rate of profit hits the production process, the capitalist class has to struggle to re-establish the previous levels of labour productivity and the rate of profit before restarting the cycle of accumulation and exploitation.

This re-establishment can only take place if accompanied by a dramatic devalorization of existing capital which means a ruinous fall in prices for the capitalist class. These violent upsets in the



production paralyse the function of money as a means of payment. The potential split between merchant capital and money capital (a contradiction which the credit system has driven to its zenith) has turned into reality, ending up in violent crises whose extension and depth are in direct relation to the level already reached by the productive forces.

“The creation of this surplus value makes up the direct process of production, which, as we have said, has no other limits than those mentioned above. As soon as all the surplus labour it was possible to squeeze out has been objectified in commodities, surplus value has been produced. But this production of surplus value completes but the first act of the capitalist process of production – the direct production process. Capital has absorbed so and so much unpaid labour. With the development of the process, which expresses itself in a drop in the rate of profit, the mass of surplus value thus produced swells to immense dimensions. Now comes the second act of the process. The entire mass of commodities, i.e., the total product, including the portion which replaces the constant and variable capital, and that representing surplus value, must be sold. If this is not done, or done only in part, or only at prices below the prices of production, the labourer has been indeed exploited, but his exploitation is not realized as such for the capitalist, and this can be bound up with a total or partial failure to realize the surplus value pressed out of him, indeed even with the partial or total loss of the capital. The conditions of direct exploitation, and those of realizing it, are not identical. They diverge not only in place and time, but also logically.” (Marx, Capital Volume III, Collected Works Vol. 37, pp. 242-243)

10.4 The general crisis of overproduction

If there is a crisis, how can the conditions allowing for capital to be able to again follow the process of the exploitation of labour be re-established?

“But the equilibrium would be restored under all circumstances through the withdrawal or even the destruction of more or less capital. This would extend partly to the material substance of capital, i.e., a part of the means of production, of fixed and circulating capital, would not operate, not act as capital; some of the operating establishments would then be brought to a standstill. Although in this respect, time attacks and worsens all means of production (except land), the stoppage would in reality cause far greater damage to the means of production. However, the main effect in this case would be that these means of production would cease to function as such, that their function as means of production would be disturbed for a shorter or longer period.

The main damage, and that of the most acute nature, would occur in respect to capital, and in so far as the latter possesses the characteristic of value it would occur in respect to the values of capitals. That portion of the value of a capital which exists only in the form of claims on prospective shares of surplus value, i.e., profit, in fact in the form of promissory notes on production in various forms, is immediately depreciated by the reduction of the receipts on which it is calculated. A part of the gold and silver lies unused, i.e., does not function as capital. Part of the commodities on the market can compete their process of circulation and reproduction only through an immense contraction of their prices, hence through a depreciation of the capital which they represent. The elements of fixed capital are depreciated to a greater or lesser degree in just the same way. It must be added that definite, presupposed price relations govern the process of reproduction, so that the latter is halted and thrown into confusion by a general drop in prices. This confusion and stagnation paralyse the function of money as a medium of payment, whose development is geared to the development of capital and is based on those presupposed price relations. The chain of payment obligations due at specific dates is broken in a hundred places. The confusion is augmented by the attendant collapse of the credit system, which develops simultaneously with capital and leads to



violent and acute crises, to sudden and forcible depreciations, to the actual stagnation and disruption of the process of reproduction, and thus to a real falling off in reproduction.” (Marx, Capital Volume III, Collected Works Vol. 37, pp. 252-253)

So, when the process of valorization/devalorization engenders, as it does periodically, a fall in the rate of exploitation, there follows a rapid fall in the rate of profit. This paralyses the movement of the valorization of capital value and the reconversion into new capital of the value and the surplus value contained in merchant capital. The totality of capital enters into a crisis ($c + v + s$) and the production process can only restart through a massive devaluation of capital in order to re-establish the rate of profit and the condition for the exploitation of labour power.

When Luxemburg developed her conception of the partial crisis, she stated that only the part of surplus value to be capitalized posed a problem of being realized within the framework of capitalist production relations considered as a whole. By making such statements she was in fact denying the existence of capitalist production. Neither constant nor variable capital could any longer be considered as having been purchased by the capitalists (we shall see that the workers in the case of variable capital have nothing to do with this business) only for their use value. What ensures their realization is, just like with surplus value, is their ability to function again as capital and therefore for money to be reconverted into elements of productive capital to produce the maximum surplus value.

The reproduction of worn-out constant capital should only be considered from the standpoint of use value as this would be to leave out important conclusions the communist programme draws from the process of “metempsychosis” of value as it operates in the production process when capital transmits its value, or part of it, to the product.

Capital requires that the value of fixed capital is transmitted as rapidly as possible. The machine, for example, not only having been worn during usage, also has suffered the wearing out due to inactivity (he who hesitates is lost). All these factors drive capital to increase the operating time of machines either by lengthening the working day or by introducing the shift system, allowing the introduction of night work. We should recall that the latest strikes at Michelin were in favour of defending the workers’ Saturday. The Michelin managers wanted to increase the operating time of machines over a longer weekly period. We should also recall that the agreement to reduce the working week to 35 hours in the BSN group (Gervais, Danone, Kronembourg etc.) included time management aimed at lengthening the operating time of machines. The relative increase in wages and therefore the apparent reduction of the rate of surplus value would not lead to an increase in value of products, but quite the opposite the value of the constant capital transferred to the product would be over a shorter period, with the collateral effect of the fall in the value of the commodities. Since this involved the determination of the value of labour power, this fall in the value of the commodities would guarantee an increase in the mass and rate of surplus value. It is true to say that this increase would have an effect only on a social level and would therefore would have only a limited cascade effect on BSN. On the other hand, the lowering of the individual value of the commodities produced by the group below their social value would allow for the earning of superprofits.

Thanks to these profits, BSN could quite easily accept the relative fall in wages agreed to with the workers (which does not prevent it from profiting from flexibility in the volume of living labour so obtained by reducing through the installation of further machines what is favoured by the wage rise. The reserve industrial army that has been expanded could put pressure on the whole of the working class). Such a measure could not be used generally because it would lead to the sudden fall



in the mass of surplus value, causing a rapid fall in the rate of profit. It could be employed by companies in the BSN group because they occupy in many cases a position where they can obtain an increase in superprofits which they realize by appropriating a greater share of the social surplus value while contributing less to its creation. This special position makes it possible to place the working class of the company in a more favourable situation than the average for the working class.

But the crisis will spoil these last attempts to carve out a labour aristocracy and the wages of BSN workers will fall back to the average obtained in a branch for a 35-hour working week. That would be the same as lowering wages even further below the value of labour power in the first period; this requiring, as the phase of prosperity showed, working weeks longer than 40 hours to be reproduced in conditions which were already from a social standpoint below the average. The general reduction of the working week has already meant over the past few years a lower wage for major sectors of the working class and this phenomenon has been worsened by the crisis.

Since the Second World War, a period which has been particularly favourable for capital with its triumph over the proletariat in a situation marked by the unbridled increase in the exploitation of the proletariat, the proportion of workers having to work nights (and this change has now also affected the middle classes⁵⁶), or working shifts has not ceased to grow.

As the value of constant capital and fixed capital in the hands of the proletarian class has by now become very high, just as on the other hand associated work is particularly common (few proletarians therefore have in their hands a social mechanism where all sectors are interdependent and can therefore block it entirely), the despotism of capital can only increase in order to ensure the continuity of the production process and ensure the surveillance of correct use of machinery. These are all social aspects of work facing the proletariat which they dominate. This despotism will have to increase still further as the working class mounts an increasing resistance which has to be broken⁵⁷.

The reproduction, and therefore the accumulation too, of existing capital follow the same motivation as the accumulation of surplus value: the seeking after the maximum surplus value. According to the communist programme (and we shall return to this important point in the doctrine) the capitalist class holds the monopoly just as much of money and the means of production as the means of consumption. It faces the proletariat which has only one commodity, its labour power. By holding the monopoly over the means of consumption, it is therefore with the past product of its labour that the capitalist class pays the proletarians' wages. Consequently, the role of the proletariat in the realization of the new product is zero.

“The capitalist class is constantly giving to the labouring class order-notes, in the form of money, on a portion of the commodities produced by the latter and appropriated by the former. The labourers give these order-notes back just as constantly to the capitalist class, and in this way get

⁵⁶ If the middle classes are submitted to this despotism, it is for reasons close to but not strictly identical to those of the proletarians. The work performed by the middle classes does not in fact have the virtue of being able to transmit the value of constant capital to the value of commodities.

⁵⁷ Apart from all these aspects linked to constant capital, it should not be forgotten that the more labour power is devalorized, the greater the rate and mass of the surplus value extorted from the worker becomes and so too the difficulty to increase it still further, hence an increase in the despotism of capital. The phase of the real submission of capital is therefore clearly the imperialist and fascist phase of capital as defined by the Italian Communist Left. The roots of this despotism are found in the being of capital which it tends to realize with the phase of real submission.

their share of their own product. The transaction is veiled by the commodity form of the product and the money form of the commodity.

Variable capital is therefore only a particular historical form of appearance of the fund for providing the necessities of life, or the labour fund which the labourer requires for the maintenance of himself and family, and which, whatever be the system of social production, he must himself produce and reproduce. If the labour fund constantly flows to him in the form of money that pays for his labour, it is because the product he has created moves constantly away from him in the form of capital. But all this does not alter the fact, that it is the labourer's own labour, realised in a product which is advanced to him by the capitalist." (Marx, Capital Volume I, Collected Works Vol. 35, pp. 567-568 – italics added - ed)

The new production, be it means of production or means of consumption, is the monopoly of the capitalist class and faces the proletariat stripped of any property.

The realization of this part of the social product therefore depends on the capacity of the capitalist class to hire the whole of the working class, and therefore depends on the capacity to advance variable capital that capacity, whether it is variable or constant capital, depending on the level of valorization of capital, that is, the rate of profit.

10.5 Crisis and cycle

Luxemburg, while having the merit of recalling its importance, sees it only as a moment of the crisis. She limits the argument to the contradiction between commodity capital and money capital which only offers the possibility of a crisis. In order to construct the necessity of the crisis on this contradiction, she has to make the crisis permanent. Even though the C'-M' cycle can be performed without difficulty, according to Marx, Luxemburg is led to transform a contradiction that gives the possibility of the crisis into a contradiction which offers a permanent necessity for it. Capital can only get over this contradiction by establishing relations with forms of production outside the capitalist mode of production. By conceiving the permanent crisis, she joined a tradition of political economy which comes into contradiction with the communist programme for which crises consist in periodic explosions.

The crisis for the communist programme is not permanent and breaks out periodically at an always greater intensity.

"A distinction must be made here. When Adam Smith explains the fall in the rate of profit from a SUPERABUNDANCE OF CAPITAL, an ACCUMULATION OF CAPITAL, he is speaking of a permanent effect and this is wrong. As against this, the transitory SUPERABUNDANCE OF CAPITAL, overproduction and crises are something different: Permanent crises do not exist." (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 128)

"On the other hand, too many means of labour and necessities of life are produced at times to permit of their serving as means for the exploitation of labourers at a certain rate of profit. Too many commodities are produced to permit of a realization and conversion into new capital of the value and surplus value contained in them under the conditions of distribution and consumption peculiar to capitalist production, i.e., too many to permit of the continuation of this process without constantly recurring explosions." (Capital Volume III, Collected Works Vol. 37, p. 257)

Luxemburg therefore only partially restored the contradictions of capitalist production. She stays at the level of the process of circulation without demonstrating the close ties that the crisis has with



the process of production. The contradictions appear in the sphere of circulation due to the halt to the process of accumulation and therefore of realization of capital and surplus value. So doing, Luxemburg, elsewhere the brilliant dialectician, only produces a unilateral conception of the crisis without showing how the contradictions in capitalist production are resolved by crises which spring from the same contradictions.

“From time to time the conflict of antagonistic agencies finds vent in crises. The crises are always but momentary and forcible solutions of the existing contradictions. They are violent eruptions which for a time restore the disturbed equilibrium.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 248)

Bukharin noted quite correctly from this standpoint that:

“Not only the contradictions, but also the unity, has to be seen. This unity is fully manifested during the crises, while according to Luxemburg this unity is altogether impossible. In other words, Luxemburg seeks for superficial, formally logical contradictions in capitalism, which are not dynamic, do not adjust to each other, are not elements of a contradictory unity, but patently deny this unity. But in reality, we find dialectical contradictions of a whole, periodically adjusting to each other, constantly reproducing, to blow up the entire capitalist system at a certain stage of development, i.e. destroying the previous unity with the system itself.” (Bukharin, op. cit.)

10.6 Historical crisis, final crisis

Therefore, for Luxemburg, the crisis did not spring from the inherent limits of capitalist production, limits it constantly sought to overcome in order to pose them on a greater scale, but instead from the break in the metabolism which the capitalist mode of production maintained with pre-capitalist forms of production. The capitalist mode of production therefore would not be a historically stable mode of production and therefore could not play a historic role without the subsistence of previous forms. The crisis of the capitalist mode of production did not come from the development of internal contradictions, but from a source external to it. All this was a total negation of the dialectic of history.

For Marx,

“Capitalist production seeks continually to overcome these immanent barriers, but overcomes them only by means which again place these barriers in its way and on a more formidable scale.

The real barrier of capitalist production is capital itself. It is that capital and its self-expansion appear as the starting and the closing point, the motive and the purpose of production; that production is production only for capital and not vice versa, the means of production are not mere means for a constant expansion of the living process of the society of producers. The limits within which the preservation and self-expansion of the value of capital resting on the expropriation and pauperization of the great mass of producers can alone move - these limits come continually into conflict with the methods of production employed by capital for its purposes, which drive towards unlimited expansion of production, towards production as an end in itself, towards unconditional development of the social productivity of labour. The means – unconditional development of the productive forces of society – comes continually into conflict with the limited purpose, the self-expansion of existing capital. The capitalist mode of production is, for this reason, a historical means of developing the material forces of production and creating an appropriate world market and is, at the same time, a continual conflict between this its historical task and its corresponding social relations of production.” (Marx, Capital Volume III, Collected Works Vol. 37, pp. 248-249)



The crisis as represented by Luxemburg is independent of the history of the capitalist mode of production, which, according to her, did not experience specific crises following its historical periodization, but a permanent crisis instead, of the same nature whatever the stage of development may be. This crisis becomes ever more acute with the advance of the capitalist mode of production. Seeing that for revolutionary theory the capitalist mode of production experiences crises of absolute overaccumulation in the phase of formal submission and crises of relative overaccumulation in the phase of real submission of labour to capital (cf. CouC no. 9)⁵⁸ for Luxemburg whatever the phase of capitalist production, the nature of the crisis is always the same.

To the extent that she does not stress the origin of crises in the production process (which is the unity of the process of valorization and the labour process) she could not restore the crises relative to different historical periods of the capitalist mode of production. Moreover, according to Luxemburg, the capitalist mode of production could not attain the phase of real submission, the phase when one of its characteristics is just that the capitalist mode of production does away with the other forms of production to walk on its own two legs.

“As long as capital is weak, it itself still looks for the crutches of past modes of production, or of modes of production which pass away with its rise. As soon as it feels strong enough, it throws the crutches away and moves according to its own laws.” (Marx, *Grundrisse*, Collected Works Vol. 29, p. 39)

The Italian Left correctly defined the degree of purity of the capitalist mode of production in line with the greater or lesser importance of classes and strata which were not submitted to wage labour (Asti meeting, June 1954 ‘Volcano di produzione o palude di mercato’ [Vulcan of production or swamp of the market]). Therefore, for Luxemburg, the arrival of the phase of real submission, that is the phase in which the capitalist mode of production realizes its own being, could not take place⁵⁹.

Luxemburg’s logic arrives at the point where the crisis is inevitable and irreversible: it is a historical crisis which makes every solution, every way out for the capitalist mode of production impossible. Independently of the action of the proletariat, Luxemburg’s catastrophism predicts a stopping point that marks the impossibility of the capitalist mode of production to continue any further⁶⁰.

⁵⁸ Republished in the same form as the text in the pamphlet on “The periodization of Capital” [note 2009].

⁵⁹ Another aspect of this impossibility can be found in the exchanges the capitalist mode of production must, according to Luxemburg, maintain with pre-capitalist forms of production. If we can follow Luxemburg when she states that the realization of surplus value takes place through its exchanges, on the contrary the form of exchanges can only correspond to a determinate phase in the evolution of the capitalist mode of production. If we accept that the apparatus of capitalist production finds outlets in pre-capitalist forms of production, it is likely that the technical characteristics of the means of production and consumption provided would have to be different from those used in capitalist production. This difference would appear with the development of the real phase in which the capitalist mode of production constructs a specifically capitalist technology. It may be imagined that in the phase of real submission a growing part of the social product (surplus value) takes on a material form which would be appropriated for its consumption by forms of capitalist production while the forms of pre-capitalist would have to form the material elements of a capitalist accumulation based on advanced technology.

⁶⁰ The caricature of Luxemburgism is now provided by the ICC. In previous editions we have been able to show that certain characteristics of this sect which make it more apt to play the role of the butler in cloak and dagger novels than that of the vanguard of the proletariat. The most overwhelming characteristic is that their conception is based on a grotesque incoherence which daily becomes more absurd.

Let us consider what Luxemburg wrote in 1913: “Of course, capitalist development still has a good way to go, as the capitalist mode of production proper still represents only a very small fraction of total production

For the communist programme, as Lenin noted “The revolutionaries sometime struggle to demonstrate that the crisis leaves absolutely no way out. But in absolute terms there are no situation that do not have a way out.”

If the crisis which in a revolutionary period has the effect of heightening antagonisms between capital and the proletariat does not lead to the victory of the proletariat, then massive devalorization of capital, all the greater where the productive labour forces have developed, would allow for a cure for bourgeois society (since 1914 this cure had to be organized systematically and carried through by the imperialist war). The Luxemburgist theory which develops a unilateral theory of crises only restores partially just one of the aspects of the communist theory of crises by understanding it as a partial, permanent and irremediable crisis which develops a gradualist and fatalist catastrophism foreign to proletarian revolutionary perspectives.

on earth. Even in the oldest industrial countries in Europe, there are still alongside large industrial firms very many small and backward artisanal workshops, and above all, much the greater part of agricultural production is not capitalist but still pursued along peasant lines. (Luxemburg, Introduction to Political Economy, available at. www.redtexts.org/html/luxemburg_1925_political_economy.html) For its part, the ICC considers that starting from 1914 there have no longer been any extra capitalist markets, and therefore, following the Luxemburgist logic, there can be no further development. How then, 70 years later when there is no possibility of realizing surplus value and capitalism cannot see any further development, this surplus value has increased phenomenally since 1945 and at a rate of growth in the twentieth century is higher than that in the nineteenth century, even taking into account of the period of stagnation 1919-1939? This remains a mystery that the ICC has never cast light on. The quibbles provided do not pass the test. One of them announces that capital could accumulate due to the reconstruction following the Second World War. What has been omitted is that if a war has reduced the level of the productive forces from, let us say, 100 to 10, the capitalist mode of production must still exist and, following the Luxemburgist logic, with it effective markets allowing for the realization of surplus value so that accumulation can pick up to the previous level of 100. So, then the ICC considers the reconstruction, and therefore capitalist accumulation as the renewal of a mass of use values that had been destroyed. As for the opening up of new markets or further entry into old ones, either they are capitalist markets and therefore there can no longer be any demand for the surplus value to be accumulated, or they are markets offered by extra capitalist forms of production, while these markets from a qualitative standpoint no longer exist according to the ICC. In order to get out of the dead end, the ICC feels no shame in not hesitating to say that the state by using the credit system props up this demand. This means it does not understand the first word of the theory it says it defends. It also means that the capitalists can buy back the surplus value they have produced as now there is credit to do so. In this case the ICC throws out of the window what it brought in through the door. While all the time saying it is based on Luxemburg, in fact it rejects her. It further means that the crisis of the capitalist mode of production is transformed into the demonstration that it reigns for ever, A wonderful conclusion for those who aim to destroy it!

11. Luxemburg and the role of gold in the reproduction schemes

11.1 The unfinished state of Volume II

We began a detailed criticism of Luxemburg's positions in the previous chapters in order to show the limits and inadequacies of her conception which belonged much more to the Sismondian and underconsumptionist tradition of crises than that of the communist programme.

We have therefore rejected Luxemburg's theory whose main interest lay in recalling the existence of the contradiction between commodity and money which makes crises possible. This contradiction had previously been denied by revisionism, legal Marxism and, unfortunately, lastly Lenin too.

The restoration of the communist programme on the question of crises could not be fully accomplished and the debate underway, as much in the proletarian camp as against triumphant revisionism, mostly appeared to be rather a replay of the debate between Ricardo, Say and Sismondi, and Malthus than the reacquisition of the classic positions of communism.

Luxemburg's theory suffered in fact from the same faults: a conception of the crisis which in fact was a partial, and not catastrophic, crisis; a conception of the crisis which was a permanent crisis instead of a periodic crisis which broke out on an ever higher scale along with the development of the capitalist mode of production; a conception of the crisis which is restricted to the process of circulation, instead of demonstrating the close ties that unite the valorization of capital within the production process and the difficulties in the realization of the social product in the sphere of circulation. Luxemburg was satisfied by recalling only the contradictions which made the crisis possible, rather than recalling those which made it necessary and, consequently, failed to demonstrate the dialectic which unites the possibility and the necessity of the crisis. She therefore placed herself at the level of political economy, and not that of its communist criticism⁶¹.

During her detailed study of the accumulation of capital, Luxemburg also had to stress some inaccuracies, or arithmetic errors, which flawed Marx's Capital and mentioned the fact that only Volume I had been completed and published during Marx's lifetime. The other two Volumes, above all Volume II, were unfinished drafts which Engels attempted to organize in a publishable state after Marx's death. If Luxemburg, for her part, stressed the unfinished nature of Capital, it must also be remembered that capital itself was just the first part of a series of six parts that were to make up "The Economy".

The Italian Communist Left also noted the difference between the state of Volume I and that of Volumes II and III.

"For the demonstration, we must yet again go back to Marx and Engels. Not however to the organized and complete texts that both of them wrote and published all at one go in the full furor of those who have no doubts or do not lack certainty and throw aside any impediment to their progress without fearing the clash. Here we are dealing with the Marx of whom the executor of his final will wrote in almost dramatic terms in the prefaces to Capital Volume II (May 5, 1885) and Volume III (October 4, 1894). Firstly, a justification had to be made of the state of the huge mass of material and manuscripts (ranging from finished chapters in their definitive form to lists of

⁶¹ As we have said many times over, Luxemburg stands head and shoulders above the disciples, such as the ICC who use her in the weak communist movement and contribute to its opportunist misleading.

notes, slips of paper, illegible abbreviations and then intentions to undertake fresh research, including uncertain pages that varied in style) with Marx's health failing under the effect of the inexorable relapses into the illness that forced him to take the rest which little served against the anxiety eating away at his liver and lively brain. The work produced between 1863 and 1867 by this human machine was incalculable and included a single cast of steel in the form of Volume I of his masterwork. The illness had already given him problems in 1864-1865, the serious effects being noted later by his infallible assistant in evidence in the unpublished manuscripts. Then there was the nerve-wracking work of deciphering, rereading, again dictating, reordering the dictated text and putting the material in the correct order, all the time following the obstinate decision not to edit things his own way, which overcame even the resistance of the robust Engels: his generous eyes had poured too long over his friend's pages and a worrying weakness in his sight forced him to reduce his own work for several years as he was forbidden to work using artificial light. He was undeterred and not discomforted as his humble and loyal excuses were made to the Cause. Nothing else got in his way. Modestly, he recalled all the other areas where he "alone" bore the full weight. His death came a year later.

All this is not the background or the effects. We wish to stress that the insistence on technical faithfulness that dominated the compiler removed almost completely from the two volumes those regular summary and survey chapters which were so illuminating in the volume published in Marx's lifetime. Engels' pen offered not a few flashes and none of negligible interest, but overshadowed by the name of Marx, he limited himself to analysis." (Dialogato con Stalin [1953], Edizioni Sociali 1975, pp. 85-86)

Luxemburg committed a grave error in seeing in Marx's groping explorations no more than unfinished research and arithmetic errors instead of the indication of an even greater problem of which Marx was supposedly unaware. For her, the problem was "Where does effective demand for the realization of surplus come from?"

The previous chapter dealt with the refutation of what constituted the central point of Luxemburg's theory and we shall not return to it here. He shall instead attempt to demonstrate that, even if there is an error in Capital Volume II, it is rather a mistake in an addition than the trace of a contradiction that would lead to questioning again the general bases of the revolutionary programme.

Here we shall examine the problem posed by the reproduction of monetary matter in the framework of simple reproduction and therefore, at the same time, that of the circulation of surplus value, always remaining within the framework of simple reproduction. The posing of this problem opens the way to the analysis of the difficult monetary problems of capitalist production, be they credit or the problems of international currencies, brought home to us every day under the name of inflation or the rise in the dollar exchange rate.

However, as usual, before we get there, we have to go back over the ABC of revolutionary theory. Here we shall limit our presentation to the problems connecting the reproduction of gold and the circulation of surplus value, and yet again, only for the case of simple reproduction, which is only a moment in the theoretical analysis of capital, to the extent that this hypothesis, which supposes the total consumption of surplus value by the capitalist class, not in agreement with capitalist production, which supposes the accumulation of the same surplus value. The analysis of simple reproduction nevertheless constitutes a necessary moment for a real understanding of capital accumulation and the qualitative leap that may be necessary in finding the solutions to various problems we shall speak about, knowing that the transition from simple reproduction to extended



reproduction is not then just a simple transfer of productive forces between the sectors of capitalist production.

Going beyond monetary problems, we shall see that the analysis of reproduction of money material leads to the solution to the problem of reproduction of capital used in an unproductive fashion and thus leads to the explanation without difficulties of reproduction in sectors such as armaments, on which both the epigones of Luxemburg and university Marxists of all types are ready to engage in all sorts of rambling.

Marx analysed the reproduction of money material in the chapter on simple reproduction, the most fully worked out chapter on the reproduction of capital. He analysed the reproduction of money material, or, put simply, he considered only a single component of it, gold.

Silver, which is also a material used in money, is left out. We have, all the same, to consider gold only as money material, and we do not have to consider gold used as a raw material either in department I (means of production) and department II (means of consumption for individual consumption).

The analysis of money matter is found in section XII of the 13 sections in the chapter on simple reproduction. By comparison, the chapter on extended reproduction contains just four sections, even if it seems highly likely that it would have required many more than those dedicated to simple reproduction. Nevertheless, even if we attempt to establish a full as possible symmetry between the two chapters that analyse the reproduction of capital, we can note that the reproduction of money material is not envisaged within the framework of extended reproduction. At the very most, some indications on the subject are to be found in Volume II. As far as the section concerning simple reproduction of money material, it too is incomplete and seemingly unfinished with a page of Marx's manuscript having been lost, or perhaps never even written. Henryk Grossmann uses the excuse of this fact to gain a toehold to assume the right to extrapolate nonsense, pretending to reconstruct the missing manuscript page.

Marx therefore did not fully complete the working out of the solution to the problem of the circulation of surplus value. Illness and then death (the drafts for this part of Volume II are dated 1880) prevented him from organizing his work, so that even if answers in his work to questions concerning the circulation of surplus value and the reproduction of money matter can be found, they are unsystematic and are scattered here and there⁶².

Luxemburg saw in this wrongly, as we have already said, the signs of a difficulty that Marx did not come to recognize, which, for her, was the most important one for capitalist accumulation: effective demand for realizing surplus value. In fact, Marx, far from launching into the difficulties supposed by Luxemburg, only looked for an answer from the communist point of view to an old question already asked by the classic economist Adam Smith. In his main work 'An Inquiry into the Wealth of Nations' (1776), we can find a chapter entitled "Of Money considered as a particular Branch of the general Stock of the Society, or the Expense of maintaining the National Capital" (Book II, Chapter II).

How, from a theoretical point of view, does the financing of capitalist production, that is the part assigned to money capital, take place? Which fraction of the productive forces of society has to be

⁶² If M. Rubel is to be believed, there are manuscripts of extended reproduction which have never been published (cf. *Le Pléiade*, tome 2, p. 1732, note to page 810)

dedicated to the production and the reproduction of this finance? These are some of the questions which the sections of Volume II we have mentioned above sought to resolve.

11.2 The reproduction of monetary material in the manuscripts of Capital Volume II

Marx places gold production in department I, that is, the department of means of production.

“The production of gold, like that of metals generally, belongs in department I, the category which embraces the production of means of production.” (Marx, Capital Vol. II, Collected Works Vol. 36, p. 470)

Marx supposed, even if he considered it to be too high in relation to the total value of production contained in his schemes, to amount to:

$$20c + 5v + 5s = 30$$

Putting off the analysis of the reproduction of constant capital of gold money production (20c) to later (this study cannot be found in the manuscripts of Capital: perhaps it is on a mislaid page)⁶³, Marx turned his attention to exchange between variable capital and the surplus value of the department of gold (5v + 5s) (I) g with the capital constant of department II (IIc).

In order to simplify matters, we should recall that we therefore have a part of department I employed in the production of gold money.

I gold:

$$20c + 5v + 5s = 30 \text{ gold}$$

I (balance of the department of the means of production):

$$3,980c + 500v + 995s = 5,970 \text{ means of production}$$

II (department of the means of consumption):

$$2,000c + 500v + 500s = 3,000 \text{ means of consumption.}$$

Workers in (I) g buy means of consumption for a value of 5 and the capitalist in department II buy a part of the gold produced for a value of 2 so as to replace a part of their constant capital. Thereby, part of the gold returns to the department (I) g and allows for the reproduction of a part of the constant capital of department II (albeit minimally: 1/1,000th of the constant capital (2/2,000)). The remaining 3v goes to the hoard of the capitalists in department II⁶⁴.

“The labourers buy with these 5v articles of consumption from II, and the latter buys with this money means of production from I. Let II buy gold from I to the amount of 2 as commodity

⁶³ But a bit further on, Marx seems finally to put back the study of gold reproduction until later when he declares at the end of the pages dedicated to the reproduction of gold:

“Therefore, the quantity of money which circulates the annual product, exists in society, having been gradually accumulated. It does not belong to the value produced during the given year, except perhaps the gold used to make good the loss of depreciated coins. (It is also possible that a certain amount of social capital and social labour power can be expended in this branch of production of precious metals (we shall return to this).)” (Marx, Capital Volume II, Collected Works Vol. 36, p. 477 and in brackets Manuscript II in Rubel, La Pléiade tome 2 p. 810; italics inserted by CouC)

⁶⁴ Throughout this exposition we have made an abstraction of the advance of variable capital tied to the advanced variable capital and the monetary circulation which results.

material, etc. (component part of its constant capital), then $2v$ flow back to gold producers I in money which has already belonged to the circulation. (...)

We see, then, aside from Ic (...) that even simple reproduction, excluding accumulation proper, namely reproduction on an extended scale, necessarily includes the storing up, or hoarding, of money.” (Marx, Capital Vol. II; Collected Works Vol. 36, p. 470 and p. 472)

However, a problem appears in department II due to the fact that only a part of the gold is used to renew means of production, so in this case a deficit could appear in the exchange between IIc and $I(v+s)$. The hoarding of 3 g in fact risks upsetting exchange and thereby preventing the complete reproduction of $2,000c$ II. Marx avoids this imbalance by transferring the hoarding to surplus value, so making it fall under the charge of the capitalist class of department II. The money (3 g) is thus transferred from IIc to IIs, while the equivalent commodity value passes from IIs to IIc, a part of the surplus value thereby ending up hoarded in the money form.

The capitalists in the department I g consume their surplus value by buying means of consumption from department II. As we find ourselves within the framework of simple reproduction, it is the total surplus value of I g which is spent in means of consumption. The capitalists in department II could then, according to Marx, adopt either of two different destinations for this sum they have just received from department I g. They could buy means of production from department I, or they could hoard all or part of it. So, if we follow Marx in his arguments in this chapter in Capital Volume II, the accumulation of money, or hoarding, takes place even on the basis of simple reproduction.

11.3 Luxemburg's objections

Luxemburg thought that Marx was wrong to include gold production in the department of means of production, seeing that gold, as it is money, “is not a metal, but rather the embodiment of abstract social labour...” (Luxemburg, The Accumulation of Capital, p. 62)

This meant that gold could be included in neither the department of the means of production, nor in that of the means of consumption, and therefore, she proposed the creation of a third department, the department of means of circulation. This solution should, according to Luxemburg, resolve numerous other difficulties which appeared in Marx's schemes.

On the one hand, it allowed for balancing exchange taking place in the scheme, seeing that the inclusion of gold in department I unbalanced the schemes of simple reproduction. On the other hand, again according to Luxemburg, the same error led Marx to hoard part of the gold and this hypothesis was in striking contradiction with that of simple reproduction which correctly implied that there was no hoarding taking place. Lastly, the reproduction scheme, with money gold included in the third department, could be the point of departure both for capitalism and for socialism as only the last, the third department “...forms the faux frais of the anarchic type of economy under capitalism”, but “The production of money (...) disappears with the commodity form of products ...” (Luxemburg, The Accumulation of Capital, p. 64)⁶⁵

⁶⁵ None of this hinders the GCI (Groupe Communiste Internationaliste – Belgique) to think that the left communists that fought in social-democracy to defend the classic positions of the communist programme, such as the Bolsheviks, did not know that socialism was non-mercantile and therefore had shaken off wage labour, money and various commodity categories. This is all because these unfortunates assimilated the

This is the summary of the basic objections made by Luxemburg we shall examine in detail in this text. We could be surprised by the refrained silence which greets this part of Luxemburg's criticisms. Bukharin, even though he wrote an entire book in refutation of Luxemburg, does not breathe a single word about them, just like an entire range of others who criticized her.

Only Henryk Grossmann tried to offer a complete reply to the questions posed. More recently, another Stalinist, de Brunhoff, returned in detail to the argument in her book 'Marx on Money'.

opinion of Kautsky with that of Marx and did not realize that they did not write the same thing on the subject.

"Moreover, what could have obscured in the spirit of one or other Bolshevik the non-mercantile character of socialism, the indissoluble unity between exchange value, commodities, money, wage labour, capitalism. Is not absolutely due to the lack of reading the Grundrisse (impossible at that time) nor the lack of clarity in the classic authors in the whole of their work (theses that are crystal clear in *A Contribution to a Critique of Political Economy*, *Capital* and *Anti-Dühring*, but rather the opposite: the ideology and the prejudices plaguing the entire international social-democracy, the Russian one in particular. We should absolutely avoid forgetting that in all this the Bolsheviks had a social-democratic conception of the world and the large majority of them considered the theories of Marx and Engels as equivalent to revisions, rewritings, retranslations and interpretations made by the leaders of social-democracy and that they considered the presentations made by Karl Kautsky and by George Plekhanov in Russia as identical to the works of Marx." (Comunismo, n. 15, p. 30)

Though it is true that the Second International, despite Engels' presence and struggle, did not arrive altogether at a total restoration of the communist programme. Even if it is certain that a Kautsky and, after him, almost all the internationalist lefts, committed the sin of somewhat deviating towards scientism of communism, even if it is certain that a Kautsky or a Plekhanov struggled against revisionism before being overwhelmed by it in turn, it is completely stupid to think that their ignorance of the communist programme went as far as not knowing that future society would be stripped of wage labour.

"The aim of the proletariat is the elimination of all class differences. Reaching this goal would offer a unity of nations with a solidity which had never previously existed. As strong as the common interests of all members of the nation may be under certain conditions, their action is sapped by class antagonisms. On the other hand, the suppression of such antagonisms would lead to a national unity, a solidarity that has seen no previous example outside the early Christian collectives.

But the isolation of the early collectives is no longer possible in the case of nations at present or in the future. They have to join together also more loosely until they finally form a single great society. This concentration will not come through national struggles since economic antagonisms, commodity trade and international competition will be suppressed, nor by the domination and degradation of weaker nations, but by the all-powerful force and the advantage that this association will offer everybody. Nations will painlessly mix in one with another, somewhat like the Rhaeto-Romance population of the Grisons which imperceptibly and without grumbling because they found it better bit by bit to become Germanized because they found it more advantageous to speak a language that everyone understood over a vast area rather than a language spoken in a few valleys." (Karl Kautsky, *Die moderne Nationalität*, [Modern nationality], *Die Neue Zeit*, 1887, p. 451.

In the game of who is furthest from understanding the classic principles of communism, we are afraid that the GCI is far ahead of the orthodox heads of the Second International. It is true that they had much greater responsibilities vis-à-vis the proletariat and that they failed to fulfil their task. The GCI, luckily still has not got these problems, given that if it ever had any influence over the proletariat, it was only to take it down to the pub.

11.4 Should money material have a special department of its own?

For Marx, and Luxemburg was fully in agreement with him when analysing the circulation of money, the capitalist class has the monopoly of money and advances it only in order to perform capitalist accumulation.

Therefore, Luxemburg concludes:

“Hence it follows that the problem of reproduction of total social capital requires the production and reproduction of the money material. Since, under the assumption made here, this production must also be thought of as capitalist (as the Marxian scheme considered here excludes all other types of production) the scheme necessarily appears incomplete. To the two great departments of social production (the production of means of production and the production of means of consumption) a third should be added: the production of means of exchange. Characteristic of the latter is that they serve neither production nor consumption – instead they represent social labour in an undifferentiated commodity that is not for use.” (Luxemburg, *The Accumulation of Capital*, p. 61)

Henryk Grossmann attacked Luxemburg for introducing the problem this way, that is by letting it be understood that the money mass must therefore fall into department III⁶⁶. He correctly stated that a certain amount of money was required to make capital circulate, as a given capital is determined by the rate of circulation, the mass of commodities and their price.

If we suppose that domestic production is made up of 1,000 tons of steel at £5,000 per ton, and 500 tons of wheat at £1,000 per tonne, the total value of national production is $1,000 \times 5,000 + 500 \times 1,000 = £5,500,000$. If we also suppose that the rate of circulation is 10, that is we state that the same quantity of money realizes its value 10 times, that is, it realizes 10 exchange operations changing hands, the mass of money must be $£5,500,000/10 = £550,000$.

This money mass a priori must not enter the schemes of simple reproduction. Only the part of it consumed has to be reproduced. It is rather like a company's fixed capital: only the part consumed during the production process needs to be reproduced, and the entire fixed capital does not appear in exchange within the two departments of social production. Furthermore, it should be added that the money mass is always larger than that we are about to define. In addition to the money mass used in the normal operations of exchanges, there is a mass of hoarded money which is used to deal with fluctuations which occur both in the mass of commodities and the price or rate of money circulation.

If, for example, the rate of circulation fell to 9, the circulation of the same production would require a money mass of over £610,000. The total money mass is therefore equal to the mass of money in circulation, plus money forming a treasury used to absorb fluctuations.

Grossmann tries to convince us that all this money should not appear in the scheme, and to do so, he offers the following example: supposing a rate of circulation of 4 for a mass of commodities worth 9,000 (which corresponds, as we saw above, to the value of production in the scheme of simple reproduction), the money mass is $9,000/4 = 2,250$. Grossmann then adds to the mass of

⁶⁶ Cf. *Die Goldproduktion im Reproduktionsschema von Marx und Rosa Luxemburg*, H. Grossmann Aufsätze zur Krisentheorie. Archiv sozialistischer Literatur 20 Verlag Neue Kritik – Frankfurt. English edition: ‘Gold Production in the Reproduction Schema of Marx’, in Henryk Grossman, *Works* Vol. 1, Brill/Haymarket 2018/2020, pp. 276-303.

money in circulation another money mass of 250 as reserve money. The total mass of money therefore rises to $2,250 + 250 = 2,500$.

Grossmann seems to believe that the reasoning of Luxemburg, presented above, would force her to place all money material, that is 2,500, in department III. But, Luxemburg, unlike what Grossmann states, clearly understands the outcome, and only takes into account (following Marx to the letter) a quantity in gold of 30, corresponding only to the wear of the total money mass.

Thanks to this trick, Grossmann cries out again against the illogicality and the contradiction in Luxemburg's thought:

“Luxemburg recoils from this conclusion, and contrary to her own demand, includes in department III only the newly produced gold (...) Hence the gold not as a means of circulation but gold as a commodity, as a component of the newly produced annual product seeking an outlet.” (Henryk Grossman, ‘Gold Production in the reproduction Scheme of Marx and Rosa Luxemburg’, in *Works* Vol. 1, 2018, p. 289-290)

The whole basis of Grossmann's argument lies there; for him the newly produced gold in no way differs from other commodities, while the money mass, accumulated over the centuries, serves in the circulation of commodities, but, as such, it does not form part of the schemes. Grossmann concludes: “Hence Marx did not incorporate ‘money resources’ in his scheme at all, neither in department I nor in department II, (...) The only gold encompassed in Marx's reproduction scheme is therefore the quantity of gold (indeed in department I) necessary to replace worn out money resources. If Luxemburg now introduces only the newly produced gold (25g) into the scheme, she deals with gold only as a commodity and not as means of circulation (2,500g). Once she does that, however the only economic reason she gives for allocating gold to a special, third department of the scheme is no longer valid.” (ibid. pp290-291)

Grossmann therefore concludes that gold, seeing that it is produced like any other commodity, falls into department I, but, as can be seen, Grossmann has not refuted Luxemburg: faithful to his method which consists in commenting on the details to hide the whole, Grossmann falsifies Luxemburg's position to make it easier to refute it. This would be to understand Luxemburg badly so as to suppose she was badly understanding Marx's opinion, and that she offered the solution of placing all money material in department III. In fact, Luxemburg fully understood that money only served to renew the worn money without therefore making up the whole of money circulating in society.

“The quantity of value of thirty (chosen by Marx as an example), obviously does not correspond to the quantity of money circulating annually in society, but merely to the annually reproduced part of this quantity of money, thus to the annual wear and tear on the money material...” (Luxemburg, *The Accumulation of Capital*, p. 62)

What is left, then, of Grossmann's argument, having once set aside his attempts at feints? There is still the following statement, which is found to be totally inexact: the newly produced gold with a value of 30 has to be placed in department I because it is not different from other commodities and does not serve as a means of circulation. But we have seen nothing could be more wrong: gold is produced as money material to replace the worn money material. Marx shows in the chapter in Volume II dedicated to the circulation of surplus value, that a part of the gold serves to realize surplus value (we shall deal with this question elsewhere). Thus it “remains in its hands as a gold hoard, since it cannot constitute the element of constant capital” (Marx, *Capital* Volume II,

Collected Works Vol. 36., p. 471, slightly modified text). Grossmann has not really replied to Luxemburg and her objections remain untouched.

Let us pass from one Stalinist to another. Even if de Brunhoff considers Luxemburg's remarks to have a basis, she nevertheless criticizes her, because "the creation of a third department, devoted to the production of means of circulation, gives money the character of a third kind of commodity and thus of a commodity on the same plane as the others. To isolate the production of gold in order to respect the special character of money is in fact to destroy that special character which contraposes money to all commodities." (de Brunhoff, Money in Marx, p. 65)

The argument causes a start. If the creation of a third department places money on the same plane as other commodities, it is not clear what more could be done if it were placed in department I. If the wish to respect the specific character of money is to abolish this specific character, certainly abolishing this specific character will not lead to respecting it.

She concludes: "When Marx includes the production of gold in Department I, it is because the monetary character of gold as "general equivalent" does not result from the particular character of its production as a commodity." (op. cit, p. 65)

We have not moved an inch forward with de Brunhoff as she has not really refuted Luxemburg, whose position remains intact.

In fact, what is the crux of the matter here is not so much the place of gold production as the nature of exchange, and therefore of its reproduction in the framework of the schemes of reproduction covering the two large departments of capitalist production. But the schemes do not take into account capital employed unproductively, hence the difficulties that Luxemburg notes while attributing an inflated importance to them. Marx considered that money material was supplied by the gold producer in order to simplify his demonstration. The gold producer provides unworked gold that can find the most varied uses, and for a large part it serves both for the constant capital in department I, where it is used in the production of means of production (e.g., in the electricity industry, Souriau, a French company, to limit ourselves to just this example, which operates in electrical connections is one of the largest consumers of gold in industry), and constant capital in department II, where it is used in jewellery and dental work. On the other hand, what alone interests us here⁶⁷, when gold is deposited in the vaults of the central bank, is that it does not serve as constant capital either for department I or department II.

For example, global annual gold production stands at around 1,300 tons, with half coming from South Africa and a quarter from the USSR. In brief, the four main uses are:

- Jewellery 600 tons
- Gold medals 250 tons
- Industry and Dentistry 250 tons

⁶⁷ "As mere material for articles of luxury, gilding, etc. there is as little occasion for special mention of them [gold and silver – ed.] as there is of mentioning any other products. But they play an important role as money material and hence as potential money. For the sake of simplicity, we here regard only gold as material for money." (Marx, Capital Volume II, Collected Works Vol. 36, p. 469)

Of this production, only the part regarding gold medals and to a certain extent hoarding would be involved in the problem we are talking about, even though the part attributed to medal winners would have to be withdrawn.

Marx's analysis considers the gold producer only as a producer of raw material, whatever its future use, and in most cases, at least in the framework of the schemes of simple reproduction as they are defined, this gold serves as constant capital both in department I and department II, hence it being classified under department I. But in the particular case we are dealing with, when gold is used to renew the worn money mass, the nature of things considers that it serves neither as constant capital for department I nor as constant capital for department II. A part of the productive forces of society must be employed in the maintenance of the money mass.

These costs are covered by surplus value and Marx, in his analysis of the faux frais of capitalist production, concludes with this remark concerning the gold required for the reproduction of money material:

“These commodities performing the function of money enter into neither individual nor productive consumption. They represent social labour in a form in which it serves as a mere circulation machine. Besides the fact that a part of the social wealth has been condemned to assume this unproductive form, the wearing down of the money demands its constant replacement, or the conversion of more social labour, in the form of products, into gold and silver. These replacement costs are considerable in capitalistically developed nations, because in general the proportion of wealth tied up in the form of money is tremendous. Gold and silver as money commodities mean circulation costs to society which arise solely out of the social form of production. They are faux frais of commodity production in general, and they increase with the development of this production, especially of capitalist production. They represent a part of the social wealth that must be sacrificed to the process of circulation.” (Marx, Capital Vol. II, Collected Works Vol. 36, pp. 139-140)

Consequently, Marx is all too clear here: gold, as money material, does not form part of productive consumption (that is, it is not used as constant capital in department I) or of individual consumption (it does not form part of constant capital in department II). This means that part of the social capital stands outside the framework of the hypotheses defined in the schemes of simple reproduction.

Luxemburg was wrong here when she believed that the problem was due to the role of the general equivalent and that in these difficulties could be found a much greater problem that Marx had not envisaged.

If we take the case of armaments, for example, we can find the same characteristics found with gold used as money material. It cannot be used either as a means of production, nor as a means of individual consumption. If we followed the Luxemburgian logic, we would have to create a fourth department, the department of means of destruction. Luxemburg here, (as we shall see in the entire chapter on the problem of the production of armaments, does not breathe a word on the argument). What holds true for armaments is the same for any unproductive expenditure (advertising, accounting) for means of consumption that may have a collective character (hospitals and hospital equipment, stadiums).



The question posed here is therefore not a difficulty that was set aside, but instead shows the limits placed on the schemes of reproduction when they were drawn up. They only analyse the relationships between the two large departments of productive capital. The capital producing surplus value, which is employed in the departments producing the capital used in an unproductive fashion in the overall process of capitalist production, is not taken into account in the schemes. This holds true for all sectors in which productive capital is employed and whose customer is the state or its agencies. But there is no need at all to create a sector of means of destruction for armaments, a sector of means of stupefying for advertising, a sector for curing for hospital equipment etc. So, the capital engaged in the sectors that produce this type of commodity do not appear in the schemes. Moreover, nor does the capital engaged in the sector of commerce or unproductive services.

The reproduction schemes do not include all the branches of production, a part of capital producing surplus value through the exploitation of the proletarians' wage labour does not appear and, a fortiori, the part of capital employed in unproductive sectors not producing surplus value and obtain the average profit, like commercial capital.

In the same way, when money is spent as revenue, be it for the maintenance of armaments, for undertaking investments for health care, education or transport, for example, in brief for the maintenance of the whole of society, the consumption that takes place using this revenue, using commodities coming from productive sectors, does not appear in the reproduction schemes. Furthermore, nor do sectors of consumers or users of these commodities.

If the range of sectors connected with unproductive use of capital are excluded from the reproduction schemes, it is quite normal that gold, that has the character of being a section of the productive forces of society used in an unproductive fashion in order to enable the circulation of capital, is also excluded. This means, the reintroduction of gold production is the reproduction schemes not surprisingly disarranges them since it is a section of production which did not fall in the field of the established definitions. Marx noted that unproductive expenditure cannot be placed either under department I or department II as they stand outside the definitions of the departments considered. In order to simplify his analysis, Marx placed gold in department I, as he considered raw gold by assimilating its use as money material to those other uses when it is considered as a means of production. But when its role of the production of gold is strictly limited as money material, the problem of knowing whether it should logically belong to department I or a newly created department III remains entirely formal. What should be stressed is not so much its quantitative place in this or that department, but its qualitative place as a fraction of productive capital which will be consumed unproductively during the production and reproduction process of capital. The reproduction of this type of capital is qualitatively different from those we have examined up to now. This reproduction bears similarities with the reproduction of luxury items produced for individual consumption to the extent that the expenditure is sustained by surplus value, but the nature of the needs satisfied is, in general, very different. If Luxemburg had the intuition that there was a real difficulty, she exaggerated its importance and solution, and instead of demonstrating the specific qualities of this reproduction, remained on a quantitative level. She only carried over the problem by creating a third department and, as we shall see, she did not come to a suitable solution to the question which is posed by the reproduction of this fraction of capital. Nevertheless, the path she took is much more interesting than that of Grossmann and Suzanne de Brunhoff who deny the existence of the problem while trying to solve it.

We have already shown that the creation of a third department, following absurd reasoning, is not a fruitful solution. This logic would lead to the creation of a whole host of departments. On the

other hand, perhaps a better classification would emerge if we tried to divide capital according to whether it was exchanged with capital or with revenue.

The case of exchange with capital means that the capitalist who buys commodity capital acts in a way to obtain the average profit, even if the consumption of this capital does not lead to the creation of surplus value. For example, the capital employed by the commercial capitalist (weighing scales, display cabinets, automatic tills etc.) do not lead to the creation of surplus value as the work of employees in commerce is not productive. Nevertheless, it still remains true that for the commercial capitalist that the money spent in means of production (whose value is not transferred to the product) and wages (capital which creates neither value nor surplus value) must obtain the average profit.

In the case of exchange with revenue, this means the buyer does not obtain the average profit as the purchase takes place starting from the surplus value deriving from primary revenues. For example, the taxes on, to simplify, wages and company profits. Let us take the example of armaments which are bought by the state to equip the army. The army, whose credit comes from the state, is therefore maintained through the intermediary of revenue. Here there is no case of advancing capital on the armaments or soldiers so as to take part in obtaining the average profit. Money is advanced not as capital, but spent as revenue. The division between the two aspects are to a certain extent independent of the nature of the needs satisfied. All the same, maybe there could be a mercenary capitalist who raises an army and claims his average profit on the capital advanced for buying arms and paying the troops. This is what, to a minor extent, all surveillance and security firms do. An identical system works in the United States where firemen are theoretically paid to put out fires in houses whose owners have paid for an insurance policy. Clearly, in this field, hard reality, such as the great fire of San Francisco in 1908, soon cancels this absurd capitalist logic. Two further examples can show how this barrier is not water tight. Firstly, motorways which are “free”, that is paid for from revenue, or toll with the payments being kept by capitalist companies who claim the average profit on the capital advanced. A second, even more striking example is the computer which can be bought by a company to keep the accounts, or by a public administration. The same computer could just as well form part of means of consumption when it is bought by an individual.

Gold, in the same way, sitting in the bank vaults and whose role is to renew worn coins, is bought with capital and we place it in this department. The objection can be made that the payback on money material is not the same as the average rate of profit, but the rate of interest, and this true, but all the same it represents the cost of the worktime to produce it. The rate of interest only buys the additional use value money acquires in the capitalist mode of production which is quite correctly to function as capital and therefore be able to extort surplus value.

“Money – here taken as the independent expression of a certain amount of value existing either actually as money or as commodities – may be converted into capital on the basis of capitalist production, and may thereby be transformed from a given value to a self-expanding or increasing value. It produces profit, i.e., it enables the capitalist to extract a certain quantity of unpaid labour, surplus product and surplus value, from the labourers, and to appropriate it. In this way, aside from its use as money, it acquires an additional use value, namely that of serving as capital. Its use value then consists precisely in the profit it produces when converted into capital. In this capacity of potential capital, of a means of producing profit, it becomes a commodity, but a commodity *sui generis*. Or, what amounts to the same, capital as capital becomes a commodity.” (Marx, Capital Vol. III, Collected Works Vol. 37, pp. 336-337)

The financial capitalist advances money for his range of activities⁶⁸ and claims an average profit for this. On the other hand, he pays interest on a loan, the borrowing of money, which corresponds to the acquisition of value characterizing money when it functions as capital.

This phenomenon is masked in France, for example, where current accounts earn nothing, but banking services are free instead. The phenomenon is different in English speaking countries where accounts may pay interest but financial advice is paid for. This fact means that there is no special case for gold even if borrowing and lending it is matched by the payment of interest. Consequently, finance capitalists, when they advance capital within the framework of their activity, thereby obtain the average profit, just like the commercial capitalist. In the same way, just as for commercial capital, there is no particular variant for industrial capital too⁶⁹. If it obtains the average profit, it does not automatically mean that it creates surplus value or value⁷⁰. This unproductive work constitutes circulation costs which come from a subtraction from surplus value⁷¹.

We can therefore classify money mass that allows for simple reproduction of the circulating money mass as renewing money used in department Ib that could be named “means of production to be used in unproductive consumption exchanged against money acting as capital”⁷². On the other hand, money lent by the financial capitalist, just like money borrowed, will earn or cost interest at a theoretically equal rate.

11.5 The solution of Luxemburg and Grossmann

11.5.1 Rosa Luxemburg includes a new section

One of the main advantages of Luxemburg’s solution was, apart from stressing the role of money much more correctly, the reestablishment of an equilibrium between the two great departments of productive capital which otherwise would have been upset by the introduction of gold into the schemes. In fact, if gold production is inserted in department I, making it form part of means of production whose value would thus rise to 6,000, this would cause a deficit to form in the department.

⁶⁸ “The purely technical movements performed by money in the circulation process of industrial, and, as we may now add, of commercial capital (since it takes over a part of the circulation movement of industrial capital as its own, peculiar movement), if individualized as a function of some particular capital performing just these, and only these, operations as its specific operations, convert this capital into money-dealing capital.” (Marx, Capital Volume III, Collected Works Vol. 37 p. 313)

“Paying and receiving money, settling accounts, keeping current accounts, storing money etc. – all this, dissociated from the acts necessitating these technical operations, makes money dealing capital of the capital advanced for these functions.” (ibid. p. 315)

⁶⁹ “It is self-evident from what has gone before that nothing could be more absurd than to regard merchant’s capital, whether in the shape of commercial or money-dealing capital.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 321)

⁷⁰ “This labour is a cost of circulation, i.e., not labour creating value,” (Marx, Capital Volume III, Collected Works Vol. 37, p. 314)

⁷¹ “It is equally evident that the money dealers’ profit is nothing but a deduction from the surplus value, since they operate with already realized values (even when realized in the form of creditor’s claims).” (Marx, Capital Volume III, Collected Works Vol. 37, p. 320)

⁷² It could be equally well classed under unproductive consumption exchanging against the money laid out by a state bank when the capital is not advanced.

Gold had to renew the worn money mass and thus cannot, seeing its material use, function as constant capital. Consequently, classifying gold production in department I leads to a disequilibrium in the schemes by creating a deficit in constant capital. If 20 units of constant capital are used to produce gold, while the total production of department I, a mass of 30 gold cannot be used as constant capital seeing its destruction having taken place, it naturally follows that the value of the means of production offered rises to 5,950 while the value of the means of production needed to renew constant capital in all departments stands at 6,000. This means that there is a deficit of 30c in constant capital. If this production was transferred to department II, it would only change the deficit in means of production into a deficit in means of consumption without resolving the problem to be faced. This forced Luxemburg to create a third department in order to maintain the equilibrium in the scheme of simple reproduction.

Luxemburg therefore modified Marx's scheme by adding a third department in order to maintain the relationships between the two great departments of social production. She obtained the following scheme:

$$\begin{array}{l} 4,000c + 1,000v + 1,000s = 6,000 \text{ means of production} \\ 2,000c + 500v + 500s = 3,000 \text{ means of consumption} \\ 20c + 5v + 5s = 30 \text{ means of circulation} \end{array}$$

11.5.2 Henryk Grossmann and the quest for the lost manuscript

Henryk Grossmann was one of the few, in fact the only one who tried to find a full answer to the objections made by Luxemburg in a violent article quoted above. He attacked the "unfruitfulness" of her arguments which were "purely verbal and formal and is not sustained by any profound thought" (Grossmann, Gold Production in the Reproduction scheme of Marx, p. 287). Luxemburg, according to Grossmann, not only had any positive arguments to offer against Marx's schemes, but also has not even once tried to present them correctly.

We should look more closely at the reason for Luxemburg being showered with insults.

We have just seen why, for her, that the introduction of gold in the schemes created a disequilibrium. However, as we have recalled, Marx's manuscripts do not contain a study of the exchange of gold in department I. Following the logic of her analysis, he concluded Luxemburg "invalidated her own case" (p. 283).

For Henryk Grossmann, such a remark merely served as a way to hide her own difficulties. Such a declaration was made because she felt that the proof she supplied of the "difficulties" in Marx's scheme was insufficient and she went on to find another with "the will to crush her opponent in this dispute" (p. 285).

Luxemburg was far from acting in bad faith and was only providing the logical conclusion to her line of thought. If, in all this business there was someone trying to "crush the opponent" it was Grossmann. For him it would be set right with the missing manuscript page and he set to reconstructing it.

We shall follow the long and hard road followed by Prof. Grossmann in the quest for the lost manuscript. Everyone has a cross to bear and so the reader must accept their own, but once we have finished, we shall see that Grossmann played the role of a Judas or a Pontius Pilatus.



We have already seen Grossmann's first hypotheses, that is the money mass used in circulation is 2,500. He also assumed that the worn money mass was 1% of this total mass, or 25. After analysing gold production as one of the faux frais of capitalist production, Grossmann concludes: "If, as we assumed 1 percent (25g) of the existing means of exchange of 2,500 are worn out annually, then every year society has to withdraw an equal portion of productive capital from commodity production and apply it to the production of gold to make up for this loss." (ibid. pp. 294-295).

This means that, for Grossmann, the fundamental error made by Luxemburg was to have wanted to add gold production on to the production of commodities, while instead it had to be removed. The best that Grossmann can do is to state that Luxemburg makes up a problem because she cannot count.

"On the contrary, it is only Luxemburg's procedure, which we have described here, adding where she should have subtracted, that is the source of all her errors and contradictions in dealing with gold production." (ibid. p. 295)

Therefore, for Grossmann, gold production did not lead to an increase in social production, but to a decrease of 30, and once this value has been removed, according to him social production becomes $5,980c + 1,495v + 1,495s = 8,970$ ($9,000 - 30$) while, as for Luxemburg, it was $6,020c + 1,505v + 1,505s = 9,030$.

Here again Grossmann rises to the heights of superficiality. Rather than trying to show the internal incoherence in Luxemburg's schemes, he criticizes her example.

Nevertheless, it is quite obvious that if the proportions between the sectors of production are enhanced, the previous total value will no longer apply. The number 9,000 is only an example and not given. Therefore, by putting the value of the social product 9,030 rather than 8,970 does not a priori make Luxemburg's solution wrong. The only question which counts is the internal coherence of the scheme and the explanation offered for it.

Let us return to Grossmann's solution.

If 1% of the money mass of 2,500 is worn, there remains in the hands of the capitalist class only 2,475 ($2,500 - 25$) of which 1,650 for the capitalists in department I and 825 for the capitalists in department II.

The scheme is thus (Grossmann, p. 299)

$$\begin{array}{lcl} \text{I} & 4,000c + 1,000v + 1,000s = & 6,000 \text{ (commodities)} \quad 1,650 \text{ (money)} \\ \text{II} & 2,000c + 500v + 500s = & \underline{3,000} \text{ (commodities)} \quad \underline{825} \text{ (money)} \\ & & 9,000 \qquad \qquad \qquad 2,475 \end{array}$$

The costs of wear (25) are thus divided proportionally between the two fractions of the capitalist class, that is $\frac{2}{3}$ for department I and $\frac{1}{3}$ for department II. The 25 units of gold missing now have to be replaced. The capitalist class in department I advances $16\frac{2}{3}$ in money to the gold producer, while the capitalist class in II advances $8\frac{1}{3}$. The money mass in the hands of the capitalists in departments I and II is now only 2,450 ($2,475 - 25$). The money advanced will return to the capitalists, but the sum received will differ from the sum advanced because the gold producers buy for 20c from the capitalist class in department I and pay 5v to their workers so they can buy means of consumption. The capitalists in department I now have an excess $3\frac{1}{3}$ ($20 - 16\frac{2}{3}$) and the

capitalists in department II have a deficit of $3\frac{1}{3}$ ($5 - 8\frac{1}{3}$). This deficit is made good by the capitalists in department I buying means of consumption for a value of $3\frac{1}{3}$.

With these operations completed, the scheme becomes (p.300):

a) Production of commodities

I $4,000c + 1,000v + 980s$ (means of production) + $3\frac{1}{3}$ (means of consumption) and 1,650 (money)

II $2,000c + 500v + 491\frac{2}{3}s$ (means of consumption) and 825 (money)

b) Gold production

$20c + 5v$

Grossmann then asks himself: can there be an exchange without something left over between $1,980 (v + s)$ department I and $2,000c$ department II?

Here is clearly an excess of 20 in department II since the renewal of constant capital in department II is undertaken exclusively through the exchange between variable capital and surplus value in department I. So, we have returned to the starting point and the objection of Luxemburg. The scheme has become unbalanced by the introduction of gold and exchange between department I and department II which cannot be undertaken without leaving an excess. All these circumvolutions Grossmann makes only have the pitiful result of the implicit recognition of the well-founded critiques of Luxemburg. Grossmann is hoisted with his own petard. The only way out is to adapt, regardless of the cost, the volume of production in department II, reducing its level. This reduction in production is obtained by considering that means of consumption of a value of 25 have to be followed + suppressed (5) is in fact destined for the workers. They have actually received money corresponding to the value of their labour power and therefore to the value of the necessary means of consumption. The capitalists have therefore to come into conflict with the workers to take back the money, or rush to the shop door to grab back the commodities the workers have just bought, clearly having sacked them beforehand.

On the other hand, if they consume the means of consumption corresponding to the reproduction of the constant capital, part of the fixed capital will now fall into inactivity which is clearly due to the fact that a part of the labour force would be unemployed. Besides, there are major differences in the consumption of the capitalist class. Department II consumes $491\frac{2}{3} + 25 = 516\frac{2}{3}$ for a surplus value of 500, so we have left the framework of simple reproduction to enter that of "shrinking reproduction", as the capitalist class sets to consuming their own capital in order to reduce production, risking both indigestion and social problems. In this case, it could have avoided all its evils by seeking not to valorize that capital. As for the capitalist class in department II, it gets by with the consumption of $983\frac{1}{3}$ ($980 + 3\frac{1}{3}$) for a surplus value of 1,000. And Grossmann wants to pass all this off as the reconstruction of the missing page of Marx's manuscripts!

Still following Grossmann, we have to end up with the following scheme:

a) Commodity production

I $4,000c + 1,000v + 980s$ (means of production) + $3\frac{1}{3}$ (means of consumption) and 1,650 (money)

II $1,980c + 495v + (491\frac{2}{3}s + 25)$ (means of consumption) and 825 (money)



b) Gold production:

$$20c + 5v + 5s = 30$$

Following Grossmann's wish, production falls by $20c + 5v$ in department II that ipso facto leads to a fall in surplus value from 500 to 495. Since the capital has been consumed, it is added to the whole of the surplus value remaining to be consumed:

I	$4,000c + 1,000v + 1,000s = 6,000$	(means of production)	and 1,650 (money)
II	$1,980c + 495v + 495s = 2,970$	(means of consumption)	and 825 (money)
	$20c + 5v + 5s = \frac{30}{9,000}$		and $\frac{30}{2,505}$ (money)

There is no explanation forthcoming for this happy transition. Doubtlessly, a page of Grossmann's manuscript has got lost! Rather than trying to completely reconstruct it, we could suppose that at the close of the first year, when the consumption of the surplus value by the different fractions of the capitalist class has already been established, each sector of the production by now produced in line with the capital advanced would be:

$4,000c + 1,000v$	in department I
$1,980c + 495v$	in department II
$20c + 5v$	for gold production

So, after the first year of adaptation, whose circumstances are not explained to us and which we could have done without, production stabilizes. It begins to take the form of the scheme above.

At the first glance the scheme appears to be much more satisfactory than the one obtained from Grossmann's muddled explanations and, if we have believed him, the replacement of worn coinage does not take place at the expense of only one of the departments of the scheme as in Luxemburg. This expenditure would therefore be proportionally divided between the capitalists of the two departments, that is proportionally to the size of the capital advanced.

Let us now look at how exchange takes place in the scheme.

The exchange between departments I and II occurs on the basis of $1,980 \text{ Ic} = 1,000v \text{ (i)} + 980s \text{ (I)}$. A part of the surplus value (20) in department I remains in the form of means of production. These means of production are bought by the gold producing sector to reproduce its constant capital. In the same operation, department I receives a money mass of 20 which is added to the money mass of the department. The capitalist class consumes in department II consumes the larger share of surplus value, 485. That leaves a mass of means of consumption of 10. This is consumed by the workers and capitalists in the gold producing department, since the variable capital used for workers' wages stands at 5, while the surplus value of the capitalists who produce gold is also 5. As a result, the capitalist class in department II obtains a mass of money amounting to 10 which is added to the money mass of the department. The reproduction of capital and exchange within the scheme therefore take place without clashes and, consequently, the inclusion of gold production causes no disequilibrium in the scheme. There is neither a deficit nor an excess, neither if department I nor in department II. From this viewpoint it seems that Grossmann's proposal is correct, but what happens with his other statement according to which expenditure is not proportional to the capital advanced?

Seeing that department II consumes a smaller part of the surplus value compared with department I, money costs are divided unequally: 20/1,005 (gold production included) for department I and

10/495 for department II. As the ratio 10/495 is higher than 20/1,005, the capitalist class in department II is treated less favourably as money costs to be borne are relatively higher. Moreover, within department I there is a disequilibrium between gold producers and other branches of department I and this is clearly because the former do not contribute (who works that wonder?) to the monetary costs. We could ask if Grossmann, when speaking of proportional monetary expenditure, does not speak only for departments I and II, that is to say excluding gold producers. But even leaving this aside, relative inequalities remain: 20/1,000 and 10/495.

The three departments have different money costs (0/10, 20/1,000 and 10/495), the capitalist class in department II being the most disfavoured while the gold producers are the main gainers from this division. The money mass available for the capitalist class is also unequally divided. When Grossmann considered that the capital in department I was twice as great as that in department II, he could consider, this was his reasoning, that the money mass in department I was twice that of department II. But now the ratio is no longer 2, but stands higher than 2 at 6,000/2970, even 6,030/2,970 if we include gold, while the money mass remains at the same ratio of 1:2. What had been obtained on the basis of previous conditions has been maintained without any justification while the bases of the reasoning have been modified. This is the fine logic that Grossmann wanted to attribute to Marx.

11.5.3 Luxemburg fails to resolve the problem she posed

If Grossmann fails pitifully, Luxemburg's solution is no better, but she at least does not attempt to deny the existence of the problem.

By creating a third department, the department of means of circulation, we have seen she transforms Marx's scheme in the following way:

I	4,000c	+	1,000v	+	1,000s	=	6,000	means of production
II	2,000c	+	500v	+	50s	=	3,000	means of consumption
III	20c	+	5v	+	5s	=	30	means of circulation

We have already criticized such a reorganization at the beginning of this exposition. The creation of a third department cannot have the theoretical justification which Luxemburg gives it in the name of the specific role of money. Can this creation resolve the more technical problems tied to the internal coherence of the schemes concerning the regular functioning of exchange between the departments?

To the extent that the shifting of gold to a third department restored the proportions to departments I and II which were used in the study of simple reproduction, it is clear that exchange between (v + s) I and IIc no longer presents any difficulty, as for monetary costs, they are proportional to capital in each department, 20/1,000 in department I and 10/500 in department II. However, just as in Grossmann, the gold producer is exempted, without any explanation, from money costs and this fraction of the capitalist class contributes nothing to the cost of the circulation process.

There is an even greater difficulty which, at the cost of the acrobatics that we have noted, Grossmann avoided – the one of the equilibrium of the scheme. The gold producer finds himself unable to renew his constant capital. If exchange between departments I and II do not face any problems, on the contrary, 20c is not available in the production in department I (6,000 against the 6,020 required) to allow the gold producer to renew the constant capital he has used. The same holds true for variable capital, since the value of production of means of production stands at

1,500, while the variable capital advanced to the workers is 1,505. Lastly, the class of capitalist in gold production also finds itself unable to find the material equivalent of the surplus value, the whole of the means of consumption corresponding to the reproduction of the capitalist class having already been consumed. Consequently, both the production of means of production and the production of means of consumption turn out to be insufficient in relation to the needs of the three departments. A deficit appears both in department I and department II. The disequilibrium that Luxemburg had re-established within the exchange between department I and department II reappears outside with the creation of a third department. She has just shifted the difficulties from the interior to the exterior of the scheme of simple reproduction without making a single step towards their solution.

11.6 Sketch of a balanced scheme

11.6.1 The basic hypotheses for a coherent scheme

If it is vain to deny the problem, as Grossmann tries to do, and the creation of a third specific department does not do so either. If an imbalance appears, it is, as we have seen, it is because gold as money cannot be reused within productive capital. The value of gold produced this way forms part of the costs of the circulation of capital, unproductive costs which are covered by a deduction from surplus value. Schemes including the reproduction of money matter would therefore have to fulfil the following conditions:

- Monetary costs have to be deducted from surplus value.
- Expenditure has to be proportional for each fraction of the capitalist class for capital advanced
- The value of the production of the means of production and the means of consumption have to be adequate for satisfy all the needs faced by the reproduction of constant capital in productive sectors or the reproduction of capital constant in the department of gold production. Internal exchange must take place without any difficulty.

We can therefore draw up a scheme which can be presented as follows: (for greater ease of presentation we have raised the rate of exploitation and we have separated the gold producer while still keeping him in department I, department Ib),

$$\begin{array}{lcl} \text{Ia} & 4,000c + 1,000v + 1,020s & = 6,020 \text{ (means of production)} \\ \text{Ib} & 20c + 5v + 5.1s & = 30.1 \text{ (gold)} \\ \text{II} & 2,000c + 500v + 500s & = 3,010 \text{ (means of consumption)} \end{array}$$

For each department and sub-department, monetary costs are respectively 20 for department I, 0.1 for gold producers and 10 for department II. It remains to be seen how exchange takes place within the schemes.

11.6.2 Reproduction of constant capital

11.6.2.1 a) Department I

There is no particular problem as constant capital is already in the form of usage. It is reproduced through purchases within the department.

11.6.2.2 b) Department Ib

The capitalist class has monetary costs standing at 20. On the other hand, the constant capital of gold producers is 20. By purchasing 20 constant capital from department Ia with the gold produced,

the capitalist in the department of gold production renews his constant capital, while department I has obtained a mass of gold worth 20 which can be used to restore the money mass. This exchange takes place on the basis of 20c II against 20s Ia. The constant capital in department Ib is obtained through exchange with the surplus value of department Ia. Monetary costs are covered by a deduction from the surplus value of Ia. Here we shall not provide a value for the money mass as it has no importance. However, we consider that the whole of the gold produced is used exclusively to restore the worn money mass, that is there is no hoarding. In his example, Marx considered a rate of circulation of 3 and a money mass of 3,000 for the production of 9,000 in value⁷³. Here, with the basis of 1% wear and a rate of circulation of 3, the money mass would stand at 3,010.

11.6.2.3 c) Department II

The renewal of constant capital in department II takes place on the basis of the classic $IIc = (v + s) I$.

Here it is not all the surplus value that takes part in the exchange, but the total surplus value minus the part of it which is dedicated to monetary costs. The other part of the surplus value (1,000, i.e. $1,020 - 20$) is consumed for individual needs and, consequently, is a case of demand for means of consumption in department II.

11.6.3 Reproduction of variable capital

11.6.3.1 a) Department Ia

See §1a above

11.6.3.2 b) Department Ib

The working class spends its wages in the department of means of consumption and, by purchasing means of production, returns a value of 5 to the capitalists of department II who bears monetary costs of 10 for renewing the worn money mass. The capitalist class in the department of gold production does not need the money that it advanced as the worker's wages to flow back to it as the social product already appears directly in the form of money. The capitalist class in department II uses part of its surplus value to pay the costs of the renewal of the money mass. This is an exchange of the part of surplus value which is realized in the exchange between department II and department Ib: there is therefore the exchange $v(Ib) + s(Ib) = xs(II)$, where xs represents the part of the total surplus value dedicated to the reproduction of the monetary material.

11.6.3.3 c) Section II

This case has already been examined under the analysis of simple reproduction and there are no further problems to note.

11.6.4 Consumption of surplus value

11.6.4.1 a) Department Ia

See above §1st) a)

⁷³ Which shows how far Grossmann hedges his bets since for his scheme he reinvents a rate of 4, which would be of no importance, except when he pretends to reconstruct Marx's manuscript.

11.6.4.2 *b) Department Ib*

The capitalist class in department Ib consumes its surplus value by purchasing means of consumption from department II. The part of the surplus value that the class of capitalists which produces gold stands at 5 and the remaining 0.1 represents the part of the quota this class contributes to monetary costs that are to be paid by the whole capitalist class and are deducted from surplus value. Gold producers, just like all the other fractions of the capitalist class, have to pay for general costs of this class and cannot seek exemption with the pretext that it ensures the part of surplus value destined for individual consumption. This exchange leads department II to obtain the entire monetary mass (10) which is necessary for it to renew worn coinage. We have seen that exchange between Ib and II takes place on the basis of $(v + s)Ib = sx(II)$. We have already seen the exchange for $v(Ib)$, and now we have seen the same exchange for $s(Ib)$.

11.6.4.3 *c) Department II*

The exchange between the part of surplus value destined to pay the costs of the reproduction of worn coinage and the variable capital and surplus value of capitalists engaged in gold production has already been analysed. A mass of surplus value of 10 was therefore put to this use. There remains a mass of surplus value of 500 which enters the classic framework of simple reproduction, as previously known. This surplus value is totally consumed by the capitalist class.

11.6.5 An overall equilibrium

The exchanges made between different departments have therefore not presented any difficulty, and it is quite easy to see that the production of each department clearly corresponds to the needs of society as a whole. The value of means of production in department I stands at 6,020, while each department requires means of production for $4,000 + 20 + 2,000 = 6,020$. It is the same for the means of consumption: 3,010 for a demand for $1,000 + 1,000 + 5 + 5 + 500 + 500 = 3,010$. As for the gold producing sector, the money produced must represent the annual wear of the monetary mass with each department contributing pro rata to these unproductive costs on the capital advanced, or what in this case boils down to the same thing, pro rata to the surplus value. For the production of 30.1 gold, the need for the renewal of the monetary mass stands at $20 + 0.1 + 10 = 30.1$. The scheme is in full equilibrium in all the sectors. The introduction of gold into the schemes of simple reproduction indifferently to the department to which it is attached does not a priori upset the equilibrium of the scheme. Therefore, there is no need at all to have a third specific department. What really is new due to the particular nature of its expenditure – unproductive costs connected with the process of circulation – is that it comes from the deduction from surplus value and therefore the scheme shows the exchange between the surplus value and the various departments of gold production, so the whole of surplus value is not consumed in individual consumption, but all the same the character of simple reproduction (no new accumulation of surplus value) is maintained. We have seen elsewhere that Marx orients expenditure linked to the reproduction of the monetary mass towards this surplus value.

11.6.6 The proportionality of costs of reproduction

It remains to be seen if the costs coming from the reproduction of the monetary mass are correctly proportional for each department.

These costs stand at $20/5,000$ in relation to the capital advanced and at $20/1020$ in relation to the surplus value for the capitalist class in the department of the means of production. The ratio is the same in department II, standing at $10/2,500$ for capital advanced and $10/510$ for surplus value. As far as the class of capitalists producing gold is concerned, they have to pay their quota share of the

costs of circulation just like all the others do, and their share is 0.1/25 of capital advanced and 0.1/5.1 of the surplus value. Consequently, monetary costs have the same ratio for all three departments.

11.6.7 A possible regrouping

If we condense the scheme so as to create a single department for the means of production and gold production, knowing that we are dealing with the gold production using a part of the productive forces for an unproductive and not a productive goal, there is no need for the other department I and we obtain the following scheme:

$$\begin{array}{l} \text{I } 4,020c + 1,005v + 1,025.1s = 6,050.1 \\ \text{II } 2,000c + 500v + 510s = 3,010 \end{array}$$

The introduction of gold into the schemes for simple reproduction modifies the scheme, given that a part of the labour power is engaged in an unproductive way and thus is exchanged against the capitalists' surplus value. However, the equilibrium between the different departments remains and exchange takes place without problems. This point holds true equally well for exchange between the departments of productive capital and exchange involving gold production. Consequently, after having rejected the creation of a third department for methodological reasons, we can also remark that, from a logical standpoint, that Luxemburg's solution not only introduced nothing new, but also that it has turned out to be wrong.

11.7 Hoarding and simple reproduction

11.7.1 Luxemburg and hoarding

Nevertheless, Luxemburg still has another significant argument to justify the creation of a third department.

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

“(…) this money must be transferred in its entirety from IIc to IIs no matter whether it exists in necessities of life or articles of luxury, and vice versa corresponding commodity value must be transferred from IIs to IIc. Result: A portion of the surplus value is stored up as a money hoard.” [Marx, Capital Vol. II, Collected Works Vol. 36, p. 471]

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

The capitalists of Department II, however, are poorly compensated for their Christian virtue. Not only are they unable to undertake any expansion of their production, in spite of their “abstinence”, but they are not even in a position to engage in production on the same scale as before. (...) these results obtained by Marx demonstrate that gold production cannot be integrated into either of the two departments of his scheme without overturning the scheme itself.” (Luxemburg, *The Accumulation of Capital*, pp. 63-64)

We have already shown that gold production in the schemes of simple reproduction does not threaten them and, therefore, exchange takes place without problems and, above all, no excess constant capital appears. However, the question of hoarding still has to be dealt with. It consists in eliminating hoarding. In fact, the framework of simple reproduction does not include the accumulation of money material and the gold produced must therefore serve only for the renewal of the worn money mass. It is just this point that Luxemburg seeks to resolve by creating a third department. But by doing so, that is, by attempting to eliminate hoarding, she drew the criticism of de Brunhoff and Grossmann.

11.7.2 The critique of Suzanne de Brunhoff

For de Brunhoff, “The error by Rosa Luxemburg is coupled with an incorrect interpretation of the role of the hoarding of the gold product. (...) Rosa Luxemburg is in error in not making clear the special function of hoarding here.” (Suzanne de Brunhoff, *Marx on Money*, p. 65 and p. 66), which, for de Brunhoff would be, following Marx, to explain the presence of the monetary mass used in the circulation of commodities. She quotes Marx to back her argument:

“... even simple reproduction, excluding accumulation proper, namely reproduction on an extended scale, necessarily includes the storing up, or hoarding of money. And as this is annually repeated, it explains the assumption from which we started in the analysis of capitalist production, namely that at the beginning of the reproduction a supply of money corresponding to the exchange of commodities is in the hands of capitalist classes I and II. Such an accumulation takes place even after deducting the amount of gold being lost through the depreciation of money in circulation.” (Marx, *Capital Vol. II*, *Collected Works Vol. 36*, p. 472)

So “far from upsetting the general equilibrium of production, this hoarding guarantees its continuance, on the secondary level where it produces its effect.” (de Brunhoff, *Marx on Money*, p. 66)

However, let us consider the secondary effects that this hoarding produces.

De Brunhoff supposes that a mass of gold of 5 out of the 10 received by the capitalist class is hoarded. Consequently, 80% of the gold created in department II is used for hoarding. To avoid treating unfavourably the capitalist class in department I, it is vital that the proportion between hoarded money and money obtained must be identical to that in department II. In this case 80% of the 20 obtained, that is 16, has to be dedicated to hoarding in department I. the total mass of money hoarded therefore has to be 24. In de Brunhoff's interpretation there is no mention of this



hoarding, no more than the part of the freshly produced gold destined to replace worn coinage. That is to say that out of the production of 30 gold we know only about what happened to a part of it (the 10 sent to department II of which 2 were reused as constant capital in the section of means of consumption and 8 hoarded). We have seen that a page is missing from Marx's manuscript. Differently from Grossmann, de Brunhoff does not worry about reconstructing it, and her overall presentation also remains fragmentary and incoherent. But if we accept de Brunhoff's perspective and admit that a monetary mass of 8, a money mass of whatsoever nature, is hoarded every year. If we therefore admit that a party of the monetary mass freshly produced is used for the reproduction of the monetary mass while the rest is hoarded, we must make out of this that, at a given moment, that there will be only an infinitely small, even inexistent, amount of money to ensure the realization of the value of the social product. The value of the social product in our example is 9,000. If the monetary mass rises by 8 each year, for example, that means that the previous year it was at a lower value, for example 2,992 if we suppose that today it is 3,000 and tomorrow will be 3,008. Every previous year, supposing there is hoarding, according to the accepted hypothesis, the monetary mass was less and less as we go back in time. It follows that, in order to realize the value of the social product, the rate of circulation must increase to shift the cursed piece of gold that has to pass from hand to hand to realize the social product and so it reaches the speed of light! This is the splendid result of someone attempts to pass themselves off as the *nec plus ultra* of Marxian thought!

11.7.3 Grossmann critique

So far, we have looked back into the past. Now, if we move into the future, what will we see? The monetary mass swells from period to period to produce progressively a huge heap of totally useless gold. Grossmann just takes up the same argumentation as de Brunhoff.

“Even if we speak of simple reproduction – a an intellectually permissible approximation – in gold production in the ancient world and during the middle ages because the lack of large fixed capitals and relatively static technology even over long periods of time, still over the course of centuries the amount of gold would have to build up, forming one of the preconditions for the capitalist mode of production.” (Henryk Grossmann, *Gold production in the reproduction scheme of Marx*, p. 298)

The “historical” interpretation of “hoarding” reaches the peaks of absurdity under Grossmann. What is merely a methodological hypothesis takes on historical validity as if simple reproduction spanned the entire history of humanity. As Marx stressed, simple reproduction was only a methodological instrument.

“Simple reproduction, reproduction on the same scale, appears as an abstraction, inasmuch as on the one hand the absence of all accumulation or reproduction on an extended scale is a strange assumption in capitalist conditions, and on the other hand conditions of production do not remain the same in different years (and this is assumed). (...) However, as far as accumulation does take place, simple reproduction is always a part of it, and can therefore be studied by itself, and is an actual factor of accumulation.” (Marx, *Capital* Vol. II, *Collected Works* Vol. 36, p. 393)

In fact, the level of production must be considered as given and the money required for circulation of capital also must be considered as given. Taking into account the origin of the level reached by production has no methodological value, all the more so since simple reproduction is a methodological abstraction.



Grossmann, unlike de Brunhoff, establishes the difference between the gold be used to renew the worn part of coinage and hoarded money. The replacement of the loss of gold is made with 25 gold. Since gold production is 30, a mass of 5 gold is hoarded and the total monetary mass thus rises from 2,500 to 2,505. The origin of this hoarding is found in the surplus value of the gold producers, which “from the viewpoint of society.... cannot be consumed”(Grossmann, p. 297).

But, if we follow Grossmann’s thinking, this hoarding can only be performed by the capitalist class in department II, given that the surplus value of the gold department is spent only in the sector of the sale and purchase of consumer goods. Luxemburg’s objection still remains valid: why does hoarding take place only in department II? We also find again the same contradictions found in de Brunhoff. If 1% of the total monetary mass is used, the next year a capital of 25.05 must be advanced, that is to say that an increasing amount of the productive forces of society must be used to produce gold. If this process is left to its own, we will end up with the whole of the productive forces being employed in the production of gold. The monetary mass in the hands of department II increases endlessly, and we can suppose, as de Brunhoff does, that there was an epoch when this monetary mass was zero, while the monetary mass in department I was constant. Moreover, if we wish to consider that gold production remains on the same bases, that is 30, in this case the hoarded monetary mass will be the one that decreases. At the end of the day hoarding disappear and, following Grossmann “the genius of Marx’s achievement is apparently precisely here [hoarding – ed.]” (Grossmann. p. 298). Such a solution comes at the price of recklessness.

11.7.4 A simple reproduction scheme without hoarding

In fact, Marx took a much clearer position elsewhere concerning the problem. There is no hoarding in the framework of simple reproduction; the freshly produced gold is used solely to cover the wear of the monetary mass.

Marx is formal regarding simple reproduction in the chapter on the circulation of surplus value.

“Apart from the gold and silver produced for articles of luxury, the minimum of their annual production must be equal to the wear and tear of metal coin annually occasioned by the circulation of money. (...)

“The capitalists who are engaged in the production of gold and silver and who, according to our assumption of simple reproduction, carry on their production only within the bounds of the annual average wear and tear and the annual average consumption of gold and silver entailed thereby, throw their surplus value – which they consume annually, according to our assumption, without capitalizing any of it – directly into circulation in the money form, which is its natural form, unlike the other branches of production, where it is the converted form of the product.” (Marx, Capital Vol. II, Collected Works Vol. 36, p. 324)

In any case, it is easy to remove hoarding.

In the schemes presented above, the value of the social product (leaving aside the production of monetary matter) stands at 9,030. If we maintain Marx’s hypothesis of a rate of circulation of 3, the monetary mass must be 3,010 (we are making an abstraction of the monetary mass that must deal with fluctuations). If, still following Marx, we suppose that the monetary mass must be replaced at the annual rate of 1% of the total, in each period a mass of gold of 30.1 must be produced. This value is just the same as the one in the scheme and, consequently, the whole of the



money produced is used only for the reproduction of the money material. All the difficulties encountered with the introduction of hoarding in simple reproduction⁷⁴ are thus removed.

Consequently, on the level of principles as well as that of equilibrium and hoarding, Luxemburg's objections turn out to be wrong.

11.8 The abolition of money capital

Luxemburg has one last argument:

“There is a further compelling reason for an exposition of the production of money as a third separate department of total social production. The Marxian scheme of simple reproduction is valid as the foundation and starting point for the reproduction process not only of the capitalist economic order, but also – *mutatis mutandis* – of every regulated and planned economic order, too, for instance the socialist one. The production of money, however, disappears with the commodity form of products – i.e., with the private ownership of the means of production. It forms the *faux frais* of the anarchic type of economy under capitalism, a specific burden of the society that is based on a private economy, and is expressed as the annual expenditure of a considerable amount of labour on the production of products that serve neither as means of production nor as means of consumption. This specific expenditure of labour in a society based on capitalist production, which disappears in a socially regulated economy, is most accurately expressed as a separate department in the general reproduction process of total social capital. In this regard, it is immaterial whether the putative country is one that produced gold itself, or one that obtains it from abroad. In the latter case, there is merely an additional mediation, namely the exchange of the same expenditure of labour that would have been necessary for the production of gold.” (Luxemburg, *The Accumulation of Capital*, pp. 64-65)

The disappearance of gold as monetary matter starting in the lower phase of communism is without doubt as the classless society is characterized by the abolition of the commodity characteristics and, above, those of wage labour and the price of labour power. Nevertheless, it would be wrong (and it would be above all a misunderstanding of the dimensions of the social overturning performed by the communist revolution) not to see the suppression of a completely redundant sector, which can exist in capitalist society and cannot exist in communist society, besides leaving the scheme of the overall organization of society intact. Not only is a sector like gold, the monetary matter, completely suppressed, but there would also be a massive reorganization of the productive forces of society, which implies quite clearly the suppression of vast productive sectors with a minimal social usefulness for communism. Unproductive sectors, such as advertising, would be closed down and the work force reemployed in productive jobs. Unproductive sectors such as banking and insurance would be reorganized to be compatible with communist society (such as managing labour tokens), while the closure of mercantile operations would clearly imply a reduction in the labour force employed and the material means used.

As regards the productive sector, the Italian Communist Left recalled that 90% of capitalist production is anti-social or only takes into account the needs that develop of the basis of an alienated society, not human needs. Here too many branches would disappear or would be cut back severely, while in turn other branches would be developed to satisfy needs that are neglected or

⁷⁴ We shall see that, on the contrary, in extended reproduction a part of the monetary mass produced has to be hoarded. It is in this framework that the citation of Marx, which Stalinist commentators use and abuse in bad faith, assumes its full meaning.

insufficiently satisfied by capital, foremost agriculture. The establishment of measures concerning labour time in communist society means that the communist party would have to decide on all these factors. On the one hand, the cutting of productive jobs forming part of the productive sector, together with the development of automation, would allow for a reduction in the working day, but on the other hand, the taking over of sectors neglected by capital with the aim of obtaining the socialization of labour⁷⁵ would require a reallocation of these sectors of the labour force.

Taking all these parameters into account, including the entry into the work force of the whole working age group not employed in the capitalist mode of production, it would allow proletarian power to establish a working day shorter than the one under the capitalist mode of production.

It is not just the exclusive privilege of gold that will disappear. The revolution will also stop the production of individual means of consumption which can only exist because exploitation exists and the differentiation between social classes arises on this basis.

“Apart from that, luxury is an absolute necessity for a mode of production which produces wealth for the non-producers, hence must give wealth the necessary forms in which it can be appropriated by the wealthy simply for their enjoyment.” (Marx, Chapter Six. Results of the Direct Production Process, Collected Works Vol. 34, p. 449)

Even if wage labour cannot be abolished the morning after the revolution, the proletariat will immediately decree maximum wage and revenue levels to be followed by (and this process will be even greater starting from the introduction of vouchers (countermarks, certificate)⁷⁶ which will be launched on the first day of the dictatorship of the proletariat) the disappearance of the economic basis of a part of luxury production, while the needs and mentalities that developed on the basis of the capitalist mode of production and which support such production will take longer to disappear, but new relations of distribution will halt the satisfaction of these needs and mentalities. Let us take the case of the car which is presently widely discussed.

On the one hand, the entire production of cars is enclosed within a single entity, something which the laws of the capitalist mode of production has pushed to the limit as the world market is now shared out by a handful of global manufacturers.

On the other hand, while awaiting the redefinition of the place of the car in society and starting with the realization that it has ceased to be an ever faster and safer means of transport, since it has been necessary to increasingly restrict maximum speed limits, following the waste and lack of safety this means of transport implies (which still does not mean stopping having to pay the price in victims equivalent to a civil war in order to move around), the immediate measures that the proletariat could take (which are often the same measures experts authorised by the bourgeoisie) could be listed as follows:

- · Improvement and systematic extension of public transport.
- · Closure of the production of sports cars and motorbikes.

⁷⁵ For example, housework which has largely avoided socialization and is the source of waste.

⁷⁶ “In the case of social production, money capital is eliminated. Society distributes labour power and means of production to the different branches of production. The producers may, for all it matters, receive paper vouchers entitling them to withdraw from the social supplies of consumer goods a quantity corresponding to their labour time. These vouchers are not money. They do not circulate.” Marx, Capital Volume II, Collected Works Vol. 36, p. 356)

- · Reduction of maximum speed limits on motorways, main roads and in urban areas.
- · Production of safer cars.
- · Increased research and production of low energy consuming vehicles.
- · Increased research and production of electric and solar powered vehicles.
- · Improvement in the safety, quality and life span of cars
- · Abolition the road tax.
- · Abolition of tolls on motorways, bridges and tunnels.
- · Free parking.
- · Speeding up the change over to pollutant free petrol
- · Progressive elimination of private cars in towns.
- · Free and obligatory road test on cars after 5 years
- · Petrol rationing, if required.
- · Abolition of payment for car insurance with free social insurance for all risks.
- · Harsher penalties for bad driving.
- · Penalties handed down in terms of work time. Free driving schools.
- · A more difficult driving test.
- · Free issue of driving licences and vehicle registration certificates (log books).
- · Trial of the people mostly responsible for the previous car use policy.
- · Moratory on credit for car purchases.
- · Prohibition of car sales between private individuals.
- · Abolition of car and motorcycle racing.
- · Abolition of traffic police with the job of traffic management being transferred to the proletarian militia formed on a rotary basis by the working age population.
- · Public works to improve road transport safety standards.
- · Etc.

These are some of the measures that particularly regard the car and which proletarian power would take. It can be seen, using this example, how greatly the organization of productive sectors would be upset.

Even if Luxemburg remains coherent in her reasoning due to the level of abstraction she adopts, it should not be forgotten that communism's goal is not the accountancy of value in terms of labour time, that is, the constituent of the substance of value, abstract labour, would disappear: now the schemes are in value terms. From this standpoint, the relationships between the two large departments of production remain the same, as long as production is not modified, which as we have seen is unthinkable, while concrete labour time is the only way to account for the production of this or that commodity, which is all due solely to the theoretical framework in which Luxemburg deals with the question. In reality, the characteristic of the value of commodities is equal to the average social labour time needed to reproduce them, that is if in the same time two workers produce a different value according to them offering qualified or unqualified labour power (complex or simple labour), or working in one industrial sector or another (the average labour intensity may vary from one sector to another), or varying from one year to another (the average intensity of labour rises through time, meaning that the value created in the same time by the worker rises). All these elements which lie as the basis of the domination of the law of value whose generalization is the scope of the capitalist mode of production are abolished with the cancellation of the capitalist mode of production. The only criterion that remains is the accountancy in concrete

labour time which is used to measure each work independently of all the elements we mentioned above only for labour time passed during different types of work.

“We will assume, but merely for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour time. Labour time would, in that case, play a double part. Its appropriation in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community. On the other hand, it also serves as a measure of the portion of the common labour borne by each individual, and of his share in the part of the total product destined for individual consumption. The social relations of the individual producers, with regard both to their labour and to its products, are in this case perfectly simple and intelligible, and that with regard not only to production but also to distribution.” (Marx, Capital Volume I, Collected Works Vol. 35, pp. 89-90)

As Marx stresses, making labour time compatible not only does not see its role diminish, but on the contrary it grows in communist society.

“Bookkeeping, the control and ideal synthesis of the process, become the more necessary the more the process assumes a social scale and loses its purely individual character. It is therefore more necessary in capitalist production than in the scattered production of handicraft and peasant economy, more necessary in collective production than in capitalist production. But the costs of bookkeeping drop as production becomes concentrated and bookkeeping becomes social.” (Marx, Capital Volume II, Collected Works Vol. 36, pp 138-139)

Consequently, from this standpoint, it is the whole of the schemes of reproduction as they unite abstract and concrete labour which disappear along with the mercantile system.

In all this the most priceless remark is offered to us by the Stalinist Grossmann. He had nothing better to propose than that the socialist states should increase their production by exchanging gold produced for other commodities. It is true that this way one can measure the full advantage of constructing socialism in a single country! One could also be astonished by how Grossmann can have an influence over the so-called communist movement, but it is equally true that groups like the CWO have never really engaged in a restoration of the communist programme.

What is to be done with the remaining gold?

It could be used well in industrial applications or in some means of consumption. If annual production saved on the production of gold for private hoarding or that in central banks or for the production of medals and certain luxury jewellery, balances with the increased employment of gold in certain industrial uses, annual production would stay at the same level, if not fall. We should add that the vaults of central banks hold 40,000 tons of gold and the mass of gold in the hands of individuals with a specific use value (jewels etc) stands at around 30,000 tonnes. Therefore, it can be estimated that, let us say, 50,000 tons, that is around the same as 40 years of production at the present annual rate, is the mass of gold available for a productive use. This mass could be used, as Lenin recommended, to furnish public toilets in a future society.

11.9 Additional remarks

We have just seen that Luxemburg's last argument does not provide us with anything new capable of calling into question the reproduction schemes and the need for a specific classification for gold produced for monetary uses. Consequently, in both the level of principle and that of the



equilibrium of schemes or hoarding, Luxemburg's perspective turns out to be incorrect, just as is her final argument. This does have the merit all the same of recalling for ultra-revolutionaries of the GCI, for example, that Luxemburg was perfectly conscious of the fact of the non-mercantile character of communism.

We still have to make some additional remarks on the reproduction of fixed capital in the branch of gold production.

In our analysis, we considered constant capital of the gold producer as completely homogenous, being composed of the value of the wear and tear of fixed capital and constant circulating capital. So, in order to renew this fixed capital which transfers its value completely in, let us say, ten periods, there needs to be a provision in money equal to the value of the fixed capital to be replaced. The gold producer is in no way exempt from this procedure, and he has to hoard the money equivalent to his fixed capital in each period, just like the other capitalists.

What would the effects of this be on the scheme?

If we suppose that $1/10$ of the constant capital laid out is formed of the value transferred by fixed capital, the gold producer has to form a provision of 2 in each period. We have supposed that the fixed capital transfers its whole value over 10 periods, so the total value is 20. If the gold producer withdraws a value of gold 2 from circulation, the capitalist class of the sub-department producing fixed capital would be unable to renew the worn monetary mass and also would have to form a stock of means of production for the same value of 2.

We can certainly suppose that the capitalist finds the money necessary to compensate the worn coinage in all 10 periods, but this solution would be insufficient, as the capitalist class producing fixed capital would find itself obliged to form stocks. The monetary costs would not be equal in each period but only at the end of 10, and so there would be an equilibrium only every 10 years that would be upset immediately at the beginning of the next decade. In order to obtain a more correct solution, we have to suppose that the whole capitalist class of the sub-department producing gold does not renew all fixed capital in just one go: while only a fraction of this sub-department renews fixed capital, the other fraction withdraws an equivalent sum to constitute a provision in view of renewing fixed capital further on. In this way, the value of gold thrown into circulation is still 20. The capitalist class producing fixed capital therefore reproduces the worn coinage in circulation in each period without any problems. The gold producers renew their fixed capital with a value of 2, while the others withdraw 2 in money in view of depreciation. Exchange can therefore continue uninterruptedly.

12. Accumulation and militarism: Luxemburg

12.1 Luxemburg and the problem of armaments

The last chapter of Luxemburg's *Accumulation of capital* is entitled 'Militarism in the sphere of capital accumulation', so we should note at once that Luxemburg (in this sense setting herself apart from both a Mandel and from the cretinized epigones, such as the ICC) did not see militarism as being characteristic of a particular phase of the capitalist mode of production.

"Militarism carries out a very determinate function in the history of capital. It accompanies the process of accumulation in each of its historical phases. In the period of so-called "original accumulation", i.e., at the origins of European capital, militarism plays the decisive role in the conquest of the New World and the Asian spice producing countries, later it plays the same role in the subjugation of the modern colonies, the destruction of social forms of organization of primitive societies, and the appropriation of their means of production, the imposition of commodity exchange in countries whose social structures constitute an obstacle to the commodity economy, the forcible proletarianization of the indigenous inhabitants, and the imposition of wage labour in the colonies. Similarly, it plays a decisive role in the formation and the extension of the spheres of interest of European capital in non-European regions, in the extraction of concessions for the construction of railways in backward countries, and in enforcing the claims of European capital as an international creditor. Finally, militarism plays the decisive role as a means of competitive struggle between capitalist countries over areas of non-capitalist civilization." (Luxemburg, *The Accumulation of Capital*, p. 331)

By taking this position, Luxemburg also falls into line with the logic which sees in the difficulty of the realization of surplus value a permanent phenomenon in the history of the capitalist mode of production. Consequently, for her, not only the arrival of a phase of capitalist production when non-capitalist markets will have disappeared is not envisaged, but this is also declared to be impossible in any case, since capital would not have had sufficient effective demand available outside the capitalist mode of production to realize the surplus value destined for accumulation even before this extreme limit.

12.2 The epigones cast adrift

12.2.1 An indigent theory

This in no way worries the ICC and associates whose positions are at this point so illogical that they appear grotesque. However, differently from the ICC, the External Fraction of the ICC (FECCI) does not satisfy itself by harping on with the idiocies that are no longer demonstrated and at least seeks to deal with the contradictions which become ever clearer. The writings of FECCI appear as an oasis in the theoretical desert of the ICC. On the one hand, imbecile, arrogant and smug dogmatism, on the other the wish to think and understand. It is always quite difficult for the FECCI, as it is for the ICC, to turn a house of cards into an impregnable fortress and the problem only inches forwards in order to fall into further contradictions. We have often stressed the enormous *qui pro quo* raised to the level of "theory" by the ICC. This sect states that capitalism has stagnated since 1914, the date when the world was carved up among the great imperialist powers. The ICC takes up the Luxemburgist analysis to state that there are no longer, at least qualitatively speaking, extra capitalist markets and therefore, surplus value cannot be realized. The capitalist mode of production, lacking outlets and effective demand from extra capitalist areas, therefore enters into decadence as surplus value cannot be realized. Closely following the

Luxemburgist logic, as there is no longer, at least qualitatively, the effective demand required to realize surplus value and if extra capitalist markets have by now become insufficient, it is therefore strictly impossible to realize completely the fraction of surplus value destined for accumulation. As capital cannot realize surplus value, it finds itself with the impossibility of accumulating.

If we follow the Luxemburgist logic, that is the logic supporting the reasoning of the ICC and the theory of decadence, we are led to conclude that decadence must mean the immediate collapse of capitalist production, since all surplus value destined for accumulation cannot be realized and then later accumulated. It could only exist in a hypothetical simple reproduction where all surplus value would be consumed and never accumulated. There is no possibility of supplementary accumulation and therefore no real growth.

12.2.2 A conception that created illusions in the inter-war period

Such a conception could have been of limited validity in the explanation of the inter-war period when capitalist production did in fact stagnate.

This was the period when Trotsky began the Transitional Programme by stating that “Mankind’s productive forces stagnate. Already new inventions and improvements fail to raise the level of material wealth. Conjunctural crises under the conditions of the social crisis of the whole capitalist system inflict ever heavier deprivations and sufferings upon the masses.” (Trotsky, The Transitional Programme).

This period also saw certain currents in the Left founding an analysis of the decadence of the capitalist mode of production on Luxemburgist theses and concluding that surplus value had stopped increasing. For example, the text by Jehan of the Ligue des communistes internationalistes, a group close to ‘Bilan’:

“ It is certain that while the mass of surplus value produced in the world not only has no longer been able to increase, but on the contrary is falling, while the mass of surplus labour available no longer corresponds with normal needs of existing capital, while profits disappear and with it the motive of capitalist production, it is certain then that the general crisis of capitalism must break out, expressing on the one hand a considerable deepening of the fundamental contrast between the world bourgeoisie and the world proletariat and, on the other hand, the acute nature of the antagonisms between several great capitalist groups that form the backbone of the world economy.” (The problem of the war, contribution to a discussion, by Jehan, January 1936 - available at fractioncommuniste.org/ficcifra/b39/b39_5.bhp).

As can be stated, as the FECCI honestly notes, the concept of decadence has a history and theoretical bases for its justification with a variable geometry which is increasingly unable to face the facts⁷⁷. This is because the end of the Second World War saw the capitalist mode of production

⁷⁷ “It is impossible to understand the reasons for the stagnation of capitalism in the inter-war period without taking into account the class struggle.

The proletariat was threatening between 1917 and 1919 and it was impossible to domesticate it in order to extract the maximum surplus value. In other words, the tendency of the proletariat to constitute itself as a class and thus pose the realization of the real human community hindered and slowed the construction of the community of capital. (...) This is yet again a proof of the theory of the proletariat: capital feeds off the surplus value extorted from the proletarians. When the iron heel managed to triumph, capital was free to

enter an almost unequalled period of accumulation in the transition to the phase of real submission of labour to capital. Clearly, as we have already seen, such an accumulation is inexplicable seeing that decadence is by definition non-accumulation. The forerunners of the ICC too deduced with a certain logic and a no less masterful theoretical defeat that the third world war was imminent⁷⁸ while the so-called accumulation that took place was that of capital living off its reserves⁷⁹. The accumulation of capital, whatever its rhythm, is still a reality 70 years after it was “theoretically” pronounced impossible, meaning that the assertions of the ICC are invalid.

12.2.3 Arguments in trompe l’œil

The miserable subterfuges that serve as an explanation of this enormous gap between facts and reality, which show how far the ICC sect has assumed a mystical character, do not face up to examination.

Let us quickly examine what the ICC believes:

“The principal fields of economic expansion since World War 2 (the ICC even goes as far in its delirium to circumscribe growth, when it is a concept closer to political economy than proletarian communism, in order to deny the massive capitalist accumulation having taken place since 1945 - ed) have been: post war reconstruction; permanent and massive armaments production; and better exploitation of old markets.” (ICC, *The Decadence of Capitalism*, p. 22)

12.2.2.1 *The exploitation of old markets*

If, as the ICC itself states, extra capitalist markets have disappeared, at least qualitatively, it is difficult to understand the meaning of this exploitation of old markets. If it is capitalist markets, then their role is inexistant for accumulation, or if it is extra capitalist markets, then it is difficult to understand how something that does not exist can play any role. The ICC itself recognizes that nothing can be expected of them.

develop and it overcame the crisis of 1914. Since 1945, there has been a continuous phase of capitalist production, broken by some halts.

Many theoreticians, including Trotsky, have exaggerated the importance of this momentary halt in capitalist production. They theorized it as an irreversible fact. Their basic error was to have separated the economic trend and the class struggle in their analysis.” (Invariance, no. 6, 1st series, pp. 114-115).

⁷⁸ “It is important to recognize that the ICC has never taken into account in a coherent way the reconstruction of its economic bases and the role it played in the survival of decadent capitalism. In fact, at the end of the 1940s and the beginning of the 1950s, the Gauche Communiste de France (from which the ICC draws its programmatic origins) denied even the possibility of a phase of reconstruction after the Second World War, insisting on the contrary on the immanent outbreak of the third world war due to the economic impasse of capitalism. It was only at the end of the 1960s that the comrades that later founded the ICC began to speak of “reconstruction” and then only to stress the end to the reappearance of an open crisis, without ever clearly taking into account on a theoretical level of the mechanism responsible according to them of a boom lasting 20 years.” (cf. *Perspective internationaliste*, no. 5. p. 30)

⁷⁹ Cf. *Socialisme ou barbarie* no. 5-6, p. 146. “We have held a meeting with the “Internationalisme” (publication of the Gauche Communiste de France in the late 1940s – ed.) group and the object of the discussion was the revolutionary perspective and the present tasks of the vanguard. It rapidly became clear that no agreement was possible with these comrades (...) It is enough to say that these comrades based the whole of their “conception” on the statement that production has been in constant regression since 1913 and that society has lived through this period by eating up its capital.”

“But unlike the nineteenth century, this type of outlet had become much too limited for the needs of the ‘natural’ expansion of capitalism. It is like the life-cycle of the water-lily whose size doubles each day: while it may have required a relatively long time to start growing and eventually cover half the pool, it needs only one more day to reach, in a single spurt of growth, the outer limits of its field of expansion. (...) At the beginning of the century, the mass of outlets which capitalism needed to assure one year of growth was more than six times less than that which is necessary for a year’s production today. (...) But simultaneously ... the external outlets have contracted rapidly.” (ibid. p. 22)

The ICC recognizes itself that this argument is insufficient and there remain two more to explain to us how production could progressively rise to twice, three times, four times, five times and now six times the production at the beginning of the twentieth century, and how this massive growth of production was possible with no existent outlets for realizing surplus value.

12.2.2.2 *The war and reconstruction*

The ICC pulls the answer to the question out of the hat in the form of another miraculous argument: reconstruction. “Through massive destruction with an eye to reconstruction, capitalism has discovered a way out, dangerous and temporary but effective, for its new problems of finding outlets.” (ibid. p. 23)

Here we come face to face with the grand guignol character of the representation the ICC makes of the capitalist mode of production. In her analysis, Luxemburg, who, differently from her epigones, had understood something of revolutionary theory, stated (and we have already shown where she was wrong) that capitalist production, before being able to accumulate the surplus value extorted from the proletariat, has to find effective demand (outlets as the ICC puts it), a demand that could not be that of capitalists, but only the extra capitalist forms of production.

These forms, according to the ICC, have largely disappeared, and therefore can no longer play the role they formerly had been entrusted. What then can be the strength of the argument of destruction/reconstruction?

If a war sees capitalist production fall from 100 to 50, for example, this does not mean that it therefore offers room for accumulation. The violent halving of capitalist production does not offer more extra capitalist markets than before. At best at the beginning of this process it had less surplus value to realize than before, but irrespective of the level, there is no greater demand than before coming from pre-capitalist forms of production.

In fact, the ICC reneges on the elementary principles of communism when it represents the accumulation of capital as a simple accumulation of use values. A certain number of factories and houses have been destroyed, so therefore there is the possibility for capital to accumulate during their reconstruction. This is the logic of Joe Bloggs that drives the ICC.

If the ICC was coherent with its theoretical presuppositions (but coherence is characteristic of the ideology of the enlightenment and belongs to the period of rising capitalism, so remaining definitely alien to the ICC), it would have to ask itself what effective demand was available to realize the surplus value before accumulation in order to rebuild the factories destroyed? But this question holds the mystery that forms the basis for the existence of the ICC.

On the one hand, it states that effective demand for realizing surplus value has disappeared, while on the other hand it tries to “explain”, with the help of theoretical acrobatics of great clowns, that this effective demand appears – having clearly placed “growth” between quotation marks – but



this is not enough to deny reality. The result is the dichotomy in thought which stands out clearly for everyone except the ICC, which makes us think it has a penchant for schizophrenia.

12.2.2.3 *Credit*

The high priests of decadence do not have a ready argument. Lined up to make theoretical withdrawals which end up in a rout, this seems to be the basis of their thought, unless they have thought without a basis. Among the reasons which allows capital to accumulate there now appears credit: which is the same as saying that the capitalist class is able to realize surplus value thanks to the effective demand of the capitalist class. Even if the argument does not appear in the brochure mentioned above, by now it has become part and parcel of the entire initiation into the sect. What is admitted now is what was fiercely denied previously; that is the possibility of the realization of the surplus value destined for accumulation. All this would falsify the originality of Luxemburg's position, everything that allowed for assuming a perspective of catastrophic crisis and assigning a historical limit to bourgeois society is removed with a stroke of the pen. The whole theoretic basis becomes rubble. If the capitalist mode of production should disappear due to a lack of outlets given the inexistence of pre-capitalist markets, it is still there and has been for a long time since credit now makes it possible to provide an outlet for surplus value.

This admirable demonstration of the eternity of the capitalist mode of production is not the least of the results that the ICC's rhetoric leads to, starting from demonstrating the decadence of capitalism, and now coming to demonstrate its vitality and viability: from the dialectic of decadence to the decadence of the dialectic.

12.2.2.4 *The production of armaments*

There remains a tasty argument that we have saved to last which allows us to return to the main argument of this chapter by coming back to an interlocutor of another dimension to the ICC, in this case Luxemburg. The question is the argument according to which the development of the capitalist mode of production can in part be explained by the increase in the production of armaments.

The overall balance sheet for the first three arguments we have examined is not the best for the ICC. Not only is the theory built on sand, but also the "justifications" are mutually contradictory, as their only common point is the vulgarity raised up to be a system for dismantling not just all revolutionary theory – which as we know is inaccessible for the ICC – but even any rational reflection. The paroxysm is reached in the confusion of the theorizations concerning the arms economy. In fact, we have to be correct and not fall into a polemical way of expressing the argument; the delirium of the ICC in this characterizes the fact that it has reached the peak in all the aspects of its thought. We shall return to the ICC's maître à penser, Luxemburg, before examining its conceptions.

12.3 **Luxemburg kills the one she loves**

12.3.1 **Taxation and the price of labour power**

Throughout her book *The Accumulation of Capital*, Luxemburg rejects the idea that a purely capitalist society can contain an agent able to realize the surplus value destined for accumulation. She, for example, rejected what some economists call "the third person", that is, classes that are neither bourgeois nor proletarian cannot be shown as trying to play such a role. Luxemburg's chapter on militarism recalled previous positions and continued to maintain them, while adding on, nevertheless, that militarism contains a particular economic function for capital.

“From a purely economic standpoint, militarism constitutes a preeminent means for the realization of surplus value – i.e., as a sphere of accumulation.” (Luxemburg, *The Accumulation of capital*, p. 331)

How did what she denied and still denies become possible?

Luxemburg supposes in fact the reduction of wages below the value of labour power through the imposition of an indirect tax, a tax on consumption, which would allow the state to get back a part of wages paid to workers. If wages are an equivalent to the value of labour power, the existence of an indirect tax would cause the reduction of wages below the value of labour power, while the surplus value and the rate of surplus value would rise in relation to the fall in wages.

We saw previously that, in Luxemburg’s conception, only the surplus value to be capitalized posed a problem of realization. Neither the constant capital to be reproduced, nor variable capital, nor surplus value for individual consumption by capitalists were involved in the problem of the lack of outlets within capitalist relations of production. Luxemburg considered that effective demand exists at the level of the whole of bourgeois society as far as the fractions of total capital are concerned. Only these parties could be the object of demand which, to be effective, could also consider these commodities from the point of view of their use value. The constant capital used has to be replaced, with workers consuming their wages and realizing a part of the social product, while the capitalists get back the variable capital they had advanced. Finally, while the capitalists seek to reproduce themselves as a class, the part of the surplus value they consume is bought when considering commodities from the point of view of their use value, since they serve for individual consumption.

We have shown above the incoherence in Luxemburg’s theory and stressed that, from the point of view of total capital, none of the fractions is realized in itself, that it was only accumulation that allowed for its realization and this was not automatic because it depended on the rate of profit, that the circuit of capital on the level of the individual capitalist was also not strictly identical to the circuit of total capital and so on. The outcome is, according to the conception of the communist programme, that the crisis hits the totality of capital and not just a part (the capitalized surplus value) and that the crisis does not have a permanent and gradual character, but a periodic and drastic one.

This said, and with the classic positions recalled, Luxemburg’s position is logically in line with her hypothesis. Since the money of wages flows back to the capitalists by realizing the commodities needed for the reproduction of labour power, and if wages can be reduced through consumer taxation, then the money got back this way by the state through taxes can be expended or accumulated as seen fit. By reducing wages below the value of labour power, if nothing is modified, there remains the balance of means of consumption in department II. If the money got back through taxation is used to pay public officials, we can say that reproduction stays the same. What was previously consumed by the workers is now consumed by officials. The rate of exploitation has risen and the part of surplus value consumed has risen.

“What happens to the resulting remainder of products from Department II? It is transferred to state officials and to the armed forces. The decrease in workers’ consumption is compensated for by new consumption by the organs of the capitalist state. Thus, if all the conditions of reproduction remain unaltered, a change in the conditions of reproduction of the total social product has occurred: of the products of Department II previously allocated to the consumption of the working class (equivalent in value terms to the variable capital), a portion is now allotted to the consumption of the strata appended to the capitalist state. From the standpoint of social reproduction, this

displacement effectively gives the same result as if the relative surplus value generated had been increased by the same quantum of value, with this increase being allocated to the part of surplus value earmarked for the consumption of the capitalist class and its appended strata.

As such, the squeezing of the working class through the mechanism of individual taxation in order to maintain the structures of the capitalist state apparatus amounts to a mere increase in surplus value, and more precisely, an increase in the part of surplus value that is consumed, the only difference is that this is a further division between surplus value and variable capital post festum – i.e., one that occurs after the exchange between capital and labour power has taken place.” (Luxemburg, *The Accumulation of Capital*, p. 332)

Consequently, as Luxemburg herself says, up to now the problem of the realization of the surplus value destined for accumulation has not even inched forward. The surplus value is realized because consumption has increased, but the realization of surplus value for capitalization has not been so. A part of the social product, according to Luxemburg, that was once realized by the working class is now realized through consumption of surplus value, its absolute mass corresponding to the surplus value destined for accumulation, so therefore the relative part of the remaining social product to be realized remains unchanged.

12.3.2 The role of armaments

According to Luxemburg, the problem would change if the state instead of paying its officials set to producing armaments.

“The consumption by the organs of the capitalist state has no bearing on the realization of capitalized surplus value, because the increase in surplus value consumed occurs ex post, even if it happens at the expense of the working class. (...) the displacement of the bulk of costs of maintaining the strata appended to the capitalist class onto the working class (and onto those engaged in simple commodity production: peasants, artisans etc.) allows the capitalists to set free a larger portion of surplus value for capitalization. This does not as yet generate the possibility of this capitalization – i.e., this does not as yet generate any new markets in which to realize the new commodities that would now actually be produced with the surplus value that has been set free. It is a different matter if the revenue from taxation is used by the state for the production of means of warfare.” (Luxemburg, *The Accumulation of Capital*, pp. 332-333)

In other terms, the money extorted from the workers is now invested in the production of armaments instead of expended in revenue. In the same way, the relationships between the departments of productive capital are modified. Before going on, let us go over some of the aspects of Luxemburg’s statements.

When she tried to show that Marx posed a false problem when seeking the “sources of money” for realizing surplus value, masking, according to her, the true problem that is effective demand for realizing surplus value, Luxemburg stressed all the escape routes that Marx turned down. Among such escape routes the following holds pride of place. We should follow Luxemburg’s own resumé of Marx argument:

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



“This constantly repeated removal from and return to the starting point – the capitalist’s pocket in no way increases the amount of money [of variable capital – R.L.], driving round this circuit. So, this is not a source of monetary accumulation.” (Marx, *Capital* Volume II, p. 508) Marx then considers all conceivable means of evading the problem, only to dismiss them as such. “But wait a minute!” he exclaims. “Isn’t there a little profit to be made here?” (Marx, *ibid.*) He investigates whether the capitalists could not save some of their variable capital by depressing wages under their normal, average level, and thus arrive at a new source of money for the purposes of accumulation. He naturally rejects this notion with a flick of his hand:

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

Marx even entertains hidden methods of making “savings” on variable capital, such as the truck system, fraud etc., only to remark finally: “However this is the same operation as that in case (1), only disguised and executed in a devious way. It must therefore be rejected here just like the previous case.” (Marx, *ibid.* p. 509) In this way, all attempts to forge a new source of money from variable capital for the purposes of accumulation are in vain...” (Luxemburg, *The Accumulation of Capital*, p. 103)

Consequently, what for Marx was a subterfuge and taken as such by Luxemburg in Chapter 8 of her book, that is the lowering of wages below the value of labour power, in Chapter 32 becomes an element providing a field of accumulation for capital.

This theoretical withdrawal is not only striking, it is also particularly grave. For Marx, the tendency to push wages down below their value is a permanent tendency of capital and has nothing to do with whether there is an armaments sector or not. Besides, if Luxemburg was to be coherent, she would have to say that it does not matter what state accumulation in a sector producing surplus value would create a field of accumulation for capital and thus a privileged means to realize surplus value (that the accumulated surplus value comes from the lowering of wages). She steers clear of the question, preferring to realize “under the cover” of silence a theoretical construction as solid as a sand castle. If, for revolutionary theory, the lowering of the price of labour power below its value is a constant tendency of capital, this tendency is regularly challenged, if not by the workers’ struggle, then during capitalist prosperity in full flight when rapid accumulation calls for full employment and therefore favours wage rises. A theory of the realization of surplus value, whose possibility was carefully denied in any case, cannot be based on such a changeable relationship, on such an unstable economic fact, when it varies in line with the clash between forces and changes in relations of supply and demand⁸⁰.

⁸⁰ On the following page Luxemburg herself recognizes that such a phenomenon can only be transitory, but she does not draw the consequences. “Ultimately, the degeneration of the normal conditions under which labour power is reproduced will lead to the degeneration of labour power itself, to the reduction of its average intensity and productivity, thus jeopardizing the very conditions of surplus value production. However, these further consequences, which only make themselves felt by capital after an extended period of time, do not initially carry any weight in its economic calculations; on the other hand, it is true that they give rise to a general intensification of the defensive action taken by wage labourers.” (Luxemburg, *The Accumulation of Capital*, p 498, fn. 365)

One of the strengths of Luxemburg's analysis was that of having tried to respect Marx's hypotheses, reasoning within Marx's framework, notably taking the point of view of the totality. Here she abandons such a point of view and as a result suddenly falls back into vulgar economics,

Therefore, Luxemburg cannot find a valid justification for her trick, but even if we admit that her point of view holds water, what change would there be compared with the previous situation from the point of view of global capital?

The part of the surplus value realized thanks to the money taken from wages is not a priori (remaining within the framework of the hypotheses advanced by Luxemburg) larger than the difference between the price and the value of labour power. In other terms, the mass of surplus value destined for accumulation and which is not realized is strictly the same. By lowering wages, surplus value is increased. A part of this surplus value corresponds completely with the fall in wages and would then be realized, allowing an accumulation of capital. But, on the level of global capital, the immense mass of surplus value that cannot be realized is still there and nothing can change it. While it is not terribly worrying for Luxemburg to see that the supposed privileged means for realizing surplus value is much more limited than was thought at first sight, however becomes unsustainable for the epigones.

We cannot expect an explanation from armaments since – even supposing that Luxemburg was right, which as we have seen, she was not – a surplus value is realized which increases at the same time as it is realized, such that from the point of view of total capital the problem remains just the same. The part of the total social product that otherwise was so-called realized by the expenditure of wages, and now by money obtained by lowering wages, has in the same way become surplus value.

12.4 A disarming scheme

The rest of Luxemburg's text is a series of muddled up calculations where she gets lost. In fact, by introducing armaments into her reasoning, Luxemburg tries hard to demonstrate the effects of them by illustrating her conceptions starting from the reproduction schemes. After the production of armaments, they still have to be realized and this is if there is an effective demand for them. The state is usually the main outlet for armaments production, but it is a different function. If the production of armaments is a surplus value producing activity, in this sense it does not stand apart from other commodities and its reproduction is essentially realized through the intermediary of surplus value.

Luxemburg has not worked out the problem of the reproduction of capital producing surplus value used unproductively in the course of the reproduction of bourgeois society, just as we have already seen regarding the reproduction of gold in the schemes of reproduction. She, after calling for, without any basis, a third department for means of circulation, takes care, even though the presuppositions of the problem are identical, not to create a fourth department for means of destruction. Nevertheless, essentially armaments, being a final product, cannot be assimilated with either means of production, or means of individual consumption. There are rather more characterized by capital producing surplus value whose reproduction is guaranteed by the expenditure of money from revenue, by the representative of the general interests of capital, the state.



Luxemburg does not follow her logic to its conclusions. She nevertheless attempts to demonstrate the modifications which take place in the reproduction of capital. She flounders about in paltry arithmetical considerations even though she has not resolved the difficulties inherent in this aspect of the matter. In fact, this last chapter is a disillusionment. A book of high quality ends up in an impasse and the negation of its own presuppositions.

We can follow her along her theoretical calvary. She starts from Marx's schemes of extended reproduction, which she had discussed at length, to trace the transformation in the process of social reproduction.

$$\begin{array}{l} \text{I:} \quad 5,000c + 1,000v + 1,000s = 7,000 \text{ means of production} \\ \text{II:} \quad 1,430c + 285v + 285s = 2,000 \text{ means of consumption} \end{array}$$

If taxes on wages are 100, all this means is that the workers have only received 1,185 with the 100 taken by state used to increase the demand for armaments.

“In order to satisfy this demand for means of warfare to the value of 100, a corresponding branch of production emerges, requiring a constant capital of 71.5 and a variable capital of 14.25 (assuming an equal – i.e., average – organic composition):

$$71,5c + 14,25v + 14,25s = 100 \text{ (means of warfare).” (Luxemburg, The Accumulation of Capital, p. 334)}$$

Since Luxemburg approached the problem in this manner, she could only substitute a consumption of armaments by the state, realized by means of the additional surplus value extorted from the workers by the reduction of wages, for a consumption of individual means of consumption by the workers. As we have already said, this transfer of money from the workers to the state changes nothing in the problem overall since the mass of surplus value destined for accumulation was the same as its part in the constant social product. From this point of view, it does not change one drop:

“Here the objection might immediately be raised that it merely appears superficially that a profit arises for capital from this new market expansion, since the reduction in actual consumption by the working class will inevitably result in a corresponding reduction in the production of means of consumption.” (Luxemburg, The Accumulation of Capital, p. 335)

Luxemburg is forced to admit that “capital has gained with one hand what it has lost with the other” (ibid. p. 335)⁸¹. Certainly, using the artificial means we have described, surplus value has increased by comparing two situations which are not comparable, Luxemburg has fair play criticizing certain apologetics for militarism, but this serves only to hide her own lacunae.

Luxemburg then considers that the consumption of workers has to be reduced by 100, which also means a fall of 100 in the production of means of consumption.

“Now if the consumption by workers is reduced by a value of 100, the adjustment in reproduction as a consequence of the contraction in both departments will be expressed as follows:

$$\text{I.} \quad 4,949c + 989,75v + 989,75s = 6,928,5$$

⁸¹ Luxemburg, The Accumulation of capital, p. 335.

$$\text{II.} \quad 1,358.5c + 270.75v + 270.75s = 1,900$$

This now gives the following expression for the total social product:

$$6,307.5c + 1,260.5v + 1,260.5s = 8,828.5'' \text{ (Luxemburg, The Accumulation of capital, p. 337)}$$

After previously not even having taken into consideration the internal relationships between the two departments once the effect of expenditure on armaments had been subtracted, Luxemburg should have better envisaged the overall process. According to her hypotheses, the first effect of taxation is to reduce wages and therefore increase surplus value. The constant capital produced should remain exactly the same since constant capital freed from the reduction in the mass of means of consumption is now used to purchase armaments. The reduction of wages by about 1/13th and reducing production in department II by 100 and by creating an armaments department with the value of production of the same 100, we can obtain the following approximate result:

$$\text{I.} \quad 5,000c + 922.2v + 1,077.8s = 7,000$$

$$\text{II.} \quad 1,358.5c + 249.7c + 291.8s = 1,900$$

$$\text{Arm.} \quad 71.5c + 13.1v + 15.4s = 100$$

Giving the total of:

$$6,430c + 1,185v + 1,385s = 9,000$$

If we subtract the production of armaments from this total for production, modified for the reduction of wages, we obtain:

$$6,358.5c + 1,171.9v + 1,369.6s = 8,900$$

If we take up Luxemburg's reasoning (which is highly doubtful) aimed at removing from the production of means of production those that are used for the reproduction of constant capital used in the production of armaments, the result becomes:

$$6,307.5c + 1,162.5v + 1,358.5s = 8,828.5$$

This result does not correspond with either of those presented by Luxemburg ($6,430c + 1,113.5v + 1,285s = 8,828.5$ and $6,307.5c + 1,236v + 1,285s = 8,828.5$) which either overestimate or underestimate the fall in wages.

Luxemburg concludes her analysis with this, and we have scarcely got to know anything more about the reproduction of armaments and their overall effect on accumulation.

12.5 The epigones go on the warpath

Let us now return to the ICC and its contradictory considerations on armaments. If, on the one hand, armaments provide outlets for production (cf. The Decadence of Capitalism) to the point that, for example "There can be no possible doubt about the nature of the economic recovery after the crisis of 1929. It was due exclusively to the armaments economy, that is to the production of means of destruction". (p.23), while on the other hand we learn that "ARMS PRODUCTION IS NOT A SOLUTION TO CRISES" and so "military spending is an incredible waste for capital and for the development of the productive forces". (p. 32) As regards the FECCI, there is nothing better on offer, since in the advertising promoting the brochure quoted in the text, we can read: "On the question of the production of armaments as a field for accumulation, our fraction rejects



as you do [it is a reply to the Indian group Kamunist Kranti – ed.] Luxemburg’s position.” (P.I. p. 30) in the framework of “pure” capitalism “it cannot see militarization as a direct field of accumulation...”.

The positions of the ICC and associates are as fixed as swing wing jets. The FECCI had tries to think for once while thrashing about in the unsurmountable contradictions of the theory of decadence and can only mangle to pull still tighter the slip knot around its neck. Despite all this theoretical agitation, there are two issues: either the FECCI breaks with the theory of decadence, or, more probably it will stop thinking for itself. In a certain sense it would be better this way because its recent production has contained pearls of wisdom which explain the growth after the last crisis (1880-1982) just by armaments. At the same time, we also learnt that this accumulation is inexistent⁸² and so the proletariat which is ever more exploited by the capitalist Moloch will be delighted to know that the surplus value extorted from it is fictitious (it is true to say that the concept had the tendency to disappear from the discourse) and that the exploitation of which it is the victim is also fictitious and that the relations of production are just an illusion, doubtlessly to be laid at the door of commodity fetishism, if not the decadence of capitalism.

The ravings of the ICC provide nothing of any weight and now, after reading the discourse, just as before reading it, we have to struggle to understand how the poor decadent capitalism can manage to accumulate when all the outlets for the realization of surplus value have disappeared. Have they really disappeared? The FECCI has its doubts, and at the same time asks if capitalism is in decadence. Yes, because the markets are insufficient and also because “the reason for the survival of decadent capitalism is not to be found in the continuation of the existence of non-capitalist strata” (P.I. no 5). In this case, where can it be found? The reader will not get an answer in this number of the review.

In this debate, where the dice are loaded, it would be wrong to imagine that there was greater comprehension of the problems concerning the capitalist mode of production on the part of the adversaries of Luxemburg.

If the epigones are completely degenerate, it is the same for a good part of their adversaries. We have already had occasion to stress that a fraction of the opponents of Luxemburg have not understood the problem she posed. The CWO belongs to the type of happy fool who goes to attack Luxemburg with inept arguments which, besides not answering the problem raised, evidence the major damage they make to the communist programme. The part of text dedicated to Luxemburg in ‘Revolutionary Perspectives’ no. 6 which deals with armaments is just as vulgar Ricardian of the first water as the rest of the text. If that at least had the merit of continuity, something that the ICC could envy in the CWO, it is just the continuity of mediocrity and systematic destruction of the revolutionary perspective of communism.

As we have seen, Luxemburg’s position, even if totally false, at least has a certain internal logic. This logic has largely passed over the head of the CWO which is happy with idiotic sniggering on finding what they think is an error on Luxemburg’s part. The rest of the argumentation rapidly returns to the massacre of the positions held by Marx, and thus the revolutionary programme.

⁸² “... the added value thus produced is both fictitious (services, housing boom etc.) and sterile (armaments) and does not return to the production cycle... since no value is added to the production process, these profits are in reality fictitious.” (Perspective internationaliste, p. 15)

“But what new value has Luxemburg suddenly discovered that she never saw before? The answer is that she has not discovered any at all. Luxemburg has mistaken revenue (in this case taxation) for the creation of new value. It is paid for by taxation (in that respect she is correct) but this must be taxation of the already existing surplus value of other industries.

To illuminate this point we must understand what productive labour is. Productive labour, according to Marx, is that labour which produces surplus value (only this first part of the sentence is actually "in conformity" with what Marx says, the rest is a sheer nonsense or a lie, and the end glides on the land of vulgar Ricardianism - NDR) for capital as a whole, is labour whose product can be incorporated in a new cycle of production, either as means of production (e.g. machine tools) or as means of consumption (e.g. food, clothing) which maintain the working class.” (Revolutionary Perspectives n° 6, p. 24)

Here we can see an old error committed by Ricardo and his epigones which states that commodities which contribute neither to the formation of fixed capital nor to circulating capital cannot modify profit (here we are paraphrasing Ramsay). Here it is greatly aggravated by all kinds of confusion which makes the reader try hard to imagine the capacity of the CWO to understand the first line of revolutionary theory and the nature of the exploitation to which the proletariat, a class they suppose they have something to do with, falls victim.

According to their point of view, which mistakes the production of surplus value for its unproductive consumption, all that is required for one branch of production not to influence the rate of relative surplus value is to be considered as unproductive. This would mean that the production of luxuries and the production of armaments would also be unproductive. Nothing is further from the position of the communist programme which claims that all labour producing surplus value is productive on the basis of the capitalist mode of production.

All commodities produced by wage labour paid for by an advance of capital are therefore the fruit of productive labour.

“Productive labour, therefore, is labour which – in the system of capitalist production – produces surplus value for its EMPLOYER or which converts the objective condition of labour into capital, and their owners into capitalists, hence labour which produces its own product as capital.” (Marx, Theories of Surplus Value, Collected Works Vol. 34, p. 131)

12.6 The roots of the production of armaments

If the theories propagated by the communist milieu have no value either of a theoretical or of a practical nature, what elements of revolutionary theory can it advance to explain the development of the production of armaments?

Capitalist production has the aim of obtaining the maximum surplus value. In order to do so, with the development of relative surplus value it devalorizes the value of labour power by increasing labour productivity. The growth in the mass of use values that follows poses the capitalist mode of production the problem of the realization of the value and the surplus value contained in them in a volume that tends to increase. The need to resolve this contradiction lies at the origin of the growth of a middle class which consumes without producing. To the extent that the state, by recuperating a part of the surplus value in the form of taxes, orients and concentrates demand in unproductive consumption like armaments, it helps to limit accumulation, which becomes necessary as capitalist production advances. However, yet again, this limitation to accumulation of



surplus value is not found in armaments alone. The production of luxury goods and the consumption of the unproductive classes also perform the same role.

Consequently, we have to seek explanations for the growth in armaments production in the development of the superstructures of bourgeois society, independently of the material basis of capitalist production. We cannot develop these complex elements here – we can think above all of the “military industrial complex” in the USA, or links between research and the defence sector, or yet again the way state expenditure can support national industry.

We shall limit ourselves, following Engels, to provide some indications about the role of the state in capitalist society.

“The state is, therefore, by no means a power forced on society from without; just as little is it “the reality of the ethical idea”, “the image and reality of reason”, as Hegel maintains. Rather, it is a product of society at a certain stage of development; it is the admission that this society has become entangled in an indissoluble contradiction with itself, that it has split into irreconcilable opposites which it is powerless to dispel. But in order that these opposites, classes with conflicting economic interests, might not consume themselves and society in a fruitless struggle, it became necessary to have a power seemingly standing above society which would alleviate the conflicts and keep it within the bounds of “order”, and this power, having arisen out of society but placing itself above it, and alienating itself more and more from it, is the state.” (Engels, *The Origin of p.* 269)

What characterizes this state? Above all:

“... the establishment of a public authority which no longer directly coincides with the population organizing itself as an armed force. This special public authority is necessary because a self-acting armed organization of the population has become impossible since the split into classes. (...) This public authority exists in every state; it consists not merely of armed men, but also of material adjuncts, prisons and institutions of coercion of all kinds, of which gentile society knew nothing.” (ibid. pp. 269-270)

The tendency is for this public authority is generally to become stronger.

“It [the public authority] grows stronger, however, to the extent that class antagonisms within the state become exacerbated and adjacent states become larger and more populous. We have only to look at our present-day Europe, where class struggle and competition for conquests have raised the public power to such a level that it threatens to swallow the whole of society and even the state.” (ibid. p. 270)

Consequently, theoretical communist has long since foreseen the growth alongside the capitalist mode of production of a military type or repressive expenditure, which is explained by the sharpening of class contradictions between classes in the states and the antagonism between states. The progress made in communications, transport and the enormous power developed by armaments have by now largely crossed frontiers to such an extent that Engels’ remark is now valid for countries without a common frontier. The antagonism between the major imperialist powers has the fixed framework of the entire planet, whose existence, as Engels had already noted, is threatened. Two world wars (and now the arms race has restarted along with the first major post-war crisis), have already shown, and are confirmed every day by local wars, how the forces of society are devoured by military expenditure. There is no “pacifist” solution available within the framework of the capitalist mode of production. The only class in society that has the means to set



aside forever the threat of the total destruction of humanity is the proletariat, through the communist revolution.

13. The Reproduction of armaments in the framework of the schemes of extended reproduction of capital

13.1 The production and reproduction of armaments

How can the reproduction of armaments be described within the framework of extended reproduction?

We shall now take up again the analysis of extended reproduction after first making some remarks on the reproduction of armaments: even if armaments allow capital to produce surplus value, they are reproduced by means of surplus value. In other terms, seeing that the state buys armaments through the expenditure of money from revenue to equip the army, for example, it appears in the category of capital producing surplus value which is reproduced by the expenditure of money as revenue by the state.

Up to now we have considered this reproduction as having an unproductive character and we have included state expenditure with surplus value. Here we must nuance this statement since the state manages a part of the costs of the reproduction of labour power on behalf of the general interests of capital. This is the case for education and other social expenditure, but it is equally so for military service which forms the completion of education for the proletariat, the final training to work as a drudge, so from this point of view, expenditure on armaments has its role in the determination of the value of labour power. It would be a retreat into metaphysics to ask about the part it contributes to surplus value and the part it contributes to the value of labour power. These examples show, on the other hand, that the value of labour power has a social determination which has been increasing with the development of the capitalist mode of production. Some socialization of consumption, obviously in the capitalist form, has been seen. A large part of wages is no longer left to be spent by the individual proletariat, but forms collective consumption with, however, the major disadvantage that the use and extent of this consumption is in the hands of the state of the enemy class. We should, nonetheless, as in other areas, stress the revolutionary character of this socialization which is one of the bases of communism created by the capitalist mode of production.

13.2 An overall scheme of armaments production

13.2.1 Overall scheme

Let us suppose that the social capital of society is divided as follows:

- I. $4,000c + 1,000v + 1,160s = 6,160$ means of production
- II. $1,500c + 375v + 435s = 2,310$ means of consumption
- III. $100c + 25v + 29s = 154$ armaments

We suppose that the tax, which cannot have a more stable base than the surplus value which it forms part of (we are leaving out taxes making up part of social security payments), are used solely for the purchase of armaments. The necessary total tax stands at 154 and therefore is the equivalent of the value of the production of armaments. This production of armaments requires an advance of constant capital of 100 and a variable capital of 25. We suppose that the organic composition of capital in this sector is the same as the average in society. It is important to note that in the armaments sector surplus value is created and therefore the wage labour producing these armaments is productive labour.

“But this already implies the admission that only labour which produces capital is productive; therefore, that labour which does not do that, however *useful* it may be – it may be just as well be harmful – is not productive for capitalization, **hence** is unproductive labour.

Other economists say that the distinction between productive and unproductive labour should be related not to production but to consumption. **Quite the contrary.** The tobacco producer is productive, although the consumption of tobacco is unproductive. Production for unproductive consumption is **quite as productive as that for productive consumption, always supposed that it produces or reproduces capital.**” (Marx, Grundrisse, Collected Works Vol.28, pp. 231-232)

The armaments sector produces a surplus value of 29 to be added to the surplus value of other sectors so that total surplus value rises. It now stands at 1,624, while it would be 1,595 without the surplus value of the armaments production sector. The tax of 154 is imposed on the whole surplus value which involves both the department of means of production and the department of means of consumption, as well as the armaments sector. Each sector will pay a tax which we suppose is proportional to the capital advanced and the surplus value it extorts from the workers. This tax is 110 for department I, 41.25 for department II and 2.75 for armaments production, forming a total of 154. The state has ordered 154 from the sector of armaments to equip its army and thus allows this sector to reproduce the value and the surplus value contained in the armaments.

13.2.2 The reproduction of constant capital in the armaments sector

The capitalists in the armaments sector are therefore immediately able to reproduce the constant capital which they have invested during the production of armaments, that is 100c. When they renew their constant capital, they allow the capitalists in department I to reproduce a part of the surplus value contained in the means of production. The same applies for luxury items; the exchange against a part of the surplus value in department I allows for the realization of the reproduction of constant capital in the armaments sector.

Seeing that we are in the scheme of extended reproduction, the production of armaments grows and therefore surplus value is accumulated in this sector, like in the others. Supposing a rate of growth of 10%, the supplementary constant capital for accumulation in this sector is 10. The constant capital needed for this accumulation is found in department I. Consequently, the total demand for means of production from department I for the armaments sector is 110 (100 + 10). This allows the armaments sector firstly to renew the constant capital used during the production process of the armaments, and secondly to purchase additional constant capital for accumulation in this sector. This part of capital, just like the other, is obtained through the exchange with a part of the surplus value in department I. The mass of constant capital obtained by the armaments sector is equal to the taxes paid by the department of means of production. All this proceeds as if the state had requisitioned through taxation the equivalent of 110 of constant capital to employ it in the production of armaments.

13.2.3 The reproduction of variable capital and surplus value destined for consumption

It is the same for variable capital. This is 25 and in order to accumulate supplementary variable capital of 2.5, there has to be a demand coming from variable capital of 27.5. The part consumed by the capitalists in the armaments sector (part of the surplus value is reserved for the maintenance of the capitalist class and its agents) must be added to these means of consumption. The mass of surplus value consumed by the capitalist in the armaments sector is 13.75 and therefore the means of consumption which will be consumed by the armaments sector will stand at 41.25 (27.5 + 13.75)



which represents a part of the surplus value of department II. Here too exchange concerns the surplus value of department II. As regards the total of means of consumption necessary in the armaments sector, it corresponds exactly to the total of taxes paid by this sector.

13.2.4 The division of armaments expenditure

The part of the surplus value consumed, accumulated or paid in taxes, is identical for each fraction of the capitalist class.

The capitalist class in department I consumes a mass of surplus value of 550, or $550/1,160^{\text{th}}$ of the surplus value, approximately 47%; the surplus value accumulated stands at 500 and so equals $500/1,160^{\text{th}}$, approximately 43% of the total surplus value, and finally the taxes in department I are 110 or $110/1,160^{\text{th}}$, approximately 10% of the entire surplus value.

The same proportions appear again in department II, with the mass of surplus value consumed being 206.25, or 47% of the total surplus value in department II, while the accumulated surplus value is 187.5 or 43% of the surplus value. Taxes stand at 41.25, or approximately 10% of the surplus value in department II. So, both in department I and in department II the taxes are in proportion to the capital advanced.

The same proportions are also found in the armaments sector where surplus value is accumulated, consumed and taxes are paid in proportion to the capital advanced and in the same proportions as the two great departments of social production. The surplus value in the armaments sector breaks down into 13.75 consumed, 12.5 accumulated and 2.75 going in taxes which is the same in percentage terms as in the departments.

We are not going to analyse here the other aspects of extended reproduction as we shall return to them later. We believe that these examples show that armaments production produced surplus value, that the reproduction and accumulation in this sector is realized in exchange with surplus value and consequently armaments expenditure constitutes an unproductive consumption of surplus value. (This difference between the productive aspect of production and the unproductive aspect of consumption causes a lot of confusion in the CWO for example, as we saw above).

13.3 The effect of the disappearance of armaments

From this point of view, it is quite clear that if the production of armaments ceased, it would be possible, if extreme hypotheses are accepted, to reduce labour time by 154 units and by assuming a reconversion of the labour force and the means of production proportionally in the two departments of productive capital, to increase production in the following proportions:

$$\begin{array}{ll}
 \text{I.} & 4,000c + 1,000v + 1,160s = 6,160 \text{ means of production} \\
 & + \quad 72.8c + \quad 18.2v + \quad 21s = \quad 112 \text{ additional means of production} \\
 \\
 \text{II.} & 1,500c + 375v + 435s = 2,210 \text{ means of consumption} \\
 & + \quad 27.2c + \quad 6.8v + \quad 8s = \quad 42 \text{ additional means of consumption}
 \end{array}$$

Department I sees the addition of additional production of means of production of 112, while in the department of means of consumption, production increases by 42. The surplus value in department I rises from 1,160 to 1,181, while in department II it rises from 435 to 443. On the level of global capital, however, there is no difference and is 1,624 in both cases. The surplus value previously produced in the armaments sector is now produced in the two great departments of social production.



The total we have now is:

- I. $4,072.8c + 1,018.2v + 1,181s = 6,272$ means of production
- II. $1,527.2c + 381.8v + 443s = 2,352$ means of consumption

So, at first production simply restarts in some other way, while the surplus value produced and the value of production remain the same. On the other hand, starting from considering accumulation, the result the next year would see major differences.

The rate of accumulation of surplus value would rise and the surplus value, which was previously consumed unproductively in armaments production, is now is consumed productively, and thus raises the rate of accumulation of surplus value and the rate of growth.

When there was armaments production, the rate of growth, as we have seen, was 10%. Now, after the reconversion of armaments production, what is the growth rate?

The mass of means of production available is 6,272, while the mass of constant capital to renew is $4,072.8 + 1,527.2$ totalling 5,600, leaving 672 ($6,272 - 5,600$) destined for accumulation, that is a rate of growth of 12% ($672/5600$). The rate of growth has increased by 20% by rising from 10% to 12%. Productive forces therefore develop more rapidly. Far from encouraging the growth in capitalist production, armaments production tends to slow it. In the same way, seeing armaments production as an “explanation” for growth in the post war or inter war periods leaves us perplexed. Moreover, we can see the extent to which such production sterilizes productive forces and what extra development, a development that would mean a gain in time and an increase in production to satisfy human needs, would be brought about by a drastic reduction in armaments when the domination of communist society would be certain. The same holds true for the growth of variable capital and so, everything else remaining the same, the number of workers employed. The existence of the production of armaments tends to slow growth rather than encouraging “employment”. Finally, the rate of accumulation of surplus value, which was about 43% with armaments, is now over 51% without them.

The financing of an expanding armaments production and the perspective of an increasing rate of growth require a huge expansion of the exploitation of the only class which produces surplus value, the proletariat. The sirens of Keynesian social democracy, on the contrary, justify the production of armaments as it leads to growth and reduces unemployment. So, in one fell swoop not only is the arms race and production harmful for mankind justified, but the unbridled exploitation that such a race means for the proletariat is also masked. That the ICC follows the same reformist band wagon blowing the self-same counter revolutionary trumpet should not surprise us, and the reader can use the examples given above to reach an opinion on the scientific value of imperialist propaganda.

From the Luxemburgist point of view, the problem of the realization of surplus value is always the same as that for the surplus value destined for accumulation. Even if we subtract the surplus value accumulated in armaments, the surplus value to capitalize is 500 in department I and 187.5 in department II and so external demand must arrive for the capitalist mode of production if it wishes, according to Luxemburg, to realize the surplus value. The basic facts of the realization have not changed. It is even more difficult as the epigones of Luxemburg think, like the ICC, to base any whatsoever “explanation” of growth on armaments production. With the surplus value having being consumed in an unproductive manner, one would not really know how to found accumulation and capitalist development on such a basis. Much more

likely than the growth of the production of armaments, it implies a great development of surplus value in other sectors in order to bear its weight while continuing accumulation.

Rapid economic growth and a massive increase in military expenditure do not necessarily go together (we can give an empirical example of this with the defeated nations of the last war, Germany and Japan, which have seen their military expenditure reduced to levels generally below that of the victorious nations, but all the same have been the countries with the most spectacular rise in capitalist accumulation) the conjunction of the two events bearing witness instead to the colossal exploitation which the proletariat has suffered and still suffers since the Second World War.

Sometimes the ICC represents capitalist accumulation as building a wall one day just to knock it down the next by arguing that accountancy books give this as doubling the value. This type of argument holds water when speaking on the level of individual capitalism, but when speaking on the level of global capital it becomes pure folly. It would boil down to saying that use value of commodities required for accumulation is indifferent, that a wall reduced to rubble has the same outlet as one still standing, or a broken-down machine can produce just as well or even better as it has the same outlet as a new machine etc. This fails to see that capital accumulation is the accumulation of surplus value and that this surplus value must have particular forms (means of production etc.) to be effectively accumulated.

14. Accumulation of capital and militarism: Ernest Mandel

14.1 It's getting late for Ernest Mandel

As life passes and ageing with its implacable reality begins to weigh heavily, a tendency to conservatism, the acceptance of the values of present-day society and received ideas tends to appear as old habits set in as the enthusiasm, rebelliousness, the capacity to question things and people, the possibility to have a new point of view of phenomena all give way to a pragmatism founded on "experience". The spirit follows the body in its ageing process and in resignation.

Ernest Mandel's "Marxism" partly avoids this logic because it was never young. It was from the very start a protest against any revolutionary attempt, from the start it had the fixed goal of transforming the communist programme into a programme of social reform of capitalism, using violent means if necessary. This conferred on Trotskyism, that had passed over to the counter-revolution, the role previously held by centrism, but less to the left, in the social democracy of the early 1900s. There was the difference that while certain people could be illuded that centrism at the time, there is no question of posing the question for Trotskyism today which is irremediably characterized as counter-revolutionary.

The crisis of "Marxism" has not spared Trotskyism and the facts frequently show its ever-greater distancing from the fundamental principles of the theory of Marx. As it gets late for Ernest Mandel, his "Marxism", that was already sullied and corrupted, finally reaches senility.

14.2 Ernest Mandel, the sounding board of vulgar economics

One of the most frequent commonplaces in political economy states the following:

"Since the end of the 30s, the production of weapons has played a significant role in the imperialist economy. This latter has now experienced more than three decades of uninterrupted armament. There are no indications that this tendency towards a permanent arms economy will diminish in the foreseeable future. We are thus dealing with one of the hallmarks of late capitalism, which must be explained by the social and economic development of this mode of production itself. In particular, we must investigate the extent to which certain specific features of late capitalism, which distinguish it from earlier phases of bourgeois society, are connected with the phenomenon of permanent arms expenditure and whether, if the latter should persist, these features will continue to condition the entire historical epoch of late capitalism." (Mandel, *Late Capitalism*, p. 274)

Certainly, Mandel does not ignore that "the production of weapons is nothing new as an economic phenomenon in the history of the capitalist mode of production". But the relative share of this production in the GDP has risen and both it and worldwide annual expenditure have tripled between 1901-1914 and 1945-1955, so Mandel triumphantly concludes that quantity has turned into quality. This transformation of quantity into quality can certainly operate the other way round according to a basic law of dialectics, but it is hard to see how the tripling of something changes it *ipso facto* into something qualitatively new, just as a triple zero does not change an old hag into a young star.

Mandel invents a department III within social production to resolve the difficult problems connected with the production of armaments. Incidentally, Mandel stresses that the first author to use this procedure was Tugan-Baranovksy, and not Marx. So as not to disturb Mandel, such a statement is, on the contrary, the pretext for revisionist digressions in which he berates the poor

Tugan, who almost cuts the figure of orthodoxy compared with the aims of Mandel, for having limited department III only to the sector for luxury goods.

Tugan-Baranovsky was already a revisionist because he made a more marked separation between the various sectors of productive capital than Marx had. The distinction Marx made between the production of commodities for productive consumption and the production of commodities for individual consumption was conceived to help in the separation between social classes that consumed them, the working class for necessary means of consumption and the capitalist class for luxury means of consumption.

Marx's objectives in his analysis were therefore insidiously modified. Marx did not reserve necessary means of consumption for the working class alone, but for the whole of social classes, including the capitalists too.

As far as the definition of luxury means of consumption is concerned, it is not the fact that they do not reappear in the process of reproduction that characterizes them (from a certain point of view this is even incorrect because the same use value could also be used in luxury means of consumption like the constant capital in the production of another commodity, and Marx cites the example of grapes than can be used to make wine which could also be the diamond encrusted in a ring etc.). What makes them specific is that they are means used for individual consumption which do not enter into the determination of the value of labour power.

In the schemes of reproduction aimed at demonstrating only the concepts of constant capital, variable capital and surplus value in the process of reproduction, which are the same used to explain the process of accumulation, only the capitalist class consumes luxury goods. But the possibility for the working class, at least the higher paid strata, its aristocracy, to take part too in this consumption is never excluded by Marx. If, to enable the analysis, a special department has to be created it is because, as we have shown above, this type of production does not enter the field of the reproduction schemes and not, as Mandel states, "because Department III, unlike Departments I and II, produces commodities which do not enter into the process of *reproduction* of the material elements of production (replacing and extending the means of production and labour power consumed)". (Mandel, *Late Capitalism*, p. 277)

As we have previously had occasion to state, the definition of the schemes of reproduction specifically exclude:

- the productive capital advanced in sectors producing capital advanced in an unproductive manner
- the productive capital advanced in sectors producing capital that will be expended as revenue, in the state among others.

If a part of the productive capitals is not taken into account, by hypothesis, in the framework of the schemes of reproduction, a fortiori the capital employing unproductive capital will not be included there. Armaments are by and large purchased by the state which centralizes and coordinates in this way the defence and attack of the state against an internal or external threat. The capitalist class thus finds itself ready armed against its main enemy, the proletariat, which instead finds itself disarmed.

These arms are therefore generally purchased by taxation and consequently by a part of the surplus value which is transformed into state revenue. The state does not advance money in the case of maintaining the army or, more especially, in purchasing armaments. It does not have the aim of



obtaining a surplus value from the army, nor even an average profit coming from productive sectors, but it expends money as revenue. If the army was a private enterprise, it would not work the same way. The capitalist that advanced money for this mercenary army would aim to obtain, according to ways which we do not want to worry about here, a profit such that it would be the same rate of profit as the general rate of profit which regulates the average rate of profit in each sector. In this second case, the capital advanced by the capitalist would be included in the averaging of the rates of profit and, as this capital is unproductive, this rate would be lowered as a consequence. When it is the state which maintains the army, things are not like this, as the money is expended as revenue and does not enter into the equalization of the rates of profit.

From the point of view of the proletariat, armaments are the same as any other commodity, offering the opportunity for capital to obtain the maximum surplus value. If we leave out foreign trade, this sector is unable to produce relative surplus value because armaments do not take part in the determination of the value of labour power. Their production takes place entirely through exchange within the capitalist class or its organized authority, the state, which in general ensures the organization of the army for the bourgeoisie as a whole. It is therefore taxation made available to purchase armaments, to those enterprises which can either be private capitalists or state property (e.g. arsenals). Given the importance of this sector of production for bourgeois society, it is the state that ensures and controls it in all cases.

Armaments are not consumed unproductively during the production process. Their real consumption is the destruction of lives and wealth, when they are not used in manoeuvres or are discarded by technical progress. Even if it true that all consumption is destruction, part of the armaments, such as munitions and explosives, are consumed in self-destruction and destruction of commodities to be used in production or consumption, without their use value truly being realized. The general rule is that armaments fall into the second category we have defined above, that is productive capital engaged in the sectors producing commodities purchased by the state through the expenditure of money from revenue and not from capital. This boils down to saying that the state does not expect to make a profit from this expenditure.

14.3 Ernest Mandel, an apostle of disproportion

Can armaments have a particular economic function connected to their particular use value? Mandel has already replied without doubt that there is really such a possibility, since the enormous mass of armaments produced during the 20th century has led to, according to him, a new situation in the process of capitalist accumulation. He goes further in his assertion by examining the production of armaments in its relation to the difficulty in realizing surplus value. To do this, Mandel takes up the schemes produced by Otto Bauer during his polemic with Luxemburg. We have not yet discussed this part of Luxemburg's work which lies at the origin of this polemic.

In a *qui pro quo* that may appear to be surprising, a very larger number of the theoreticians that criticized it, even defended it, have satisfied themselves by considering that the central point of Luxemburg's argument is found in the 25th chapter of the 32 which make up *The Accumulation of Capital*. In this chapter, Luxemburg attempts once more and even harder to demonstrate that Marx's schemes are incomplete and that they do not take into account the whole of social reality and therefore we cannot accept the smooth procedure of the operations on paper as the proof of the possibility of painless realization of surplus value.

By the introduction in a certain way of the increase in labour productivity, and by increasing the organic composition and the rate of surplus value, she causes a disproportion to emerge between

departments I and II with a deficit of means of production compared with an overproduction of means of consumption. Otto Bauer transferred a part of production from department II to department I in the attempt to show that this difficulty of the supposed impossibility to realize surplus value disappeared.

Apart from the contradictions found in Otto Bauer's analysis, which were partly indicated by Luxemburg herself, Luxemburg's central argument was not refuted and she returned to it in her reply in the Anti-critique. A large number of the adversary critics swarmed around the type of criticism of Luxemburg which goes as follows: there are the disproportions, the crises which are perfectly admitted and are even the only ones recognised by economists such as Ricardo and Say, the crises which see overproduction on the one hand and a corresponding underproduction on the other, which are being assimilated with the difficulty to realize surplus value. Vulgar Marxism, but even revolutionaries, push further ahead along the path signposted by vulgar economics.

It is quite clear that disproportions can, and must, emerge for example when there is an increase in the organic composition, as with other movements in the accumulation of capital. From this point of view, armaments production, just like any other sector, contributes as much to disproportions as to the re-establishment of the re-equilibrium that is constantly upset by the dynamic of the accumulation of capital. Marx did not base his perspective of the catastrophic crises of the capitalist mode of production on the possibility of disproportions, which are, we must repeat, the only crises recognized by the currents that actually deny the possibility of a general crisis within capitalist relations of production. The reduction of the revolutionary theory to such a level is therefore to plunge to the lowest point reached today by vulgar economics.

This was not the least of the errors made by the critics, an error which showed up in many cases, like that of Bauer, how far the abjuration of the communist programme had gone in social-democracy in mounting the warhorse of disproportion. Finally, all this showed, and this is further confirmation of the degradation of "Marxist" thought, how much the critiques dealt only with the quantitative side of the matter. The debate over the rise in the organic composition within the schemes of reproduction saw the attempt to use virtuoso arithmetical calculations to perform the critics favourite exercise, thereby abandoning the main objective of Luxemburg's position

The counter-revolution did not lead to an improved understanding of things, far from it. "Marxist" political economy has continued to make the positions of vulgar economics all the more its own. The debate has taken the deviated path of vulgar economics and the main gravediggers of the communist programme hurried to follow this path even further. This decision led straight to an impasse and the development became increasingly grotesque

Ernest Mandel could not fail to lay his own brick in this surprising construction where the fundamental concepts of the communist programme are turned upside down. The developments Mandel makes based on Otto Bauer's work lead to the conclusion that "a permanent armament industry is incapable of solving the problem of realization inherent in the capitalist mode of production when technical progress is increasing." (Mandel, *late Capitalism*, p. 281)

We understand that permanent armament cannot resolve the false problem posed by Luxemburg, a false problem itself badly understood by Otto Bauer and named the impossibility to realize surplus value (while in reality it was a disproportion). Otto Bauer provided a "solution" himself which defies rational thought and which forms the basis for Mandel's considerations on the armaments economy, whose interest can just be imagined.



Luxemburg was obliged to make the armaments economy into sector financed by taxation (cf. the previous chapter) which lowered the workers' wages below the value of labour power, just as it lowered the revenue of farmers, in order to find a basis for her point of view on armaments. She could not do otherwise if she wished to be in line with her theory. The surplus value accumulated this way was therefore a fraction derived from the revenue of other classes. This meant that there was no difficulty in realizing surplus value. This has provided the grounds for new polemics which have not added anything to the question, in fact the opposite is true.

Mandel cannot avoid chipping in his contribution and at the same time deform a bit more the theory of Marx, it that was possible. For the latter, independently of the importance of this or the other sector of social production, the tendency of capital is to reduce wages below the value of labour power, the existence or not of armaments not changing the phenomenon at all. The idea that the armaments economy plays a particular role in this process of reducing the price of labour power below its value of leads to making statement devoid of any theoretical basis and for which it would be hard to find a grain practical proof.

As regards the effects of armaments production on the rate of profit, they are similar to those luxury goods which, like armaments, cannot contribute to the creation of relative surplus value. We shall no go into this aspect of the theory here, suffice it to say that it does not state anything specific.

Two aspects, however, are worth stressing. Firstly, it seems highly probable that the armaments sector has an organic composition of capital considerably higher than the average of that of industry (from this standpoint, armaments production not only does not contribute to the rise in the rate of profit, but in fact tends to cause it to fall). Secondly, the nature of working to fill orders from the state makes it likely that the circulation of capital is particularly slow (this factor, on the contrary, would contribute to a rise in the rate of profit).

Contrary to what is stated, for example, in the Ricardian theses of Kidron (a theoretician of International Socialism, a split from Trotskyism in the late 1940s, a bit like Socialisme ou barbarie in France), the armaments sector contributes to the establishment of the rate of profit and influences it, but it is not the particular character that would set it apart, with the possible exception of two elements which are about to deal with, from other sectors which do not have an effect of the production of relative surplus value.

14.4 Mandel looks for his Marshal's baton

Up to know Mandel has not really been able, despite all his efforts, to supply a theoretical basis for his first statements. He tries to reach his aim with the "difficulty in valorization". In order to do so, he has straightaway made a slight revisionist manoeuvre by dividing the excess of capitals, the overproduction of capital, from the tendential fall in the rate of profit, that is considering this overproduction which appears regularly with each crisis (whose origin must be found in the sudden fall in labour productivity and therefore a sudden fall in the rate of profit) as the same as a permanent overproduction, such as used in the method of Stalinist theoreticians.

"A third fundamental contradiction of the capitalist mode of production, which emerges when it has reached a certain level of maturity, is the increasing difficulty of valorization of capital, expressed in the phenomenon of *surplus capital* which can no longer be invested productively. This has been evident in the most developed capitalist countries since the start of the age of imperialism (monopoly capitalism) and became particularly prominent in the years 1913-1940 (1945). By contrast with theories which view permanent arms expenditure essentially as a device to solve

difficulties of realization or to slow the fall of the average rate of profit, it is in this distinct context that the specific function of the armaments economy should be seen” (Mandel, *Late Capitalism*, p. 293)

In some sort of demonstration, Mandel in fact offers two statements. Firstly, excess capitals exist permanently, without taking into account that this appearance is relatively independent of the fall in the rate of profit, which in any case is not the corollary for Mandel. Secondly, these excess capitals “left fallow” are reemployed in the armaments sector. So, in Mandel, the production of armaments is far from being an element whose reproduction is based on surplus value, and which, all things being equal, reduces accumulation and growth when it increases, allowing for the mobilization of excess capitals which encourage the accumulation of capital and the production of surplus value.

Well, the phenomenon of the appearance of a capital in excess over the possibilities of accumulation is not, according to Marx, something characteristic of a long-term period which would emerge with mature capitalism, but of relatively brief moments in the life of capital which are always the end of the cycle, the crisis.

The thought of an overproduction of capital, the existence of excesses of capital, independently of the crisis and so too the rapid fall in the rate of profit, is certainly an original departure, but besides having a character of pure phantasy, has nothing to do with the communist programme. It is a concession made by Mandel to the Stalinist theoreticians of state monopoly capitalism with which there is an obscene flirt, but not against nature.

Moreover, Mandel declares that these phenomena that are independent of the fall in the rate of profit and proposes solutions that say that state expenditure on armaments shows that the capital left fallow is immediately mobilized and set into a relationship with surplus value, with the rate of profit also being raised. Having pulled this intellectual trick, Mandel can now proudly proclaim the benefit for capital, the armaments economy and consequently for state expenditure, but he does not dare to insist on this and on what nevertheless would be in line with his point of view.

Thus, the Keynesian miracle, which became the mirage for all bourgeois thinkers, with the periodical return of great international crises affecting capitalist production, has in Mandel’s eyes become the saving grace. While the whole of revolutionary theory maintains that the overproduction of capital, leaving capital to fallow, are corollaries to the crisis, and therefore phenomena that return periodically, for Mandel they are permanent phenomena. The communist programme considers that this overproduction is violently reabsorbed by a sudden devalorization of capital which is capable of raising the level of profit and labour productivity to the level that allows capital to recover and, as it has not been overthrown on this occasion, resume its catastrophic course, while for Mandel, the excess capital becomes a cosy pensioner in the state and, good boy, is mobilized in activities that are as productive as armaments production.

For communism, however, there is no other way out for capital than the crisis and, to end it all, war. Ernest Mandel, good reformist as he is, goes to find the spare wheel for the capitalist carriage, the state. If we wish to discard all the theoretical acrobatics that regularly end up in a mutilation of the communist programme, we can just state that Mandel’s demonstration of the specific role of armaments in the recent period of the capitalist mode of production has not edged forward at all.



14.5 Ernest Mandel's own little world

One of the illnesses which strikes ageing people is the sudden temporary lack of blood flowing to the brain, causing a breakdown of intellectual powers. Ernest Mandel's "Marxism", even if it has never really avoided delirium, has seen a clear acceleration in this process.

The schemes that he proposed in order to justify some of his arguments, allow Mandel to state that each fraction of the capitalist class, that is to say, capitalism in departments I, II and III, pay the same level of tax imposed on the surplus value each produces. The Mandel adds the net surplus value in the armaments sector to the net surplus value (that is, surplus value post-tax) in the department of the means of production. The connection made in the highest levels of phantasy provides the occasion for a real theoretical revolution. But the leap is so death defying that it ends up flying head over heels. In fact, after making the aggregation, Mandel finds that the net surplus value of the two departments is, according to his scheme, is clearly equal to the gross surplus value (therefore pre-tax) of the department of the means of production on its own.

From this particular case and this fortuitous aggregation, which makes the net surplus value of department III + the net surplus value of department I more or less the same as the gross surplus value of department I, Mandel deduces (?):

"Permanent military expenditure also means a redistribution of profits towards the armaments companies, which are mostly, if not exclusively, companies in Department I, and at the expense of the companies in Department II. If we assume that all the companies engaged in the production of Department III can be reduced to those of Department I, the net surplus value achieved by the latter in the first cycle (48,410 units of value) nearly equals the gross surplus value of Department I, and in the second cycle (50,100 units of value) surpasses the gross surplus value of Department I in the first and the second cycle. From the second cycle onwards, therefore the *capitalist* costs of armaments are met exclusively by the capitalists of Department II, while the arms costs paid by the working class are equivalent to an increase in surplus value. Hence the capitalists of Department I make a double profit out of armaments – at the expense of the working class and at the expense of the capitalists of Department II." (Mandel, *Late Capitalism*, p. 299)

We are galloping along in the most unbridled idealism as Mandel's folly expands at a rate proportional to expenditure on armaments. Clearly the argument has gone to his head, causing explosions in the brain. The passably reformist discourse has now completely gone off the very rails that he had laid. For, on the one hand, what are the companies doing in department I when one has struggled to place them according to the arguments mentioned in department III? What is the reason for such an amalgam? On the other hand, how does the fortuitous linking up of two elements, which besides, we are told, have nothing at all to do with each other, really follow a logical argument?

Mandel's reasoning more or less runs like this: if the state installs public toilets on the pavement, the companies installing these toilets are paid for from taxes paid by all categories of capitalists. Putting together the net surplus value of department II with the net surplus value of the sector of public toilets, we find that the sum is clearly equal to the total surplus value of department II (gross surplus value). The conclusion to our little arithmetical exercise is that the production of public toilets is based exclusively in department I, and that public toilets form a formidable war machine in the hands of the trusts in department II against those in department I.

Mandel shows who he really is: an illusionist whose theories are merely three card tricks where the cards are shuffled around without anyone realizing the swindle.

15. Luxemburg and disproportions in the reproduction schemes

15.1 Rosa Luxemburg, revisionism and the communist programme

Luxemburg's theory was a healthy and noble reaction to the degeneration of social-democracy which was increasingly debasing the communist programme to turn it into a programme for social reform. This social-democracy rejected the demonstration of the catastrophic course of capital by searching for a way to show how economic contradictions and class antagonisms were weakening, unlike what Marx and Engels had forecast, with the progress of capitalist production. Nevertheless, Luxemburg's reaction itself bore the marks of the weakening of the revolutionary thrust and the pathological influence of the social-democratic cancer on the body of the proletarian party.

This was not rooted out totally despite her exemplary efforts to fight the illness, and when, after the ignoble treachery of the Second International, the great attempt of Red October to push the complete communist programme to the front of the scene failed in turn, it invaded the whole social body.

Whatever the exemplary efforts to perform radical surgery in order to cure the proletarian organism, whatever the power of the transfusion of the Russian revolution, the insidious work of undermining the Second International and the exemplary treachery of its leaders were such that it left the militants dedicated to the revolutionary cause severely disorientated and inexperienced by the ravages of the illness. Moreover, many of the cancers of opportunism and revisionism reappeared in the Third International, so that the illness gained ground in this new international as soon as the revolutionary swell of the international revolution broke against the rocks of the counter-revolution.

The new counter-revolution, which then broke on the proletariat, and which still weighs heavily on our shoulders, is the worst in history. This, or later two, of these international organizations passed over to the enemy camp in less than 15 years and the badly mutilated traditions, concepts and theory fell into the hands of the class enemy. The consequences and the dimensions of this defeat can never be sufficiently stressed as not everything has been drawn from it and the balance sheet and lessons to remember in the revolutionary upturn still remains largely undiscovered. The laws of the dialectic teach us that the defeat had to be equally deep going and exemplary to allow for the revolutionary re-emergence on bases again linked to historical materialism and scientific socialism born back in 1847.

Socialism, according to what Engels stated, had to be studied as a science starting from this period in order to serve as the basis for the liberatory action of the proletariat struggling for its emancipation. Communism, the theory of the proletariat, started then to make a *tabula rasa* of bourgeois political economy with its demonstration that this political economy had reached its peak as a science around 1830 when the class struggle reached a certain dimension, while the first crises of overproduction characteristic of the specifically capitalist mode of production, already dominant in Great Britain, broke out.

Starting in the mid-nineteenth century, critical communism demonstrated:

- the generalization of the use of machinery provided the economic bases for the surpassing of societies based on antagonistic classes.



- capitalist production relations, whose limited aim is the valorization of capital, the seeking for the maximum surplus value through the exploitation of proletarian labour power, had become too restrictive to permit the development of the productive power of labour.
- this conflict was periodically resolved by crises which grew potentially ever greater, and these social catastrophes would lead to the violent overthrow of capital.
- for humanity the only way out of these violent contradictions in which bourgeois society struggled was the revolutionary action of the productive class, the proletariat.
- the proletariat, constituted as a political party, distinct from and opposed to the parties of other classes, has to seize political power which can only be in the form of the revolutionary dictatorship of the proletariat.
- the dictatorship of the proletariat is a transitory political phase which must allow for the creation of a classless society without a state: the society which abolishes wage labour and mercantile categories, in other words, communism.

This potent demonstration can only resurge all the more fully when its necessity and reality become compelling, following the progressive falsification and negation by the Second International and by the violent crushing of the proletariat. The task of the communist party in the historical sense, that is the only expression of the communist party that can continue to survive the counter-revolution, is to ensure the defence of the communist programme by all means possible so as to help in its reappropriation in future generations.

Luxemburg, who was assassinated by social-democracy during the revolutionary assault of the German proletariat, was clearly in our camp and we defend her with all our strength against the counter-revolutionaries. But, without reneging a moment on her struggle against those who in the end assassinated her, we have to state that Luxemburg unfortunately was stuck half-way in her attempt to restore and expand the theory of crises. We have criticized her interpretations in detail in previous chapters which led her to fall back to the position of vulgar economics.

We have therefore shown that, despite the opinion of Tugan-Baranovsky, there is no contradiction between the analysis of Capital Volume II and Volume III. Consequently, it is a waste of time to seek serious contradictions in Capital Volume II, as Luxemburg attempted to do, that only Capital Volume III, where Marx speaks more concretely about crises was in line with the spirit of Marx (even though this was partly the matter of a misunderstanding since Capital was only part of a much larger work which Marx planned to write, and within "The Economy" a whole book should have been dedicated to crises).

This poses, after having placed each Volume of Capital in its context in the analysis, Luxemburg's main argument that there is insufficient effective demand to realize the surplus value within the capitalist mode of production, which comes to a sudden end.

We have also shown that the circuit of individual capital M-C-M' (Money-Commodity-Money) is modified at the level of total capital, with money remaining the main motor of the cycle of capital.

The catastrophic crisis of the capitalist mode of production, which is both general and periodic, therefore derives from the contradiction of valorization-devalorization of capital that appears in the form of the tendential fall in the rate of profit.



According to the Luxemburgist logic, the crisis is, on the contrary, partial, affecting only a part of the surplus value, and permanent, as according to her conception the problem of realization is posed all the time for capital, and limited to the sphere of circulation, as there is no a priori relation between the difficulties in the production process and the realization of surplus value. The supposed difficulty in realizing a fraction of the surplus value due to the lack of effective demand is largely independent of the movement of capitalist production.

On the contrary, for the communist programme, if the crisis appears in the process of circulation, if the existence of a contradiction between commodity capital and money capital makes the crisis possible, its necessity (and the crisis is the dialectical combination of its necessity and its possibility) finds its roots in the production process, in the contradictory valorization process, in the necessity to increase labour productivity without taking into account the limits imposed by the capitalist mode of production and the limited aims of the same mode of production found in the maximum valorization of capital, the seeking for the maximum surplus value.

After having set aside Luxemburg's general theory, we have also shown how the objections raised concerning monetary circulation far from demonstrate insoluble solutions in Marx's theory and instead have a simple solution, leaving the way open to analyses of capital reproduction employing unproductive labour as well as capital consumed unproductively.

Among the latter we find armaments, which are far from being, in certain conditions, a privileged field for the accumulation of capital, assuring the realization of capital as Luxemburg wishes to demonstrate, but does not manage to do so, do not have a specific character in accumulation of capital which they contribute to, limiting, rather than accelerating it.

Luxemburg's theory was a major attempt to produce a catastrophic perspective for the course of the capitalist mode of production, but in large part remains alien to Marx's revolutionary theory. She was overwhelmed by the pressure of revisionism by accepting the postulates of revisionism as identical (but less so for certain of Marx's works) to those of the communist programme. Her theory was intended as a correction to be made to the whole of scientific socialism in order to allow it to rediscover its original perspective, that is the condemnation of the catastrophic course of the capitalist mode of production. Not only did her attempt prove to be a check, but she also took revolutionary theory towards new pitfalls by wishing to draw the claws of revisionism which proposed a theory of crises linked to the tendencies of political economy inspired by Say and Ricardo, that is to say the tendencies that admitted disproportion as the only possible source for a crisis, so going on towards opposing theories, but which still moved in the orbit of political economy, that is to say underconsumptionist theses.

15.2 The two tendencies of political economy

15.2.1 The adulterated communist programme

It is not just a minor consideration to state that the unity of the communist programme broke up under the impact of the revisionist phenomenon to such an extent that the radical critique of economic science changed into vulgar Marxism. The two tendencies in political economy were reproduced on the level of the theory of crises; the school of disproportion and the school of underconsumption. The fracture between revisionism and the revolutionary reactions of the social-democratic left did not coincide with the difference between these two tendencies and the phenomenon was more complex. If Luxemburg took the side of the underconsumptionist tendency, Lenin was rather more in line with of the school of disproportion. In other terms, whatever the depth of the reaction of the revolutionary lefts to revisionism, with the victory of the

latter and the fact that it had taken in the main leaders of socialism quite early on, there was a deep split and the unity of the communist programme, despite healthy reactions, was never recovered. What is said of crises, however, was also found on a methodological level, where the two tendencies aligning with bourgeois materialism or idealism meant the break-up of the communist programme.

15.2.2 The school of disproportion

For the tendency of political economy associated with Say, crises could only exist if production was not correctly proportioned. If Say remained a second-rate economist (his famous law that “commodities are exchanged with commodities” had in any case previously been pronounced by James Mill, the father of John Stuart Mill), this aspect of his theories had already been taken seriously by an economist of a greater calibre, Ricardo, the greatest economist of the 19th century. Since political economy reached its zenith as a science with him, we can say he was the last great economist. (Mr Nobel Prize Winners, you are too late, communism and class struggle have ruined your careers before they even started, you are therefore condemned to dwell in obscurity, vulgarity erected as principle, the theory pawned to justify your power and prebend as well).

The theories of disproportion are based on a particularly unpolished conception of money since it only takes into account its functions of accountancy and as a means of circulation. As the cretinized successors to Ricardo and company would say, money is “neutral” or it forms a “veil” above the real economy of goods and services. The commodity economy is in fact reduced to a barter economy mediated by money. Commodities are valued in money, they are worth so many pounds, for example, that is the function of accountancy as measure of money, with the same money being used as the means of circulation allowing commodities to change hands and pass from the producer to the consumer. By doing so, different producers exchange the commodities they produce and the existence of money has merely enabled a process similar to barter where the producers exchange commodities directly. Here money is only used for mediation in accomplishing barter, the existence of the commodity economy and, more importantly, bourgeois society having no specific importance in this political economy.

Let us suppose there are two producers who regularly exchange their commodities. Overproduction can only exist if one produces more than the other. In other terms, one has produced too much and the other not enough to establish a balance. For this school, the crisis of overproduction is partial and not general, as it affects part of production and finds the corrective mechanisms that rebalance it internally. If a producer produces too much, demand is insufficient for the commodities, their price falls and the producer will align his production with demand by reducing it and part of the capital will abandon this depressed branch. On the other hand, the branch in underproduction will see prices rise. It will attract additional capital seeking an extra profit such that the balance that was once upset will be re-established simply by market forces.

“The absurdity of this statement becomes particularly marked if it is applied to the international scene, as it has been by Say and others after him. For instance, that England has not *overproduced* but Italy has *underproduced*. There would have been no overproduction, if Italy 1) had enough capital to replace the English capital exported to Italy in the form of commodities; 2) if Italy had invested this capital in such a way that it produced those particular articles which are required by English capital -partly in order to replace itself and partly in order to replace the **revenue** yielded by it. Thus the fact of the actually existing *overproduction* in *England* - in relation to the *actual* production in Italy – would not have existed, but only the fact of *imaginary underproduction* in *Italy*; imaginary because it presupposes a capital in Italy and a development of the productive powers that does not exist there, and secondly because it makes the equally utopian assumption, that this capital which does *not* exist in Italy, has been employed in exactly the way required to make **English supply and Italian**

demand, English and Italian production, complementary to each other. In other words, this means nothing but: there would be no overproduction, if demand and supply corresponded to each other, if the capital were distributed in such proportions in all spheres of production, that the production of one article involved the consumption of the other, and thus its own consumption.

(...)

This explanation of overproduction in one field by underproduction in another field therefore means merely that if production were proportionate, there would be no overproduction. Ditto, if demand and supply corresponded to each other. Ditto, if all spheres provided equal opportunities for capitalist production and its expansion – division of labour, machinery, export to distant markets, etc., including mass production, if all countries which trade with one another possessed the same capacity for production (and indeed for different and complementary production). Thus, overproduction takes place because all these pious wishes are not fulfilled.” (Marx, Theories of Surplus Value, Collected Works, Vol. 32, pp. 160-161)

Ricardo died in 1823 and so he could still form illusions on the nature of crises because he had only seen the forerunners, while the first great crises of overproduction came in 1825. However, his successors found themselves increasingly having to come face to face with facts which came into violent contrast to the theories of social harmony.

“Ricardo himself did not actually know anything of crises, of general crises of the world market, arising out of the production process itself. He could explain that the crises which occurred between 1800 and 1815 were caused by the rise in the price of corn due to poor harvests, by the **depreciation** of paper money, the **depreciation** of colonial products etc., because, in consequence of the continental blockade, the market was forcibly contracted for political and not economic reasons. He was able to explain the crises after 1815, partly by a bad year and a shortage of corn, and partly by the fall in corn prices, because those causes which, according to his own theory, had forced up the price of corn during the war when England was cut off from the continent, had ceased to operate; partly by the transition from war to peace which brought about **”sudden changes in the channels of trade”** (...) Later historical phenomena, especially the almost regular periodicity of crises on the world market, no longer permitted Ricardo’s successors to deny the **facts** or to interpret them as accidental.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 128-129)

The critique of the Ricardian theory of crises and the “law of outlets” was made very early on by the communist programme. It is the nature of capitalist production to produce disproportionately. The capitalist produces for the market, without taking into account social needs, and he only gets the approval of the market and demand when production has been completed. This results in permanent disequilibria, while at the same time tendencies towards re-equilibrium are in play which lay the bases for new disproportions. Such crises have an ever-present prospect of appearing in the relations between fixed and circulating capital due to the differences in the process of reproduction. If constant capital in circulation transfers the whole of its value in the in the production process, the same does not hold true for fixed capital which only transfers part of its value to the product. The outbreak of these disequilibria arising from these differences is inevitable in capitalist production. But these crises only have a limited character and cannot explain crises of universal overproduction which affect the capitalist mode of production.

“It goes without saying that, in the whole of this observation, it is not denied that too much may be produced in individual spheres and *therefore* too little in others; partial crises can thus arise from **disproportionate production** (**proportionate production** is, however, always only the result of

disproportionate production on the basis of competition) and a general form of this **disproportionate production** may be overproduction of fixed capital, or on the other hand, overproduction of circulating capital. (...)

However, we are not speaking of crisis here in so far as it arises from **disproportionate** production, that is to say, the disproportion in the distribution of social labour between the individual spheres of production. This can only be dealt with in connection with the competition of capitals. In that context it has already been stated that the rise or fall of market value which is caused by this **disproportion**, results in the **transfer or withdrawal of capital from one trade to another**, the **migration of capital from one trade to another**. This equalization itself however already implies as a precondition the opposite of equalization and may therefore comprise *crisis*; the crisis itself may be a form of equalization:" (Marx, Theories of Surplus Value, Collected Works Vol. 32, pp. 150-151)

If the theories of disproportion deny that there are general crises, it is because they are based on an extremely vulgar conception of money and commodity. By reducing the commodity to the rank of the product and exchange to the rank of barter, by privileging unity in the process of sale and purchase without at the same time stressing its particularity, this political economy denies the particularities of the commodity economy which are pushed to the utmost with bourgeois society because the product as a whole takes on the commodity form. The contradictions which the communist programme stresses regarding the commodity therefore take on a particularly important dimension. The quantity transforms into quality and the crises lying motionless in the relationship between the commodity and money are now possible on the level of the whole of society, whose bases they threaten. The transition from the commodity to money no longer constitutes a more evident transition than the one from money to the commodity. The realization of value and surplus value in capitalist society contained in the commodity, that is its transformation into money, constitutes the "death defying leap" of the commodity. This realization allows for a particular type of labour to adopt a universal character. This transition, this realization is not automatic and in this possibility of a division between sale and purchase of the commodity lies the possibility of a crisis. As we have already seen, on the level of global capital, the realization of value and surplus value and the conversion of money into elements of productive capital are identical processes and the generalization of the contradictions discovered in the study of the commodity make general overproduction possible, an overproduction which affects the whole social product.

"Thus the apologetics consist in the falsification of the simplest economic relation, and particularly in clinging to the concept of unity in the face of contradiction.

If, for example, purchase and sale – or the metamorphosis of commodities – represent the unity of two processes, or rather the movement of one process through two opposite phases, the movement is essentially just as much the separation of these two phases and their becoming independent of each other. Since, however, they belong together, the independence of the two correlated aspects can only *show itself* forcibly, as a destructive process, it is just the *crisis* in which they assert their unity, the unity of the two different aspects. The independence which these two linked and complimentary phases assume in relation to each other is forcibly destroyed. Thus the crisis manifests the unity of two phases that have become independent of each other. There would be no crisis without this inner unity of factors which are apparently indifferent to each other. But no, says the apologetic economist. Because there is this unity, there can be *no* crises. Which in turn means nothing but that the unity of contradictory factors excludes contradiction.



In order to prove that capitalist production cannot lead to general crises, all in its conditions and distinct forms, all its principles are *differentiae specifica* - in short *capitalist production* itself – are denied. In fact, it is demonstrated that if the capitalist mode of production has not developed in a specific way and become a unique form of social production, but were a mode of production dating back to the most rudimentary stages, then its peculiar contradictions and conflicts and hence also their eruption in crises would not exist.” (Marx, Theories of surplus Value, Collected Works Vol. 32, pp. 131-132)

Revisionism in social-democracy took up the same conception half a century later. Revisionism argued that although Marx had shown against classic political economy that constant capital used in production formed part of the value of commodities, which this political economy ignored, in the same way, since the facts of the study of the reproduction of social capital had changed to such an extent, it was possible to take up the same analysis, improved by the great scientific discovery of Marx, which was always undeniable, concerning constant capital. The theories of a Tugan-Baranovsky or a Hilferding therefore led to admitting only to the existence of crises of disproportion between the great branches of capitalist production. Therefore, all that was needed was to seize state power, of the bourgeois state in this case, and use proper planning to regulate production better in the interests of the nation and the working class, so that production could grow and improve without the problems which under the regime of private capitalist initiative could only lead to crises. Revisionism, which was to take over the whole of social-democracy, went a long way in rejecting the revolutionary programme in going back to the Ricardian tradition, since after the intervention of the proletariat and its theory, it had openly changed into an apology for the existing order and vulgar political economy. Crises and catastrophes became accidents of limited gravity on the way, and the solution to them was no longer the overthrow of capital and the abandonment of mercantile categories, but the domination of the law of value by the democratized bourgeois state. It was no longer a question of destroying the bourgeois state with only a semi-state that would be nothing other than the dictatorship of the proletariat, prelude to its complete disappearance, but instead that of renewing the bourgeois machine while leaving intact, that is increasing, the bureaucracy, above all that engaged in “planning” the capitalist monster, the army, the police and the judiciary. The two world wars, the great crisis of 1929 and still today the new crises that regularly shake capitalist production have not made social-democracy return to orthodox positions, but on the contrary, it has progressively moved away from them in rejecting everything that previously linked it to the communist programme. These episodes were for social-democracy just the occasion to improve its discourse and experience in the bitter struggle against revolutionary communism.

15.2.3 The underconsumptionist school

The second tendency in political economy is found in Sismondi its greatest representative. It indicated the doubts of political economy about itself and the future of bourgeois society. Sismondi ruthlessly exposed the contradictions of society.

“Luxury is only possible when it is bought with the labour of others; assiduous labour, without a break, is only possible when it can only procure not the frivolities, but the necessities of life.

The indefinite multiplication of the productive powers of labour can therefore only have the result of the increase in luxury or the enjoyment of the rich. The man alone worked to rest, the social man works for someone else to rest; the man alone stored up to enjoy later, the social man sees the amassing of the fruits of his sweat by the one who will enjoy them, but from the moment when he and his equals do not produce more, and infinitely more when they cannot consume, it would



become necessary that what they produce be destined for the consumption of people who will not live as equals, and who will not produce at all.

Thus, the progress of industry, the progress of production compared to the population tend to increase inequality among men. The greater a nation is advanced in arts and in manufacture, the greater is the disproportion between the fate of those who work and those who enjoy: the more some suffer, the more the others display luxury, unless institutions which seem to be contrary to the purely economic goal of the growth in wealth and the state do not correct their distribution and assure a greater part of the enjoyments to those who create the means of enjoyment.” (Sismondi, *Nouveaux principes d'économie politique*, Calmann-Lévy, p. 106).

But Sismondi does not understand the origin of these contradictions and consequently could not find the solution. He remained a reactionary petit bourgeois utopian who would do nothing to advance the understanding of the reproduction of capital. He developed a theory of “last year’s revenue... must pay this year’s production”⁸³ which could not explain accumulation and crises characteristic of the capitalist mode of production.

“(…) it is a predetermined quantity which serves to measure the indefinite quantity of labour to come. The error of those who wish for an unlimited production comes from having mistaken this past revenue for the future revenue. They have said that by increasing labour, wealth is increased and with it consumption. But wealth is only increased by increasing the labour required, labour which will be paid at its price, and this price, which is fixed in advance, is the pre-existing revenue. After all, one only exchanges the whole of the annual production with the whole of the annual production of the previous year.” *Nouveaux principes d'économie politique*, Calmann-Lévy, p. 129)

By denying the possibility of completely realizing value, the “underconsumptionist” school or that of “effective demand” is the dialectical opposite of the other tendency in political economy. One stresses only the unity of the process of realization of the commodity in money, while the other only sees the division between supply and demand. It therefore follows for the underconsumptionists that the realization of value and surplus value is a permanent problem which attains a greater or lesser dimension according to circumstances

“(…) if production increases gradually, the exchange of each year must cause a little loss while at the same time it improves the future condition. If this loss is small and well-distributed, each will accept it without complaint about his revenue; it is just this that forms the national economy, and the series of these small sacrifices increases capital and the public fortune. But if there is a great disproportion between new production and the previous one, capitals are opened, there is suffering, and the nation retreats instead of advancing.” (Sismondi, *Nouveaux principes d'économie politique*, Calmann-Lévy, p. 129)

Therefore, for this school a part of the social product and not the whole of it, as the communist programme shows, tends permanently to fail to be realized. For revolutionary theory, it is the whole of capital, whether it is constant, variable or incarnated in surplus value that cannot be realized regularly. If the division between sale and purchase is possible, if this is due to the nature of the commodity, if the transition from the commodity to money, the realization of value and surplus value, constitute the death defying leap of the commodity, the transition from necessity to liberty, the hardest of dialectical transitions, it can only found the possibility of crisis. Remaining on this

⁸³ Sismondi, J.-C.-L.S. *Nouveaux principes d'économie politique* (New Principles of Political Economy), Calmann-Lévy, p. 129.

level means “explaining the crisis by the crisis”. (cf. Marx, *Theories of Surplus Value*, Collected Works Vol. 32, pp. 132-133)

The crisis is not permanent for the same reason and the “normal”, “healthy” development of capitalist production shows that in this case the unity of the two phases of the process have prevailed in relation to the possibility of the division they contain. However, this unity is regularly broken, and has to be re-established violently and dominated by a crisis. Sismondi ignored that the value of production included constant capital. But this argument, used by Lenin, should not hide the fact that Ricardo did not know it either and therefore the question did not lead to many differences between the two schools. The opposition was completely different, as we have shown, but Lenin with his conceptions joined in with the theoreticians of disproportion, while Luxemburg (we have seen her positions in detail) remained in line with the school of underconsumption. Both tendencies remained with a crisis that affected only part of the social product. The political consequences of such analyses are not neutral. For Leninism, which underestimated the importance of crises and their capacity to shake bourgeois society, the will of the party and subjectivity in action were overstated. For Luxemburgism, the permanent crisis made the revolutionary movement fatalist and underestimated the role of revolutionary preparation and the autonomous action of the class party.

The tendencies of political economy that were based on underconsumptionist theories, however, went further than the harmonicist theories in the appreciation of crises and by their insistence on the possibility of general crises pointed out the correct tendencies. Production and market do not necessarily correspond. The development of production takes place as if it had no limits, while it stands on a limited basis since capitalist production has the goal of the production of the maximum surplus value. Without going on to accept the underconsumptionist theories, like a Tugan-Baranovsky, Marx showed what was correct in them.

“Let us suppose that the whole of society is composed only of industrial capitalists and wage workers. Let us furthermore disregard price fluctuations, which prevent large portions of the total capital from replacing themselves in their average proportions and which, owing to the general interrelations of the entire reproduction process as developed in particular by credit, must always call forth general stoppages of a transient nature. Let us also disregard the sham transactions and speculations which the credit system favours. Then, a crisis could only be explained as a result of a disproportion of production in various branches of the economy, and as a result of a disproportion between the consumption of the capitalists and their accumulation. But as matters stand, the replacement of the capital invested in production depends largely upon the consuming power of the non-producing classes; while the consuming power of the workers is limited partly by the law of wages, partly by the fact that they are used only as long as they can be profitably employed by the capitalist class. The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses as opposed to the drive of capitalist production to develop the productive forces as though only the absolute consuming power of society constituted their limit.” (Marx, *Capital* Volume III, Collected Works Vol 37, pp. 482-483)

In other terms, capital tends to develop the productivity of labour, the productive force of labour as if it had no limits. The mass of use values tends to swell and this movement forever pushed along under the effect of accumulation rapidly comes to threaten capitalist production whose limited perspective is the expansion of value of capital, the maximum valorization of capital, or, to repeat, the maximum extraction of surplus value. If capitalist production were capable of correctly distributing production in line with social needs, if the increased labour productivity was allowed to reduce labour time and to increase the satisfaction of the material needs of the great masses of

the population, capitalist production would be able to avoid crises, but it would no longer be capitalist production, that is a mode of production whose aim is to increase for the same working day the surplus labour over necessary labour. Contradictions and crises are also inevitable.

“As soon as all the surplus labour it was possible to squeeze out has been objectified in commodities, surplus value has been produced. But this production of surplus value completes but the first act of the capitalist process of production – the direct production process. Capital has absorbed so and so much unpaid labour. With the development of the process, which expresses itself in a drop in the rate of profit, the mass of surplus value thus produced swells to immense dimensions. Now comes the second act of the process. The entire mass of commodities, i.e., the total product, including the portion which replaces the constant and variable capital, and that representing surplus value, must be sold. If this is not done, or done only in part, or only at prices below the prices of production, the labourer has indeed been exploited, but his exploitation is not realized as such for the capitalist, and this can be bound up with a total or partial failure to realize the surplus value pressed out of him, indeed even with the partial or total loss of the capital. The conditions of direct exploitation, and those of realizing it, are not identical. They diverge not only in place and time, but also logically. The first are limited only by the productive power of society, the latter by the proportional relations of the various branches of production and the consumer power of society. But this last-named is not determined either by the absolute productive power, or by the absolute consumer power, but by the consumer power based on antagonistic conditions of distribution, which reduce the consumption of the bulk of society to a minimum varying within more or less narrow limits. It is furthermore restricted by the tendency to accumulate, the drive to expand capital and to produce surplus value on an extended scale.” (Marx, Capital Volume III, Collected Works Vol. 37, pp 242-243)

An unproductive middle class therefore develops with the advance of the capitalist mode of production in order to postpone these contradictions. This class buys without selling and so has the function of limiting the accumulation of capital which, if free to follow its own movement, would rapidly come to exacerbate the contradictions characteristic of bourgeois society. Here too we can find the representatives of this tendency in political economy that have stressed this perspective, sometimes in a reactionary fashion, such as with Malthus, who thereby justifies the classes left behind by economic development.

Whatever may be the particular traits of underconsumptionist analyses that could reflect correct tendencies, these theories are no less irreconcilable with the communist programme. The underconsumption of the masses in itself is found in all modes of production based on the exploitation of the productive classes, but crises of overproduction are specific to capitalist production.

For revolutionary theory, rather than seeing in catastrophic crises which assume the connotations of partial crises since they are general, concerning the whole of the social product, it is to paint the bourgeois world in glowing colours. The communist programme is not for turning the clock of history back, to slow the devastating effects of capitalist production, but to strip away the strait jacket strapped on the productive forces to liberate them so as to provide for the interests of a socialized humanity

15.3 The modification to the reproduction schemes

15.3.1 Luxemburg introduces labour productivity into the schemes

Tugan-Baranovsky used the schemes in Capital Volume II to develop a theory where it was stated that the capitalist mode of production could develop without any crises except those caused by a disproportion between branches of production. Tugan-Baranovsky pushed his paradox as far as envisaging a fall in overall worker consumption, a perspective that in itself is far from being impossible, but remains subject to particular circumstances, showing to what extent he did not know the essence of Marx's theory, above all the effects of the increase in labour productivity in the capitalist mode of production.

Luxemburg systematically struggled to doubt Marx's schemes by underscoring all the possible contradictions. But instead of showing that these flaws were caused by the state of development of Marx's work, she saw in them the origin of a contradiction within bourgeois society which would be unable to realize surplus value on its own. She continued her attack on Tugan-Baranovsky in Chapter 24, Contradictions Within the Scheme of Expanded Reproduction, of *The Accumulation of Capital*.

"If the scheme of expanded reproduction is examined from the standpoint of Marx's theory, then it will be found that it is in contradiction with the latter from several points of view." (Luxemburg, *The Accumulation of Capital*, p. 240)

Luxemburg began by showing that the schemes did not take into account the productivity of labour and proposed to introduce it herself.

"If the scheme is extended accordingly, it transpires that, even with this pattern of accumulation, an ever-increasing deficit in means of production and an ever-increasing supply in means of consumption will arise each year. Now, it is true that Tugan-Baranovsky, with his ability to master any difficulty on paper, simply constructs a scheme with different proportions, whereby variable capital is reduced by 25 percent from year to year. Since this arithmetic exercise also works out successfully on paper, Tugan-Baranovsky feels that he has grounds to proclaim triumphantly that he has "proved" that accumulation runs like clockwork even with an absolute decrease in consumption.

Ultimately, however, even Tugan-Baranovsky himself is forced to admit that the assumption of an absolute decrease in variable capital blatantly contradicts reality. In actual fact, variable capital grows absolutely in every capitalist country, and only declines relatively vis-à-vis the faster growth of constant capital. If, on the one hand, in keeping with the actual course of things, a faster increase in constant capital and a slower increase in variable capital from year to year are assumed as well as an increasing rate of surplus value, then a discrepancy is manifested between the material composition of the social product and the value composition of capital. Let it be assumed, for example, that instead of the constant proportion between variable and constant capital of 5:1 in the Marxian scheme, there is a progressively rising composition of capital as capital is accumulated, such that this proportion is 6:1 in the second year, 7:1 in the third and 8:1 in the fourth. Let a continually increasing rate of surplus value corresponding to the increasing productivity of labour also be assumed, instead of the stable rate of surplus value of 100 percent: given the relatively declining variable capital, the figures given by Marx in his scheme for surplus value can be used for this purpose. Finally, let it be presupposed that half of the surplus value appropriated each year is capitalized (with one exception: following Marx, it is assumed that in the first year more than half

of the surplus value in Department II is capitalized – i.e., 184 of 285s), The following results are then obtained:

1st year

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

2nd year

- I. $5,428 \frac{4}{7}c + 1,071 \frac{3}{7}v + 1,083s = 7,583$ (means of production)
- II. $1,587 \frac{5}{7}c + 311 \frac{2}{7}v + 316s = 2,215$ (means of consumption)

3rd year

- I. $5,903c + 1,139v + 1,173s = 8,215$ (means of production)
- II. $1,726c + 331v + 342s = 2,399$ (means of consumption)

4th year

- I. $6,424c + 1,205v + 1,271s = 8,900$ (means of production)
- II. $1,879c + 350v + 371s = 2,600$ (means of consumption)

If accumulation were to proceed in this manner, then there would be a deficit of 16 in means of production in the second year, 45 in the third year and 88 in the fourth year; there would simultaneously be a surplus of means of consumption of 16 in the second year, 45 in the third year and 88 in in the fourth year.” (Luxemburg, *The Accumulation of Capital*, pp.241-242)

15.3.2 An nth disproportion

A casual reader of the previous chapter should have noticed the presence of our old friend disproportion who appears on the scene when a lack of means of production come up against a glut of means of consumption. As Marx indicated in the above quotation, when we assume a society composed exclusively of capitalists and workers, and supposing that commodities are sold at their value, excluding credit and in general considering money only in its function of a means of circulation and accountancy, the only possibility of crisis can be a disproportion between branches of production or a discrepancy between the capacity to accumulate and the effective accumulation of capitalists. These are the hypotheses the reproduction schemes are based on. Any possibility of a general crisis is excluded by definition. The schemes were not intended to highlight the possibility of crises (here again Marx could examine certain aspects of the cycle of capital, such as the reproduction of fixed capital), but of demonstrating how the categories of constant capital, variable capital and surplus value allowed for the understanding of the process of capitalist accumulation, and for the first time since Quesnay real progress was made in the history of political economy.

“Of the value of the commodity product of department II there still remains to be studied the constituents $v + s$. This analysis has nothing to do with the most important question which occupies our attention here, namely to what extent the division of the value of every individual capitalist commodity product into $c + v + s$ – even if brought about by different forms of appearance – applies also to the value of the total annual product.” (Marx, *Capital Volume II*, *Collected Works Vol. 36*, p. 401)

In his initial hypotheses, Marx has also set aside the increase in labour productivity in the schemes of reproduction.

“Even granted that for a study of reproduction on an unchanging scale it is to be supposed that the productivity of all lines of industry, hence also the proportional relations of their commodities, remains constant (..)” (Marx, Capital Volume II, Collected Works, p. 466)

Therefore, the introduction of this rise in productivity and in a manner, which leaves much to be desired, could only give rise to confusion, even by the dismantling of Marx’s schemes.

15.3.3 A crisis without even graver consequences

The schemes of reproduction were drawn up with a high degree of theoretical abstraction and therefore could allow the appearance of only those crises which for political economy corresponded to disproportions between capitals and which the movement of capital itself resolves. Marx shows in a dialectical way that, as we have previously said, these crises are inevitable and at the same time find a solution in the accumulation which lays the ground for new disproportions.

Here we have a case of a disproportion that derives from the difference between accumulation projected in line with a constant organic composition and accumulation effected by the growth of the organic composition. Just as such a process could lead to a crisis of disproportion breaking out, it would also offer a solution.

On the one hand, the rise in productivity, as Luxemburg noted too, would lead to a growth in use values at the same value, while on the other hand, from a methodological point of view it is incorrect to take into account a process which had quite rightly been discarded beforehand, that is the valorization-devalorization of capital. Marx’s schemes are therefore not in contradiction with his theory. They have a particular, specific role in his theory. Their importance lies in the role they play in the understanding of the reproduction of capital. When the hypotheses they are based on are defined, their validity presents no further problem.

As in all disproportions, the unrestricted operation of the market is a positive factor in obtaining re-equilibrium while at the same time posing on a higher level the bases for a further disequilibrium. A rise in prices in the department of means of production, which has a deficit linked to the fall of prices in the department of means of consumption where a moderate overproduction is underway, would enable the movement of capitals and thus the re-establishment of the upset equilibrium.

We have stated that it is a question of a slight overproduction coupled with a deficit of the same dimension, on the one hand, because disproportions in general cannot be considered as being general crises, the ones of which the communist programme alone has shown the process and the inevitability, and on the other hand, the analysis of its particular character shows that its gravity could only decline relatively with the development of capitalist production.

Here we can give a mathematical explanation of the deficit, or the corresponding overproduction, which allows us to detach them from Luxemburg’s particular example, with the following result:

With a rate of accumulation and an organic composition equal for both departments, which corresponds with Marx’s hypotheses in the last scheme (and also the scheme called “scheme a”: cf, chapter 4), with ‘n’ as the organic composition and ‘d’ as the increase in the organic composition (for example, if the organic composition rises from 5 to 6, ‘n’ is 5 and ‘d’ is 1, the deficit of means of production and the corresponding excess of means of consumption is equal to the difference between the surplus value potentially accumulated in constant capital on the basis of the original organic composition (that is $s'n/n+1$ where s’ is the part accumulated of the total surplus value) and the surplus value really accumulated in the form of constant capital with a rising organic composition is $s'(n + d)/(n + d + 1)$).



The deficit is equal to:

$$(s' n / (n + 1)) - [s' (n + d) / (n + d + 1)]$$

Simplified as:

$$s' d / ((n + 1)(n + d + 1))$$

Consequently, the higher the organic composition, the more capitalist production therefore increases, the lesser the disproportion will, supposing that it appears, have an effect on the basis of capitalist production. On the other hand, this disproportion will be all the greater, the greater the variation in the organic composition, which is logical because the faster, the more abrupt, the growth, the more it is susceptible to creating an even greater disturbance.

We have seen that the disproportion presented had a relative seriousness which could only continue to diminish and, as with all disproportions, the free movement of capitals would enable its reabsorption. Furthermore, capitalist production enjoys a certain “plasticity”. Certain material elements and certain use values can easily pass from productive consumption to individual consumption, Buildings, for example, can be used both for the premises of a productive activity or for housing. Nothing looks like a private car more than a company car. Fruit and vegetables are both used for individual consumption and as raw materials and so form part of the constant capital of the food industry above all, and also in chemical products. If the change over from productive consumption to individual consumption is therefore possible for many use values, it is even easier to transfer constant capital from department II to department I and vice versa. Many machine tools can be adapted to produce use values either for productive consumption or individual consumption. Electrical energy can be used equally in either department and also consumed individually. In other terms, on one hand there are use values that can be used equally well as a means of consumption destined to satisfy individual needs and as means of production, and on the other hand the constant capital for one or other sphere of production can, to a certain extent be transferred from one department to the other. These two aspects which offer a certain “plasticity” to capitalist production encourage the transfer of capitals from one department to the other and can so contribute to resolving the disequilibria that may occur.

Apart from this plasticity, capitalist production also enjoys elasticity. If the schemes define and have to define rigid relations with mathematical equality between the different departments of social production, they cannot pretend this way to provide a complete image of capitalist accumulation. For example, fixed capital has not increased in proportion to the length of the working day, and if this is lengthened, only the expenditure on wages and raw materials will increase. In a sector like the extractive industry, the raw materials do not form part of the capital advanced as the work process has as its object a product of nature (coal, various minerals etc.), the product which increases with the time passed in production does not need advances of capital in relation to the increase in production.

“General result: by incorporating with itself the two primary creators of wealth, labour power and the land, capital acquires a power of expansion that permits it to augment the elements of its accumulation beyond the limits apparently fixed by its own magnitude, or by the value and the mass of the means of production, already produced, in which it has its being.” (Marx, Capital Volume I, Collected Works Vol. 35, p. 599)

These factors, and others too connected with the increase in labour productivity, therefore encourage a fitful movement of capitalist production, the acceleration of accumulation and the



stress of the productive forces. They are therefore factors which can help in the resolution of our problem, as far as it exists, by enabling the growth of production in department I.

Another phenomenon must be considered. Capitalist production cannot exist without stock. The existence of stock allows for the regulation of production and provides a solution to possible acceleration and slowing down of production. It can provide for adjustments to be made to match the disproportions due to the change in the organic composition, while the existence of such stock can itself lead to disproportions and speculation which are inevitable in the anarchy of this mode of production.

“Once the capitalist form of reproduction is abolished, it is only a matter of the volume of the expiring portion – expiring and therefore to be reproduced *in natura* - of fixed capital (the capital which in our illustration functions in the production of articles of consumption) varying in various successive years. If it is very large in a certain year (in excess of the average mortality, as is the case with human beings), then it is certainly so much smaller in the next year. The quantity of raw materials, semi-finished products, and auxiliary materials required for the annual production of the articles of consumption – provided other things remain equal – does not decrease in consequence. Hence the aggregate production of means of production would have to increase in the one case and decrease in the other. This can be remedied only by a continuous relative overproduction. There must be on the one hand a certain quantity of fixed capital produced in excess of that which is directly required; on the other hand, and particularly, there must be a supply of raw materials, etc., in excess of the direct annual requirements (this applies especially to means of subsistence). This sort of over production is tantamount to control by society over the material means of its own reproduction. But within capitalist society it is an element of anarchy.” (Marx, Capital Volume II, Collected Works Vol. 36, p. 468)

15.4 Henryk Grossmann upsets the disproportion

It was quite clearly the role suited to Henryk Grossmann when he wrote an article without any relation to the problem. Grossmann is a bit like a Ravel of vulgar Marxist economics, where others have an idea and write a paragraph, he writes a book, that is, the theme is repeated in all the notes on the scale and for all the instruments in the orchestra, with everything in the art of the written language used so that he can play the same score and variations. Let us see the bolero of the mediocre Prof. Grossmann.

The essence of his argument is that the reproduction schemes where the commodities are supposedly sold at their value are just one step in a “process of successive approximations” which start from the most abstract to conclude with concrete reality. Luxemburg could not have demonstrated anything from the point of view of a possible disproportion in this case while remaining on the level of the value scheme, because in reality commodities are not sold according to their value, but according to their production price which is established under the influence of the equalization of the rate of profit between the two departments of capitalist production.

“How cogent are Rosa Luxemburg’s conclusions – the demonstration of an unsaleable surplus of consumer goods – in relation to reality, when they are deduced from a scheme that has no validity in the real world? *Since competition leads to the transformation of value into prices of production and thus to a redistribution of surplus value among the individual branches of industry in the scheme, which necessarily result in a modification of the previous relations of proportionality between the individual spheres of the scheme*, it is extremely possible and likely that a surplus of unsaleable goods in the value scheme subsequently vanishes in the *production price scheme* and that, conversely, an original equilibrium in the value scheme turns into

disproportionality in the production price scheme.” (Henryk Grossmann, *The Value-Price Transformation in Marx and the Problem of Crisis*, in *Works* Vol. I, p. 323)

In Grossmann’s mind, there is the example of two departments of capitalist production where production in department I of means of production and department II means of consumption are divided as follows:

$$\text{I.} \quad 4,000c + 1,000v + 1,000s = 6,000$$

$$\text{II.} \quad 2,000c + 1,000v + 1,000s = 4,000$$

The rate of profit is 20% in department I and 33% in department II. The social rate of profit is 25%. If in each branch an average rate of profit of 25% is formed, a part of the surplus value will be transferred from department II to department I. Grossmann’s secret hope is that, in the same way, the excess of surplus value in department II will disappear, while the supplement of surplus value in department I will be enough to sort out the symmetrical problem of a deficit of means of production in department I.

From what we have seen on disproportions and their nature, it is easy to demonstrate that as regards Grossmann they are totally without foundation and alien to the problem he poses, a “problem” whose limits we have long since circumscribed.

Starting from a “situation of equilibrium”, if we can use this expression alien to communist theory, when it matters little if commodities are sold at their value or their production price, it is not at all difficult to reproduce the disproportion that Luxemburg notices, as we have seen, since it is enough to suppose an accumulation of surplus value with an organic composition rising more rapidly than that which the social division between means of production and means of consumption would allow. Whether commodities are sold at their value or their price of production changes nothing and has nothing to do with the question. Grossmann’s argument shows just once again his superficiality shrouded by erudition.

16. Fritz Sternberg's theory of crisis

16.1 Fritz Sternberg, an epigone of Luxemburg

Luxemburg had her emulators, among whom Sternberg deserves mention. He was a professor of political economy born in 1898 and was to play a leading role in the SAPD⁸⁴, being the theoretician of a reformist party. He emigrated to the USA in 1933 and did not return to Germany until after the fall of Hitler.

Sternberg placed himself resolutely in line with Luxemburg:

“The problem of the relationship between extended reproduction and the expansion into a non-capitalist area was discovered methodologically by Luxemburg. Our position regarding this book, which is of the greatest importance for the further development of Marxism, is as follows. We consider that her critique of the Marxist schemes to be correct and well-grounded on all the fundamental points. We are, as she was, convinced that imperialism, that is the advance of capitalism into non-capitalist territory, is an immanent necessity, because capitalism – if it is not only the predominant form, but also the only economically dominant form – has to disappear shortly.” (Sternberg, *Der Imperialismus*, 1926, French ed., p. 62)

In fact, the collection of restrictions and critical remarks that he addressed to Luxemburg demonstrate his total incomprehension of her opinions. It is not the least of the paradoxes in the debate over Luxemburg's book to see how little the propositions of its author have been understood. Not only the adversaries, but also the epigones have most of the time exchanged arguments that rarely took into account Luxemburg's real points.

Communism had never recovered from the halt to the insurrection in 1918-1919, when Luxemburg and Liebknecht were assassinated, when Sternberg's “*Der Imperialismus*” was published in 1926. The revolutionary movement remained divided between the reformism of the KPD, which soon merged with the USPD (a “centrist” party) under the auspices of an increasingly opportunist Communist International, and the KAPD, which produced anarchizing theories in reaction to this which have nothing to do with the communist programme. Besides, the KAPD originally had a brief moment as the majority force in the workers movement, but rapidly declined into a division into groups. In 1926, when the counter revolution was scoring its last decisive victories, it would not be the ranks of social-democracy, be it the “left”, its hands red with the blood of the proletariat that it had shed above all, that could offer the slightest serious explanation of the crises of capitalist production.

We are not going to discuss Sternberg's positions on wages and overpopulation here, stripped as they are of any revolutionary orthodoxy. Sternberg thought that the capitalist mode of production

⁸⁴ After having been the hangman of the German revolution, the SPD, pillar of the Weimar Republic, remained the dominant party in 1928 with a third of the vote. The increasingly clear slide towards militarism and its pacifist legalism when facing the rise of fascism caused leaders such as Kurt Rosenfeld and Max Seydewitz, ex USPD members, to resign. Along with Paul Frölich, who had tried to set up an ephemeral KPO (Communist party Opposition) in 1926 and Fritz Sternberg, they founded the SAPD (Socialist Workers party of Germany).

It is to be noted that the SAPD was to merge with other social-democrat organizations in exile (ISK-SOPADE) to form the “Union of German Socialists” which tried to prepare the transition from Nazism under the aegis of the allies. Willi Brand also worked in the SAPD.

did not spring from naked violence to appropriate the surplus labour of the proletariat, and therefore needed to create overpopulation to do so. While Marx believed that a greater or lesser overpopulation would lead to a divergence of the price from the value of labour power, however it was out of the question that this was necessary to justify the creation of surplus labour. Here we shall just look at Sternberg's theory of crisis. From this point of view, this theory belongs to the tendency in political economy that tries to reconcile the communist programme with bourgeois economic theory.

16.2 Sternberg, a low grade Luxemburgist

Sternberg sets out where we left off Luxemburg's exposition by going well beyond the theses of Luxemburg herself as demonstrated in the schemes in *The Accumulation of Capital*, Chapter 25. He increases the organic composition of capital, causing a deficit in the means of production in department I and an excess of means of consumption in department II.

Luxemburg's aim was to cast doubt on the universal explanation of the schemes by showing that the results achieved by harmonicist theoreticians, notably Tugan-Baranovsky, regarding the absence of crises if the proportions between the two departments were maintained, did not have a solid base as they would like to believe. Luxemburg's critical remarks had no further end. What for Luxemburg had a merely accessory character for Sternberg formed the basis for a theoretical rococo structure diametrically opposed to the communist programme.

Luxemburg had refused to consider that Chapter 25 of her book contained the essence of her theoretical investigation into the realization of surplus value and the obstacles met, according to her, by capital in this process. Many critics, who had scarcely understood her main argument, took hold of the scheme of extended reproduction to ramble on endlessly about it. In the case of Sternberg, we have an epigone who did not understand any more what the critics did of Luxemburg's propositions, but instead was naively fascinated by the arithmetic of the schemes, seeing in them the *nec plus ultra* of the "proof" that capitalist production causes crises. Blinded by the mathematical movements in the schemes, Sternberg thinks that Luxemburg has provided the proof of the perspective of the crisis of capitalism, a crisis which would necessarily only come about when the capitalist mode of production was no longer able to realize commodities on extra-capitalist markets.

In Sternberg's view, this implies making a comparison between what he called "pure" capitalism, in this case Marx's schemes dealing with the reproduction of capital in *Capital* Volume II, and the epoch of imperialism where non-capitalist areas still existed. Sternberg defines imperialism as the expansion of capitalism into non-capitalist areas. He therefore constructs an argument we can name neo-Luxemburgist, which is a theoretical extrapolation starting from the secondary conditions dealt with by Luxemburg.

"Luxemburg is completely correct here, since the industries of means of production have a higher organic composition than the industries of means of consumption, and consequently the accumulation of "c" increases faster than that of "v" in "pure capitalism", while for the two groups of industry the same rate of accumulation was supposed, so a complete exchange would be impossible if an excess of means of consumption remained in department II that is basically unsaleable. This is no chance event because it results with mathematical necessity from the conditions of the problem." (Sternberg, p. 71)

So, according to Sternberg, what was shown is that, in the framework of "pure capitalism", with a rate of accumulation at the same level in the two departments and a rising organic composition,

the result is an excess of unsaleable consumption in department II which, again according to Sternberg, none of Luxemburg's opponents had been able to criticize satisfactorily.

We have dealt with this in length when considering Chapter 25, which cannot be considered as Luxemburg's theoretical point of view and the expression of her doubts regarding the possibility of the realization of surplus value destined for accumulation. Even if things went this way, the type of crisis appearing in the framework of the schemes of reproduction is perfectly well known as it is the only type of crisis accepted by economists who assume that general crises cannot affect capitalist production. We have seen that disproportions are inherent to capitalist production, but that, whatever their gravity, they could not provide an explanation for catastrophic crises which periodically affect capitalist production.

We are not going to return to the critical considerations that can be made of disproportions and the introduction of the organic composition in Marx's schemes of reproduction: the reader can consult previous chapters. If we summarize rapidly the arguments dealt with in the last chapter dealing with crises, we know that, apart from the fundamental methodological problem that make these crises ones of disproportion, that is, an excess of commodities on one hand and an underproduction on the other, the solution and the permanent return of the phenomena of this type are part and parcel of the process of capitalist accumulation. On one hand, they cause a fall in prices in the branches of overproduction connected with the rise in prices in the branches of underproduction, with production being redirected to adapt to the new trends on the market, while on the other hand capitalist production is endowed with a degree of elasticity and "plasticity", as there are stocks available. All these factors simultaneously allow for adaptation and participate in the anarchic development of capitalist production and therefore they encourage new disproportions, while at the same time allowing for them to be reabsorbed. Consequently, by finally defending the "disproportionalist" standpoint, Sternberg greatly distances himself from Luxemburg's theory.

Seeing that he did not have at all the same vision of the matter, it is hardly surprising that Sternberg criticizes Luxemburg with the same state of wonder characteristic of those who did not understand her argument, as was the case with a good number of declared adversaries. Sternberg follows this logic and therefore thinks that Luxemburg was wrong when she stated that the whole of the surplus value destined for accumulation could not be realized within the capitalist mode of production. According to him, following the "demonstrations" provided by the schemes with the rise of the organic composition, only a part of the surplus value cannot be realized in "pure capitalism". In the same way, the whole direction of imperialist expansion changes.

According to Luxemburg, the capitalist class as a whole, finds itself unable to realize the surplus value destined for accumulation since it cannot consider the commodities as use value until they are realized (which is the purchaser's role). Since the function of the capitalist class is accumulation, such a sale can only be considered in the light of the perspective of extra exchange value, a surplus value that can realize it. In other words, the commodities are purchased only to obtain an additional exchange value (M-C-M' money commodity money). The process of realization, on the contrary, supposes exchange following a different logic (C-M commodity money). This contradiction can only be resolved by extra-capitalist demand which allows for the realization of surplus value destined for accumulation. Once having been paid the money, the capitalist class can then prepare for accumulation with the sole aim of surplus value.

Sternberg's point of view sees the demand in the extra-capitalist zones as having the function of disposing of the unsaleable stock in department II, but also of transforming it into an offer of



means of production for department I which is in deficit (the size of the deficit in department I is equal to the glut in department II). “Imperialist expansion” does not have the function of realizing surplus value, but of reabsorbing the disproportion by modifying the composition of production. The extra capitalist markets purchase the products from department II (means of consumption) and supply the commodities required by department I (means of production).

16.3 Sternberg on his scaffolding

16.3.1 Sternberg and underconsumption

Even if he is in fact a theoretician of crises based on disproportions, Sternberg nevertheless is linked to the intellectual tradition of underconsumptionism. We have seen that political economy falls into two tendencies in terms of explaining crises. “Marxism”, by which we mean the ideologies that have developed around the name of Karl Marx so as to better mystify the proletariat, is also divided into these two tendencies that are equally far from the communist programme.

As far as the commentaries on the famous schemes drawn up by Luxemburg are concerned, we have already had the occasion to stress as regards Ernest Mandel and the production of armaments how it all ends up in a cat’s cradle of tangled arguments coming from one school or the other, all in the greatest conceptual and intellectual confusion.

Sternberg makes out a whole perfectly vulgar argument when rallying to the underconsumptionist theory. The supposed difficulties in realizing surplus value are compensated for either by the increase in wages (as if the tendency of capital was not to lower them, which cannot be excluded and here we find the grain of truth in the underconsumptionist conceptions and the need for a middle class whose function is to consume an increasing share of surplus value to ensure the stability of capitalist production), or through the argument of population (ultra-vulgar thesis which makes accumulation depend of the growth in the population and not vice versa). Then we come to the arguments that rest on the possibility of finding an outlet, that is foreign trade, be it with capitalist nations or with pre-capitalist forms of production.

Just as Sternberg thought he had found in the disproportions linked to the rise in the organic composition the philosopher’s stone on which he bases his underconsumptionist conception of crises, seeing that this is the tradition his overall view clings to, he remains aware that, all in all, foreign trade between capitalist nations (considering them as completely capitalized) does not change anything at all. This is what happens to Sternberg’s thought like any other thought when it follows its logic. Sternberg develops his arguments on a theoretical scaffolding with such unstable foundations that is all the more ridiculous and he has to press on to integrate facts which at times escape him and at times are remodelled and produced to be integrated in his general theory.

16.3.2 Sternberg and foreign trade

Sternberg states that foreign trade is mainly between great capitalist nations. Such trade, from the point of view of total capital, offers no solution to the crisis. So, Sternberg states that it serves as a conveyor for countries that do not have colonies, for example Germany which had less of an advantage (we are in 1926) than Britain or France which exchange with these countries, which implies, for the stronger colonial powers, greater exchanges with their colonies. From this standpoint, they serve as conveyors for capitalist countries which do not control directly so many extra capitalist outlets.

“In relation to our problem, it can only be said that foreign trade of all these more or less capitalist countries can have an influence in the way we have mentioned, that is making it possible for a

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particular capitalist country to perform extended reproduction which is only possible in “pure” capitalism, the possession of its own non-capitalist areas not being necessary because foreign trade with a series of states at various stages of development makes reproduction possible without crises. The struggle against crises which become ever more violent, the weakening caused by those which break out at every moment, is not limited to just to countries with vast colonial possessions, or a great non-capitalist internal area. The weakening by the crises is not restricted to Britain, France or Russia, but includes the country which does not have a great internal non-capitalist space and disposes of only a weak proportion of its own non-capitalist territories, that is colonies: Germany.” (Sternberg, pp. 119-120)

This theory would lead to the conclusion, which Sternberg takes care no the draw, that, at least on a global level, leaving aside the part of exchanges which correspond according to him to the exchange of different products between developed capitalist countries, the structure of exchange must be of the same type as that between colonial countries and capitalist countries, that is the exchange of means of consumption against means of production.

On the other hand, as we have said, history is reconstructed. Sternberg considers imperialism to be the historical phase when capital turns to extra capitalist external markets after having opened up the pre-capitalist national markets. The history of the capitalist mode of production is no longer the evolution of a production process with the transition from the phase of formal submission of labour to capital to the phase of the real submission of labour to capital, but one reconstructed in the theoretical logic of Sternberg of the race for outlets outside the capitalist mode of production. Even if at the same time he criticizes the monopoly theories, sometimes even with arguments that can catch attention, as when he shows that the most developed capitalist countries were not necessarily the most monopolistic capitalist countries and that war played a major role in this centralization, we should not forget that the two types of argument are the exact opposite of the communist programme.

From this point of view, we again find perfectly the logic of the Luxemburgist type of which the ICC is the modern and degenerate depository. What could be maintained in 1926, even though it was already reneging on the communist programme, became grotesque in 1989. It goes beyond the vulgarity of the method which consists in opposing the exhaustion of internal pre-capitalist markets to the search for extra capitalist territories to reach the inanity of the theoretical reasoning which leads those who apply it to increasingly fantastic explanations of the course of the capitalist mode of production. Imperialism for Sternberg (and the same applies to the reasoning of the ICC), the intervention of capitalist states in extra capitalist territories, leads to imperialist wars. Even if in the previous period up to 1914 capitalism was democratic, it then became militarist so that, if during the war imperialist factors already predominated, they could only be more accentuated in the next with the extension of the “sociological space” of capitalism which destroys pre-capitalist forms of production, while every step taken in the direction of “pure capitalism” leads towards imperialist war with mathematical necessity.

16.3.3 Sternberg against Marx

Sternberg is more coherent and less lying than the ICC when he states that all these theories reject Marx and that the real development of capitalism invalidates Marx and Engels’ forecasts.

He makes his own the evaluation of social-democracy on the attenuation of crises at the end of the 19th century and replies that it was imperialist expansion which permitted this state of affairs, like the rise in real wages, by obtaining the outlets necessary for accumulation. But the progressive



disappearance of outlets leaves capitalism with no alternative perspective to imperialist war and enters a phase of decadence.

The communist programme sees the course of the capitalist mode of production as a catastrophic one, that is the progress of capitalist development regularly turns into general crises of overproduction which devastate society with the fury of a natural disaster, but with the difference that the causes of these catastrophes are social and specific only to capitalist production. If the communist programme itself demonstrates that the crises of the capitalist mode of production tend to deepen, this conception is not to be taken apart from real history and confusion should not be made between the general theory and the evaluation of a given historical period.

The general historical framework, in which numerous specifications are necessary, shows that since 1847, the period in which decennial crises are clearly visible, four long periods can be considered. Firstly, one lasting until about 1880 where the decennial cycle was clear to see, then the period leading up to the First World War, with the widening of the world market and Britain seeing the emergence of competitors disputing its supremacy over it. A phase of stagnation in Britain was followed by economic growth with a cycle of approximately 8 - 10 years. Social-democratic theories on the peaceful development of capitalism, on the weakening of the contradictions between capital and labour and the possibility to control the capitalist monster by taking the democratic road of the bourgeois state, all collapsed along with the Second International with the outbreak of the First World War. The inter-war period saw the greatest crisis ever in the history of the capitalist mode of production (even if the spread of devalorization in the crises in 1975 and 1981, for example, was greater in value, but not in depth than that in 1929, and besides the 1987 crisis was the greatest financial crisis in history) and the way out was found in the Second World War with its sixty million dead. One of the most prosperous and rapid phases of accumulation started after the Second World War, with such a rate of growth that the average in the 20th century was higher than that in the 19th even though the inter-war period was characterized by a relative stagnation of the productive forces, while the length of the cycle in the post-war period was around 6 years. The crises at the beginning of this period were rather weak and thus allowed the bourgeoisie, fresh from the complete victory in the counter-revolution against the proletariat, to think it was able to set itself free from the laws of capitalist production. It continued to repeat that by now the intervention of the state caused the disappearance of crises to such an extent that we are now faced only by “recessions”, a slowdown in economic activity, and not a marked fall, as in crises. The reappearance of crises of vast proportions in no way changed the hypocritical vocabulary used by the representatives of capital and consequently, as usually happens when the attempt is made to change things by changing names, recession now stands for crisis (it is not therefore, except perhaps for the ICC, a significant concept from a scientific point of view).

Hard facts count. Lenin loved to repeat this English saying and reality gets its revenge over the bourgeois monkeys and economists, a category of particularly degenerate ideologues.

Only the communist party in the historical sense of the term will remain faithful during this period to the idea that the relative prosperity based on an extraordinary exploitation of the proletariat, a prosperity interrupted by ferocious colonial wars and weak crises, would be followed by more serious crises which would shake the capitalist citadel and push the proletariat back onto the road of revolutionary struggle. This is a paradox only for the imbeciles who state that recent years have seen the defeat of “Marxism”, while the theoretical victory of the communist party and its programme has always been confirmed: the programme of a classless society, without a state and without money, the programme of the revolutionary dictatorship of the proletariat.



When the communist perspective of crises is seen in its historical context of the 150 years of modern capitalism since the affirmation of the phase of the real submission of labour to capital, the existence of general crises of overproduction and their tendency to deepen with the development of capitalist accumulation is clearly visible. There is no need to depend on external markets, as Sternberg does, as the relative prosperity of the capitalist mode of production denies the existence of certain facts which, it seems, prove the opposite of the theories of Karl Marx. If we wish to clearly admit that colonial expansion played a role in the growth of capitalist production at the end of the 19th century, we can equally recognize that the loss of colonies had a similar role in the increase of accumulation in the second half of the 20th century. In one case as in the other, the mechanical idea that external openings were the necessary outlet for the realization of a fraction of surplus value has no sense. This is all the more the case (and is now the main problem of the ICC which takes recourse in highly comical theoretical acrobatics to resolve it) as in the second half of the 20th century these outlets are supposed to have shrunk to a pittance⁸⁵.

Capital ever increasingly submits society to its laws, whatever the incidence of previous modes of production may be, and with the destruction of these forms of production and becoming increasingly “pure”, capital not only is not entering into decadence, but is realizing its being. This process is quite characteristic of the phase of real submission of capital: in the phase of the formal

⁸⁵ It is an author's duty when dealing with a particularly dry subject to find time for a short break to have a little chat. Our readers know that the ICC lays claim to Luxemburg's general theory concerning the realization of surplus value. Our readers also know that the ICC understood nothing about it. That has driven us to entertain “theoretical” reflections, following the humour of the revolutionary, that lead to being appalled by the intellectual capacities of those who make up the “vanguard” of the proletariat and by an open laugh when the importance of the sects is put into perspective and it is better to consider them as the vanguard of international clowning.

Seeing that Luxemburg's conception was the contradiction between production and realization of surplus value, demand from outside the capitalist mode of production was fundamental. Only a world outside the capitalist mode of production could consider the commodities representing surplus value destined for accumulation from the point of view of use value. The methods of payment were therefore of secondary importance. It was of no importance if it was gold or international credit provided by the capitalist power itself and which the indebted nation promised to repay by squeezing its population and pushing it ever further onto the stage of the world market. The *conditio sine qua non* of Luxemburg's argument is that the capitalist class is dependent on demand from outside the capitalist mode of production from the point of view of total capital. How then, with the diminution of this demand, can it be explained how bourgeois society in this case can accumulate even more rapidly than in the past? The ICC seeks desperately for an answer to its sophisms and finds a panacea in credit. It makes believe that “credit constitutes an advance on the realization of surplus value and so accelerates the closure of the full cycle of the reproduction of capital.” (Revue Internationale, no. 56, p. 12)

What does this sentence mean?

If, from the point of view of total capital, the capitalist has a credit, how does he use it? He can pay off his creditors or he can invest it. He undertakes, or if not himself, then his creditor, what quite rightly was declared to be impossible, that is the realization of surplus value. The money passes into the hands of another capitalist and therefore serves as the basis of accumulation and, from the point of view of total capital, for the realization of surplus value too. In one blow any possibility of crisis disappears. The perspective of permanent crisis is transformed into the demonstration of the eternity of the capitalist mode of production. This is the splendid result attained by the ICC!

submission of labour to capital, it depended on previous forms of production to gain strength, while now capital casts off this limited base.

Sternberg does not stop there with his questioning of Marx and the communist programme. We should repeat that he is always much more honest than the ICC when he states that his opinions have got nothing to do with Marx, while the ICC struggles hard to pass off its adulterated chameleon as an orthodox and revolutionary product. Thirty years later, in his work 'Capitalism and Socialism on Trial', even if Sternberg hardly evokes his theory of overproduction as the base of disproportion due to the rise in the organic composition, he nevertheless remains faithful to his underconsumptionist and neo-Luxemburgist conception. He became increasingly social-democratic as he increasingly distanced himself from communism and Sternberg's positions curiously resemble more and more those of the ICC for whom he serves (has served?) as a point of reference thanks to a collection of statistics back from the 1950s used to found the decadence of the 1980s.

So, not only did Sternberg state that the existence of external markets had permitted a historical course contrary to Marx's forecasts regarding the tendency of crises to worsen, but moreover these external markets, seeing their importance in the process of accumulation as well as their variable effect according to the moment, eradicated any possibility and theory of the cycle while, all the same, allowing for the increase in real wages for the working class, for the growth of the middle classes and for slowing the reduction of the peasantry, thus offering capital a social bulwark against the proletarian revolution. Furthermore, for Sternberg, the disappearance of these extra-capitalist markets, far from meaning the realization of the laws of capital as revolutionary theory shows, would plunge the capitalist mode of production into a phase of decadence where the change in accumulation would not follow a line characterized by deep breaks, as Marx's theory would have it, but a downswing where the crises (or the crisis) would become almost permanent. Sternberg deduced from this the logical political consequences from his point of view. The socialization of the productive forces needed to make socialism possible risked disappearing as capitalism went on from the crisis and into war⁸⁶.

"According to Marx, every day that goes by, the concentration of companies increases, and this fact means that the conditions for the capitalist mode of production become always more favourable. The processes of the socialization of the means of production advance daily (...) The possibility of the socialist revolution grows stronger daily, it daily gains credibility as it depends on the maturation of objective conditions, of socialization (...) The First World War did not put an end to the tendency of maturation of the socialization of capitalism (...) But in no way does it always have to be so, in fact, on the contrary, with the always greater development of auxiliary technical means, it becomes possible that new imperialist wars will lead to the destruction of capital

⁸⁶ This idea was perfectly taken up by the forebears of the ICC in Internationalisme.

"Capitalism represents and necessities (sic) the step towards the creation of socialism to the extent that it manages to create sufficient objective conditions. But at the present stage, and this is the object of this study, it becomes a brake in relation to the progress of productive forces, and the same way the prolongation of capitalism beyond this stage must bring with it the disappearance of the conditions for socialism." (Internationalisme, 1952).

Lacking the disappearance of the conditions for socialism, we can instead note the disappearance of Internationalisme, just as we can consider that 37 years after such snippets of bravura, the disappearance of the objective bases of petit bourgeois socialism of the ICC is on the cards.

on a massive scale. Consequently, the simple and direct line of capitalist development Marx saw is not sufficient (...) Marx saw only one aspect (...) and consequently there are two different directions opposed to Marx's perspective (...) the series of imperialist wars (...) could raise the active imperialist states to the category of Rome through destruction and so hinder the productive forces from attaining maturity such that the transition towards socialism would appear as a natural consequence (...) According to Marx, the danger for a socialist revolution was only that it could happen too early, that it could come about before the productive forces would be sufficiently developed (...). This is an error that it could have the worst consequences: the revolution could come too late." (Sternberg, pp. 237, 238, 239 and 240)

This is the fatalist logic which finds its dialectical opposite in voluntarism. While for the ICC the revolution was impossible in the rising phase of capitalism, it risks coming too late (1926) for a Sternberg. Before decadence, the objective conditions were not ready; after decadence they no longer exist. The revolution was only possible on the (great) day, but on that day the "decadentist revolutionaries" were still asleep as the train of history passed on by, so now the only possibility left is to imitate the whistle blowing and the puff of steam down the pub.

All this childish behaviour is based on the crassest ignorance of revolutionary communism. We shall return to the dialectic between productive forces and relations of production elsewhere. This does not stop us from recalling for the reader an extract from the work of our party:

"Marx did not foresee a rise and then a decline in capitalism, but instead the contemporary and dialectical exaltation of the mass of productive forces that capitalism controls, their accumulation and unlimited concentration, while at the same time the antagonistic reaction constituted of the dominated forces, that is the proletarian class. The general productive and economic potential rises as long as the equilibrium remains unbroken and there is an explosive revolutionary phase in which in very short period of a plunge with the breaking up of the forms of ancient production, the forces of production fall back to then reorganize and start from a new more powerful increase.

The difference between the two conceptions (...) in the language of geometry is expressed in this way: the first curve, or the curve of the opportunists (revisionists like Bernstein, Stalinists in emulation, pseudo-Marxist revolutionary intellectuals) is a continuous curve in which all points "allow for a tangent", that is, in practice it continues with imperceptible changes in intensity and direction. The second curve, with which it was hoped to offer a simplified image of the much deprecated "theory of catastrophes" presents in every epoch those points which in geometry are called "cusps" or "single points". In such points, the geometric continuity, and therefore the historical graduality, disappears, the curve "has no tangents" or even "allows all tangents" – as in the week Lenin does not want to let pass by.

It needs just to be noted that the general sense of rising does not want to be linked to idealistic visions of indefinite human progress, but to the historical fact of the continuous build-up of the material mass of the productive forces and the succession of great historical revolutionary crises." (Teoria ed azione nella dottrina marxista, 1951 [Theory and Action in the Marxist Doctrine])

As regards the rise in wages or the growth of the middle classes, these are yet other facts foreseen by Marx who sees in the rise in labour productivity and intensity within the framework of the phase of the real submission of labour to capital the material basis for, on the one hand, the increase in real wages and, on the other, assuring the creation of an unproductive class whose economic, political and social function is to allow for greater stability in capitalist production. These elements do not stop revolutionary theory from showing that with the progress of capital there is also the growth of the proletariat's mortal enemy which becomes the preponderant force, even the majority

(both relative and absolute) in society and therefore the relative condition and influence as regards the wealth accumulated in the form of capital, while the process of accumulation always increases the insecurity of his job and throws him out during the big crises of overproduction that periodically affect capitalist production.

In conclusion, we can say we have finished the critique of Sternberg, whose theory holds no interest for the communist theory of crises, nor anything else for communist theory in general. We shall return to the Luxemburgist theory with the study of the position of the Belgian and Italian fractions of the communist left during the 1930s.

17. The theories of crises in Grossmann/Mattick and the communist programme

17.1 Grossmann and “the revolutionary milieu”

The twenty-first century will see the emancipation of the proletariat. The petit bourgeois democrat can only deride such a forecast and, in its present state, the communist movement can in no way make him eat his words. In fact, it can only amplify them.

The sects which get restless seem to be yappy dogs chasing the capitalist juggernaut, whatever kind of whelp (the ICT) or breed of mutt (the ICC), the more arrogant little dogs, who believe they are leaders of the pack and think their growling sounds like a thunderclap. As if they were only there to sniff around opportunism and, if they spot one another, they nose their arses looking for fleas.

Their polemic is unusually inane. For example, dealing with the matter in hand, the roots of the crises which periodically shake the capitalist mode of production, the ICC considers that the origin of the crises lies in the increasing lack of non-capitalist markets that hinders the realization of surplus value and throws the capitalist mode of production into a phase of decadence which, according to the latest theoretical innovations, takes us to the final stage of decomposition.

When its adversaries base “the decadence of capitalism” on the Grossmann/Mattick theory of the falling rate of profit, they object that since Mattick was wrong on a political level, he must also be wrong on an economic level. Even if there is a grain of truth in such an argument, it does not provide an excuse for failing to make a scientific effort to refute the adversary’s arguments.

We must state that the I.C.C. is quite used to this. It is enough to read the critique of Pannekoek written by their predecessors in ‘Internationalisme’. In this article, aimed at arguing against the critique of the “philosophical” bases of Leninism, not one word deals with the subject. The only argument used is that since Pannekoek was wrong on the analysis of the Russian revolution, he must be equally wrong on the “philosophical” level. Just as if the ICC does not itself fall into a contradiction when it adopts conceptions developed by Luxemburg or the Social Democrat Sternberg, nevertheless, all the while making negative judgements about many of their political positions.

The ICT, which is equally idealist, thinks that even if there is disagreement with Mattick’s political analysis and *a fortiori* those of Grossmann, it is correct to take on board their “economic” theories and so conclude that it is wrong to tie theoretical bases to political positions.

Our habit is to demonstrate that if the theories that underlie political conclusions are wrong, there is hardly any reason to ask about their validity. From this point of view, the polemic between the ICC and the ICT has an evident outcome: the economic bases of their political positions form a negation of scientific socialism and the political conceptions that follow from such bases also stand far from revolutionary communism.

Just as we have shown that the economic theories of Luxemburg are sufficiently distant from Marx’s theory to negate the pretensions of the ICC to use them to construct whatever kind of revolutionary politics, we will show that the same applies to the Grossmann/Mattick theories that are the base for the shaky construction of Battaglia comunista - CWO (ICT).

If, for the ICC, the division, which marked the transition of capitalism from its ascendant phase to its descendent phase, is very clearly traced – it is at the moment that the non-capitalist markets are

so restricted that that they cease to play a sufficiently quantitative role to realize surplus value - while it is much more difficult to find such a division in the explanations of the I.C.T. On this level, we also have to distinguish the positions of Battaglia comunista and the CWO, despite their recent convergence. This comes from what the ICT attempted to draw from Marx and Engels to found their theories. We shall deal with the conceptions developed by the ICT in more detail later on. Firstly, we will discuss the apparently common interpretation of the partners in the ICT, seeing that both the CWO and Battaglia comunista have recently republished a text by Mattick which he in turn had adopted from Grossmann's theory.

Among other absurdities penned by Mattick, we find the statement that: "The theoretical formulation of the theory of over-accumulation as here presented was first undertaken by Henryk Grossman who considers his work as only a reconstruction of Marx's theory of accumulation which is the theory of crisis and collapse." (The Permanent Crisis: Henryk Grossman's Interpretation of Marx's Theory of Capitalist Accumulation, International Council Correspondence, Vol. 1, no. 2, Nov, 1934, available at www.kurasje.org Council Communist Archive)

At the bottom of all these idiocies there lies therefore a "theoretical" presupposition: the interpretation, the overall readoption, by Mattick, of the fall in the rate of profit as conceived by Grossmann. So, we have to examine this theme. Following the method we used for Luxemburg, whose theories are the backdrop for the delirium of the ICC, we shall examine the theories of Grossmann which form the base of the ICT's divagations. By demonstrating that they are foreign to scientific socialism, at the same time we will show that the collection of conceptions of the ICT is baseless. The enemy brothers of the "revolutionary milieu" have found nothing better than to use gurus, who are enemy brothers of the counterrevolution, H. Grossmann and F. Sternberg. In the previous chapter, we saw what we could think of the Social Democrat Sternberg as far as regards his theories being a negation of the communist programme, and to this extent he was more honest than the ICC when he stated that he came into contradiction with Marx. This chapter will deal with the theories of the Stalinist Grossmann, which are equally distant from those of Marx. If the ICT wishes to base its revolutionary action on Grossmann's theories, we can only see the influence of the CWO as the conversion of Battaglia comunista seems to be later and less thought out.

17.2 Grossmann and the collapse of the capitalist system

Each time we had to deal with Grossmann's criticisms of Luxemburg, we noted that they were baseless and only gave rise to confusion.

So, we refute the solutions that he tried to apply to the problems of monetary reproduction in the schemes of reproduction. In the same way, he evoked even more fantasist "solutions" that aimed to resolve the disproportions between department I and department II in relation to Luxemburg's remarks, following the rise in the organic composition of capital.

Henryk Grossmann's principal work is of course "The Law of Accumulation and the Collapse of the Capitalist System". Grossmann expounds his interpretation of the law of the tendency of the rate of profit to fall and its relationship with the collapse of capital in this book, written in 1929.

Grossmann posed the following question at the beginning of the second part of the book: is there a theory of collapse in Marx? Grossman ran through the various revisionist interpretations in the first part of the book and went on to argue with Kautsky, who considered the expression "collapse" as coming from Bernstein, while Marx had never used the word to be interpreted in such a way. This conception had been attributed to Marx by revisionists.

Grossmann's argumentation against Kautsky was very weak. He remarked that speaking about wages did not mean the same as speaking about the theory of wages, and thus the fact that Marx was sufficiently happy to talk about collapse did not authorise the denial of a theory of collapse. This meant nothing less for Grossmann than there was clearly the collapse of capitalism in Marx, with collapse taken as meaning a crisis that would cause the death of capitalism. Grossmann quotes a passage from Capital Volume III where Marx uses the word to back his argument:

"Furthermore, the mass of profit increases despite of its slower rate with the growth of the invested capital. However, this requires a simultaneous concentration of capital, since the conditions of production then demand employment of capital on a larger scale. It also requires its centralization i.e., the swallowing up of the small capitalists by the big and their deprivation of capital (...) This process would soon bring about the collapse of capitalist production if it were not for counteracting tendencies, which have a continuous decentralizing effect alongside the centripetal one." Marx, Capital Volume III, Collected Works Vol. 37, pp. 244-245)

As can be seen, Marx uses the concept here in a situation different from crises of overproduction. He does so regarding a tendency of capital, which, if continued without the intervention of counter tendencies, would cause the collapse of capitalist production. This collapse would occur due to the effects of a concentration and centralization of capital such that the mass of direct producers would come face to face with a capitalist minority, while production was blazing away and the rate of profit was diminishing, but compensated for by its mass, and so it would not drive capitalist production to stop pressing ceaselessly against its limits.

"The rate of profit, i.e., the relative increment of capital, is above all important to all new offshoots of capital seeking to find an independent place for themselves. As soon as formation of capital were to fall into the hands of a few established big capitals, for which the mass of profit compensates for the falling rate of profit, the vital flame of production would be altogether extinguished. It would die out. The rate of profit is the motive power of capitalist production. Things are produced only so long as they can be produced with a profit." (Marx, Capital Volume III, Collected Works Vol. 37, p. 258)

In brief, Grossmann's aim is to show how, leaving aside counter tendencies, accumulation would lead to the collapse of capitalist production. In fact, the task Grossmann proposed was to show that the process of capitalist reproduction moves through the downswings and upswings that periodically occurred and which would lead finally to the collapse of the capitalist system.

Before continuing with the matter, if it is the right place, we should note that we ourselves have not been completely clear on the question. In certain numbers of CouC (cf. no. 8, p. 18, here Chapter 2) cyclical crises are presented as the prelude to the catastrophic crisis. In fact, for Marx, the crisis by its very nature is catastrophic, that is, society, for social reasons in line with capitalist production, would be devastated, as it would have been by a natural catastrophe, such as an earthquake or a flood. Just like in natural catastrophes, the crises of capitalist production would create phenomena, such as commodities remaining unsold and falling drastically in price, factories shutting down and means of production lying unused while at the same time the unemployed workforce would grow. Everything is reproduced (the analogy has its limits: we can add to the examples above, the violent devalorizations required to save the capitalist mode of production from suffocating from overproduction), but for motives inherent in the capitalist mode of production during the crises that periodically shake it. Capitalist production encounters catastrophic crises at regular intervals. These crises strike on an ever-greater scale as capitalist production develops and expands.



“The growing discordance between the productive development of society and the relations of production hitherto characteristic of it, is expressed in acute contradictions, crises, convulsions. The violent destruction of capital as the condition for its self-preservation, and not because of external circumstances, is the most striking form in which it is **advised to be gone and to give room to a higher state of social production.** (...) **Hence the highest development of productive power together with the greatest expansion of existing wealth will coincide with depreciation of capital, degradation of the labourer, and the most straightened exhaustion of his vital powers.**”

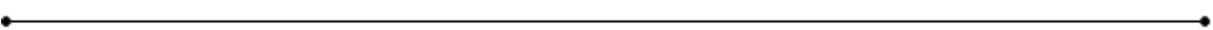
“The contradictions lead to explosions, cataclysms, crises, in which, by momentaneous suspension of labour and annihilation of a great portion of capital, the latter is violently reduced to the point where it can go on fully employing its productive powers without committing suicide. Yet, these regularly recurring catastrophes lead to their repetition on a higher scale, and finally to its violent overthrow.” (Marx, Grundrisse, Collected Works Vol. 29, p. 134)

Marx therefore did not think that there was a crisis leading to an irreversible collapse of capital allowing socialism to arise like a ripe apple falling from the tree. The opportunist Social Democratic conception of anarchic, uncontrolled capitalism leaving its place to a planned state, dumping bourgeois society, is substituted by Grossmann with the perspective of the collapse of bourgeois society leaving the road open to socialism with the retreat of capitalism finally cut off. In both cases, there is the negation of the historical dialectic, of the revolutionary role of the proletariat in the overcoming of bourgeois society, which, without such an intervention, could continue on its catastrophic course at the cost of devastating crises. The most extreme perspective is the disappearance of mankind, the destruction of today's antagonisms between capital and proletariat may be awaited, and not the greater collapse from which socialism will inevitably emerge. Such conceptions underestimate the revolutionary role of the proletariat and of revolutionary action in the transformation of society. They lead to passivity and fatalism, to sectarian withdrawal by weakening the responsibility of the communist party and revolutionary political action and the role of preparation for a violent struggle between classes, of determination, of audacity needed to free humanity from class society. There are few moments or short periods in history when the revolutionary road has been followed. It is vital to know how to grasp them and realize these experiences that will only end with the decisive alternative: “Communism or the destruction of mankind”.

17.3 The presuppositions of Grossmann's theories

Grossmann bases his work on Otto Bauer's schemes to defend his conceptions in the attempt to refute Luxemburg. The same schemes were used by Bauer to go on about population theories that stood miles away from scientific socialism. Grossmann cleverly avoided these theories. However, Bauer's schemes are in themselves, unlike what Grossmann says, in complete contradiction with the perspectives Marx defends in Capital Volume II. Even if Marx's schemes have their faults, but less than is said and not always where some suppose they are to be found, Bauer's schemes do not inch forward one jot towards solving the problem. Quite the contrary, they are the image of Bauer's theory, a negation of communist theory.

Grossmann nevertheless sees in them no less than five advantages over the theories of Marx. We shall come back later to discussing the bases of Grossmann's sharp practice during the return to the schemes of reproduction. Here we shall just resume Grossmann's argument.



Bauer's schemes, if we leave aside his theory of population and some errors, such as posing the rate of surplus value as constant alongside a rising organic composition, did not have, for Grossmann, the defects of Marx's schemes as Luxemburg had criticized them. Above all:

- Technical progress is accounted for in the form of the growth of the organic composition of capital;
- The rules for accumulation are fixed and clear in the two departments; constant capital grows twice as fast as variable capital: constant capital grows at the rate of 10% annually and variable capital at 5% annually;
- A growing share of surplus value is used in accumulation;
- Accumulation in the two departments takes place in a proportional way, therefore without creating the disequilibria shown by Luxemburg;
- The rate of profit falls in line with Marx's law of the tendency of the rate of profit to fall.

Grossmann starts out from Bauer's work and proposes that he will indicate the general tendencies of capitalist accumulation. To do this, he proposes as the starting point of his analysis the most favourable case that can be imagined for capitalist production, that is an accumulation produced based on a dynamic equilibrium, just like the one described in Bauer's scheme.

"If the rate of accumulation grows in a proportional relation with the rise in population, then capitalism can develop without limit the productive forces and the production system with them. Consequently, capitalism would not collapse due to the objective impossibility of unlimited accumulation of capital, but would be destroyed by the political struggle of the masses through action on a trade union and political level, as they are always more educated for socialism."

"If the abovementioned proportion is maintained, then there is no objective limit, no economic final moment for capitalism when capitalist production would collapse." (Grossmann, *Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, p. 108)

Clearly, underlying these worries we find the dilemma between the material bases of the revolution and the subjective action of the proletariat, a question that is always posed badly and never resolved. There is a simultaneous undervaluation or overvaluation of material factors and an undervaluation or overvaluation of subjective factors. The dialectical and revolutionary conception shows that crises give rise to a polarization of antagonism, which is not a crisis without a solution for capitalist production, from an absolute point from which any solution is blocked by the capitalist class, but of relative points, deep crises that have a way out, unless they lead to revolutionary intervention which could draw on the crises whose base is increasingly extended and whose intensity is continuously rising, in a given historical period.

Catastrophic perspectives for the capitalist course, in order to be a determinant factor, must not let the proletariat believe that socialism will come about without any further action. On the contrary, revolutionary theory has always insisted on the need for revolutionary preparation of the proletariat, on the vital need to forge an unshakeable will, to meet the challenge of audacity and initiative, of strategic sense and sharp tactics, to have military preparation of the highest level; all factors which imply that the general principles of communism are evermore part and parcel of the spirit of the proletariat. Revolutionary experience only goes to show the importance of the subjective factor of the proletariat and the action on itself, as Trotsky described so well: "It is easier to theorize about a revolution afterward than absorb it into your flesh and blood before

it takes place. The approach of an insurrection has inevitably produced, and always will produce, crisis in the insurrectionary parties. This is demonstrated by the experience of the most tempered and revolutionary party that history has up to this time known.” (...)

“The high temper of the Bolshevik party expressed itself not in an absence of disagreements, waverings, and even quakings, but in the fact that in the most difficult circumstances it gathered itself in good season by means of inner crises, and made good its opportunity to interfere decisively in the course of events⁸⁷. That means that the party as a whole was a quite adequate instrument of revolution. (...) Bolshevism created the type of the authentic revolutionist, who subordinates to historic goals irreconcilable with contemporary society the conditions of his personal existence, his ideas, his moral judgements. The necessary distance from bourgeois ideology was kept up in the party by a vigilant irreconcilability, whose inspirer was Lenin. Lenin never tired of working with his lancet, cutting off those bonds which a petty bourgeois environment creates between the party and official social opinion. At the same time Lenin taught the party to create its own social opinion, resting upon the thoughts and feelings of the rising social class. This by a process of selection and education – and in continual struggle – the Bolshevik party created not only a political but a moral medium of its own, independent of bourgeois social opinion and implacably opposed to it. Only this permitted the Bolsheviks to overcome the wavering in their own ranks and reveal in action that courageous determination without which the October victory would have been impossible.” (Trotsky, *The History of the Russian Revolution*, Volume 3, Chapter 42, “Lenin Summons to Insurrection”)

17.4 Accumulation and consumption of surplus value

Grossmann imagines that the goal of the capitalist class is to increase its consumption. If the capitalist class sees in the scheme the relative decrease of its share of surplus value, it grows less up to a certain point in absolute terms and Grossmann exclaims:

“The share of surplus value destined for the individual consumption of capitalists (k) represents an increasingly smaller percentage of surplus value – it falls from 75% in the first year to 72.02% in the fourth year, however, increasing in absolute terms despite accumulation increasing year by year, thus it establishes the goal and motive of the increase in production by the capitalists.” (Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, p. 109)

For Marx, instead, the capitalist class has the function of accumulation. It is fixed to this task just as the proletariat is stuck to producing surplus value. If the psychology of the capitalist class changes when capitalist production is established and dominant, and if necessarily when classes differentiate, they must still affirm its existence by its mode of consumption, the justification for accumulation having nothing to do with the growth of consumption of the capitalist class. Accumulation is part of the concept of capital, value seeking valorization, burgeoning money that tends to increase by the amount that is obtained through the extortion of extra value, surplus value. This beggarly understanding of capitalist accumulation is a foretaste of other theoretical catastrophes when everything that resembles a Marxist analysis is thrown overboard to be lost body and soul.

⁸⁷ From this point of view, a certain conception of the “monolithic” party, inherited from a hasty assimilation of the positions of the Italian Left, has nothing to do with the revolutionary dialectic.

17.5 Grossmann and Bauer's scheme

Let us take a quick look at the general scheme:

Year	c	v	k	a_c	a_v	AV	$k/s\%$	$a/s\%$	$Rp\%$
1	200,000	100,000	75,000	20,000	5,000	400,000	75	25	33.3
2	220,000	105,000	77,750	22,000	5,250	430,000	74.05	25.95	32.6
3	242,000	110,250	80,539	24,200	5,511	462,500	73.04	26.96	31.3
4	266,000	115,762	83,374	26,600	5,788	497,524	72.02	27.98	30.3
5	292,600	121,550	86,213	29,260	6,077	535,700	70.93	29.07	29.3
6	321,860	127,627	89,060	32,186	6,381	577,114	69.7	30.3	28.4
10	471,234	155,130	100,251	47,123	7,756	781,494	64.63	35.37	24.7
20	1,222,252	252,691	117,832	122,225	12,634	1,727,634	46.63	53.37	17.1
21	1,344,477	265,325	117,612	134,447	13,266	1,875,127	44.33	55.67	16.4
25	1,968,446	322,503	109,534	196,844	16,125	2,613,452	33.96	66.04	14
30	3,170,200	411,602	73,822	317,200	20,580	3,993,404	17.97	82.03	11.5
34	4,641,489	500,304	11,141	464,148	25,015	5,642,097	0.45	99.55	9.7
35	5,105,637	525,319	Ø	510,563	14,756*	6,156,275	Ø	104!	9.3
36	a) Capital available: 5,616,200 b) Capital in operation: 5,499,015* c) surplus capital: 117,185	a) Current population: 551,584 b) active population: 540,075 c) reserve army: 11,509	Ø	Required 561,620 Deficit 21,545 540,075	Required: 26,265 Deficit 11,509 Ø Required: 27,003 Deficit 27,003	6,696,360	Ø	109.35%(!)	8.70%

* $5,616,200 : 551,584 = 5,499,015 : 540,075$

Where:

c = constant capital

v = variable capital

k = capitalists' consumption (personal)

a_c = accumulated as constant capital

a_v = accumulated as variable capital

AV = value of annual product

k/s = % of surplus value consumed

a/s = % of surplus value accumulated

Rp = rate of profit

Adapted from Grossmann *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, pp. 101 and 119, English translation pp. 68 and 75 - last column omitted.

Constant capital grows at 10% and variable capital at 5%. This growth is due to the accumulation of surplus value. Exchange between the two departments of social production and their relative composition can be left aside here, along with their aberrations, even though they play a major role in Bauer's considerations.

The immediate consequences of the scheme are therefore as follows: the rate of surplus value being constant, surplus value grows in proportion to variable capital. On the other hand, constant capital increases more rapidly, even though the general rate of profit falls while the share of surplus value accumulated in total surplus value grows. In other words, the rate of accumulation, that part of the surplus value accumulated in relation to total surplus value, increases. The evident counterpoint is that the share of surplus value going to the consumption of the capitalists decreases.

Bauer drew up his schemes for a four-year period. Grossmann continued with the tendencies sketched out by Bauer with the calculation over 35 years, when accumulation becomes impossible. What should have been an extra argument to show the invalidity of Bauer's scheme becomes a

schematic presentation of the course of capitalist production. Instead of demonstrating the lack of coherence of Bauer's scheme, Grossmann imagines he has found the *nec plus ultra* of the schematic expression of the crisis of the capitalist mode of production.

17.6 Grossmann as the nth avatar of vulgar political economy

So, what crisis? In any event, it is the exact opposite of the crisis foreseen and described by the communist programme. We shall see in detail that, on the contrary, it fits in with the conceptions of the most vulgar bourgeois economists from the school of J.B. Say who considered that crises could only result from disproportions between various branches of the economy. We have frequently said that if bourgeois political economy splits into two tendencies, one disproportionalist, whose main representatives were originally Ricardo and Say, and the other underconsumptionist, with Sismondi and Malthus, this split reappeared in reformist and Marxism. This split represented the unavoidable antinomies of economic thought characteristic of the capitalist mode of production. Just as capitalist ideology has penetrated the revolutionary movement, it is no surprise to see our enemy brothers debate over the same contradictions, in one corner the ICC the inheritor of the underconsumptionist tradition, in the other corner the ICT following the line of disproportionalist theories.

17.7 Rate of profit and rate of accumulation

So, what happens in the long-term in the Bauer-Grossmann scheme?

Since the increase of constant capital is faster than that of surplus value, the share of constant capital accumulated increases, even if the share of surplus value for individual consumption by the capitalist class falls by the same proportion. After about twenty years, the consumption of the capitalist class begins to fall in absolute terms and around the thirty-fifth year, surplus value becomes insufficient to finance accumulation. By making the accumulation depend on the mass of existing capital, and not on surplus value, which is the first absurdity, we come to the result we have just described, which Grossmann calls "overproduction". Up to this point, then, there has been neither a fall back, nor even a slowing down in production. On the contrary, while the rate of profit regularly falls, the value of production increases ever more. As far as regards what bourgeois economists call the GDP (variable capital + surplus value + fixed capital), it remains unchanged when it is calculated as pro capita GDP. It increases overall at the same rate as the labour force, that is at 5% (as fixed capital is not included in the scheme). If we take into account fixed capital, whose rate of increase should at least be equal to that of overall constant capital, we can note that pro capita GDP also grows while the rate of profit falls.

It is useless to say that all this systematically diverges from revolutionary theory. In order to dress in the clothes of orthodoxy, Grossmann is led, good prophet of Stalinism that he is, to tell lies, which speak reams about his supposed intellectual probity. It is, for example, difficult to deny the contradictory relationships between the fall in the rate of profit and the rise in the rate of accumulation. Grossmann's theory states that the less capital makes a profit from accumulation, the more it accumulates, (relatively speaking).

"Accumulation, *despite the fall in the rate of profit, increases at an always increasing tempo*, given that the volume of accumulation does not increase in proportion to the level of the rate of profit, but in relation to the potential held by the capital already accumulated." (Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, pp. 118-119; English ed. pp. 74-75)

In the same order of ideas, Grossmann had already hastened to present as immense scientific progress the fact that Bauer's schemes implied that a growing share of surplus value went to accumulation.

To back this, Grossmann quoted Marx: "A fall in the rate of profit and accelerated accumulation are different expressions of the same process", and he tries to use such phrases to justify his analysis. Nevertheless, if we bother to read the full passage, Marx adds:

"A fall in the rate of profit and accelerated accumulation are different expressions of the same process only in as far as both reflect the development of the productive power. Accumulation, in turn, hastens the fall of the rate of profit, inasmuch as it implies concentration of labour on a large scale, and thus a higher composition of capital. On the other hand, a fall in the rate of profit again hastens the concentration of capital and its centralization through expropriation of minor capitalists, the few direct producers who still have anything left to be expropriated. This accelerates accumulation with regard to mass, although the rate of accumulation falls with the rate of profit." (Marx, Capital Volume III, Collected Works Vol. 37, p. 240)

So, far from changing differently from the rate of profit, the rate of accumulation, that is the share of accumulated surplus value, tends to conform to it. Grossmann is found out telling lies *in flagrante delicto*. Not only does he ignore the real position of Marx on the matter, which is quite the contrary of his pseudo theories, but he also changes quotations to make them say the opposite of what they mean. This is a good teacher for the "revolutionary milieu" where, instead of defending the positions of revolutionary communism, they know perfectly well how to manipulate quotations. Grossmann and Mattick, as we shall see, are rank amateurs in comparison with the ICC and the ICT.

We hold that the rate of accumulation of surplus value has the tendency to fall with the fall in the rate of profit and not to increase, as Grossmann supposes. Since the rate of profit is the motor force of capitalist production, it is logical that the rate of accumulation, meaning above all the seeking after profits by new capital, goes hand in hand with changes in the rate of profit.

17.8 Overaccumulation and the tendency of the rate of profit to fall

The tendency of the rate of profit to fall can only be fully explained if it is linked to the process of capital valorization-devalorization, that is, the process of the development of labour productivity in the framework of the capitalist mode of production. Capitalism has a single goal which is clearly outlined: the production of maximum surplus value. Labour productivity must be increased to do so, that is to produce a maximum surplus value. The increase in productivity and the accompanying devalorization of capital come to contradict the limited aims of capital, its maximum valorization and the seeking after the maximum surplus value. In order to valorize, capital must therefore devalorize and so doing expand the mass of commodities. This induces the productive forces to increase. Every so often, the contradiction between the increase in the productive forces that seems limitless, and the relations of production resting on a limited historical base break out and are resolved by crises whose potential is all the greater the greater the level achieved by capitalist production.

The rate of profit falls drastically, surplus value tends to drop relative to advanced capital and the crisis of overproduction breaks out when there is a downturn in the increase of labour productivity. The money cycle halts and there is no longer a transformation into capital, while commodity capital is no longer realized in money. Accumulation can only restart after a drastic purge by a massive devalorization of capital, which is no longer the result of the increase in labour productivity, but of

the drastic fall in prices and the destruction of a part of existing capital. This rapid fall in the rate of profit taking place during the crisis is to be distinguished from the tendency of the rate of profit to fall accompanying accumulation and which is present in capitalist production from one cycle to the next.

We have just made a brief description of the crisis of overaccumulation which appears and marks the result of a cycle in a catastrophic crisis which threatens the whole of social capital and threatens society all the more the mode of production has developed. The only possible consequences of the process of valorization-devalorization of capital facing the growing threats that it implies for capitalist production relations lies in limiting accumulation and its disastrous effects. From this point of view, the fall in the rate of accumulation, and thus the consumption of an increasing share of the surplus value (meaning the creation of a middle class with the economic function of consuming surplus value and consequently ensuring the stability of capitalist production), and the fall in the rate of profit too, is imposed on the capitalist class in order to slow down the engine which, if left to itself would run out of control. So, on the one hand capitalist production means accumulation with no ifs and buts, the unhindered search after the maximum surplus value, with the maximum valorization of capital, and the increase of labour productivity as if there were no limit. On the other hand, given its limited goals, capital places barriers on itself which it tends constantly to overcome, contradictions that can only be resolved by catastrophic crises that it tries to put off. In the same way, it recognizes its historical limits, as witnessed by the tendency of the rate of profit to fall.

“The contradiction, to put it in a very general way, consists in that the capitalist mode of production involves a tendency towards absolute development of the productive forces, regardless of the value and the surplus value that it contains, and regardless of the social conditions under which capitalist production takes place; while, on the other hand, its aim is to preserve the value of the existing capital and promote its valorization to the highest limit (i.e., to promote an ever more rapid growth of this value). The specific feature about it is that it uses the existing value of capital as a means of increasing this value to the utmost. The methods by which it accomplishes this include the fall in the rate of profit, depreciation of existing capital, and development of the productive forces of labour at the expense of already created productive forces.

The periodical depreciation of existing capital – one of the means immanent in capitalist production to check the fall of the rate of profit and hasten accumulation of capital value through formation of new capital – disturbs the given conditions, within which the process of circulation and reproduction of capital takes place, and is therefore accomplished by sudden stoppages and crises in the production process.

The decrease in variable in relation to constant capital, which goes hand in hand with the development of the productive forces, stimulates the growth of the labouring population, while continually creating an artificial overpopulation. The accumulation of capital in terms of value is slowed down by the falling rate of profit, to hasten still more the accumulation of use values, while this, in turn, adds new momentum to accumulation in terms of value.

Capitalist production seeks continually to overcome these immanent barriers, but overcomes them only by means which again place these barriers in its way and on a more formidable scale.

The *real barrier* of capitalist production is *capital itself*. It is that capital and its valorization appear as the starting and the closing point, the motive and the purpose of production; that production is only production for *capital* and not vice-versa, the means of production are not mere means for a constant expansion of the living process of the *society* of producers. The limits within which the

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preservation and valorization of capital resting on the expropriation and pauperization of the great mass of producers can alone move – these limits come continually into conflict with the methods of production employed by capital for its purposes, which drives towards unlimited extension of production, towards production as an end in itself, towards unconditional development of the social productivity of labour. The means – unconditional development of the productive forces of society – come into conflict with the limited purpose, the valorization of the existing capital. The capitalist mode of production is, for this reason, a historical means of developing the material forces of production and creating an appropriate world market and is, at the same time, a continual conflict between this its historical task and its corresponding social relations of production.” (Marx, Capital Volume III, Collected Works Vol. 37, pp. 248-249)

Here Marx shows that the fall in the rate of profit, just like the acceleration of accumulation, are only two different expressions of the same process, the increase in labour productivity.

The cycle of capitalist accumulation follows the rhythm of crises of overaccumulation, which are characterized by a downturn of labour productivity. The outcome of these crises increasingly threatens bourgeois society and, for a given historical period, a rapid devalorization of capital is required to restart on the basis of a new composition of capital and for the rate of profit to rise for a new cycle in which, tendentially (that is if there are no countertendencies in operation), the average rate of profit will be lower than the average rate of profit in the previous cycle. Therefore, the rate of profit tends to fall from one cycle of accumulation to the next with a rapid fall in the rate of profit at the end of the cycle, which is characteristic of a crisis of overaccumulation of capital.

From one crisis to the next: the rate of profit not only can increase but does increase in line with the aims followed by capital in the seeking after the maximum surplus value.

These theoretical elements cannot be taken out of their historical context of the phase of the real submission of labour to capital, if a coherent argument is to be made. So, since the Second World War we have seen one of the greatest periods in history opening up for capitalism. It has seen the highest average growth rates with an enormous increase in surplus value, both in rate and in mass, due to the multiplication of the population submitted to wage labour.

The recent period has seen a particularly rapid increase in the world's population, doubling in under 40 years and doubling again in the next forty years, this being the greatest demographic revolution since the Neolithic Age. Contrary to what the legend of the “thirty golden years” states, the period 1945-1975 was marked by crises approximately every six years, which generally did not have major consequences. Nevertheless, the rate of growth, which still is a good indicator of the contradictory increase in labour productivity, tended to fall, from one cycle to the next. Furthermore, since 1975 there have been larger scale crises. The final perspective of capitalist production can only be the scenario of a new world holocaust which will threaten the very survival of mankind.

17.9 Grossmann and Mattick, epigones of Ricardo

You do not need to be a genius to see that the communist perspective stands miles apart from that of Grossmann. He does not have any idea about the fall in the rate of accumulation, and he sees no need to create, for example, a middle class which consumes an increasing share of surplus value. The contradictory effects of the increase in labour productivity are not taken into account, even though they are indispensable for the understanding of the meaning of the fall in the rate of profit. Grossmann does not even mention all that: accumulation is accompanied by a regular fall in the rate of profit which can continue into the mists of time as long as the pseudo requirements of

constant capital do not exceed, at a specific moment, total surplus value. There is no contradiction in Grossmann between the production and the realization of capital, as shown by a crisis. The need for capital to realize the value advanced along with the surplus value by selling the commodities for money meets indifference in Grossmann's conception. In Marx, the drastic fall in labour productivity and the fall in the rate of profit show the end to the capitalist cycle. As capital ceases in its movement, the contradiction explodes on the level of circulation when the commodity has to be realized in money and when, in as much when dealing with the level of total capital, money must be converted into capital. This fundamental aspect of revolutionary theory, which clearly divides it from Ricardian theories, is completely ignored by Grossmann, and even opposed (cf. Mattick). The Grossmann—Mattick theory is therefore only an updated version of Ricardo's theory of the fall in the rate of profit.

In Ricardo, the rate of agricultural profit determined that in industry. Real wages represented by a certain quantity of corn remain constant. Capitalist farmers pay rent to landowners and obtain a profit by farming the land. Population pressure requires lower quality land to be taken into cultivation. A rise in the value of labour power follows and therefore a fall in surplus value, as differential rent increases and reduces profit by the same amount. At a given moment, the rate of profit, crushed between the hammer of wages and the anvil of rent, falls to a level which discourages accumulation.

"I have already said, that long before this state of prices was become permanent, there would be no motive for accumulation; for no one accumulates but with a view to make his accumulation productive, and it is only when so employed that it operates on profits. Without a motive there could be no accumulation, and consequently such a state of prices never could take place. The farmer and the manufacturer can no more live without profit, than the labourer without wages. Their motive for accumulation will diminish with every diminution of profit, and will cease altogether when their profits are so low as not to afford them an adequate compensation for their trouble, and the risk which they must necessarily encounter in employing their capital productively." (Ricardo, *On the Principles of Political Economy and Taxation*, Chapter 6: "On Profits")

If the causes of the stop to accumulation are different (in Ricardo's case, surplus value falls due to the rise in wages and profit is eaten up by rent, while in Grossmann it is the rise in the organic composition, presented from the viewpoint of the accumulation of capital, progressively exceeding the mass of surplus value created) the conceptions run parallel. So, it should be no surprise that we find Ricardo again among the supporters of the so-called Say's Law, "the law of markets" who only accept disproportions as the cause of crises and thereby deny any perspective of a general crisis.

17.10 An imaginary disproportion

What would happen if accumulation was slowed to just 5% after constant capital was made to grow 10% the year before? Accumulation could continue in this case. Accumulation is only (leaving aside renewed constant capital) the accumulation of surplus value and is not directly related to the constant capital already accumulated. We cannot see how the slowing of accumulation would lead to a crisis of overproduction. If a house requires repairs to the front, new wallpaper and carpets and refurbishing the bathroom, these can all be done at the same time, if enough money is coming in. However, if there is not enough money (leaving aside credit) some work will be put off. The situation will not be the best, but the fact that potential needs have not been completely met is rather unimportant. If a capitalist thinks that it is best to buy 10 new machines, but can only afford 5, that does not automatically mean that his company is in a state of crisis, but that investment,

accumulation, is limited by the profit it makes. From the point of view of total capital, we find the same constraint, but it is in no way the sign of a crisis. Accumulation slows, the labour power used grows more slowly and overpopulation can therefore increase, but this is not a scientific definition of a crisis of overaccumulation.

The “crisis” that Grossman conjures up is purely invented. In as much as it contains a grain of truth, it immediately finds a solution to it in a slowing of accumulation, in a fall in the rate of accumulation. As to its nature, it is a case of crises recognized by vulgar economists. Grossmann’s conception takes no account of the unsurmountable contradiction between commodity and money. The “crisis” only affects a part of the surplus value. It can be assimilated to a disproportion (lack of capital and existing surplus value in relation to a higher and imaginary need for accumulation). An imaginary excess on one hand, phantasy of an insufficiency on the other; a partial crisis affecting a small part of surplus value and therefore no general catastrophic crisis affecting total capital, no contradiction between the production and the realization of value and surplus value in the definition of the crisis, here we have a nuanced full-scale Ricardianism where Grossmann has inserted a disproportion, new to the history of crises: the imaginary disproportion. What is not at all imaginary on the other hand, is the existence of imbeciles who wish to base a revolutionary movement on conceptions closer to primary school sums than science.

17.11 Henryk Grossmann overturns scientific socialism

Grossmann continues with his misunderstanding of the bases of capitalist accumulation by stating that starting in the 35th year any new accumulation of capital, in the framework of the hypotheses used, would make no further sense for the capitalist class as the gains of the production system would go exclusively to the working class. Grossmann does not understand the function of the capitalist class as regards accumulation. A system of capitalist accumulation does not imply a capitalist class, or more precisely when it represented no cost, it would not mean the end to the capitalist mode of production, but instead the realization of one of its tendencies. We would have the “purest” of cases where capital comes face to face with the proletariat, extorts the maximum surplus value from it to be accumulated completely for the endless search for surplus value with the perspective of an ever-greater surplus value, which, far from slaking its thirst, merely creates an ever more unquenchable one.

By starting from such a vulgar theory of crises and such a poor representation of accumulation, Grossmann not surprisingly piles up theoretical catastrophes. Every attempt to add Marx’s concepts by mutilating them creates a theoretical monster that draws ever further away from any revolutionary perspective.

Grossmann, who is less innocent than he pretends to be, has well understood that his conceptions are in contradiction to Marx’s point of view. If, at first, he denies the evidence by quoting out of context, he then goes for rewriting the texts himself, starting from the most fantastic conjectures where we find a mix of Engels, Professor Samuel Moore, a friend of Marx and Engels, and the unpublished manuscripts of Marx. Grossmann finds he has to justify why no one before him had so well “reconstructed” the theory of the fall in the rate of profit. Why, in this case, why had what appeared clear as crystal to Grossmann been left undiscovered by the communist movement? The simplest reply is that Grossmann’s “theory” is a jumble that has a little to do with Marx’s theory as fish and chips has to caviar and canapé. But Grossmann has to explain why he thought of scaling the heights of science and being able to contemplate for the first time ever the abyss into which capitalist production threatened to collapse. Instead, apart from the delay and the adverse conditions under which Capital Volume III could be published, Marx was too far ahead and posed problems



humanity could not resolve. This is where our two enemy friends ICC and ICT find common ground. Poor Marx worked for the future, as socialism was not possible at his time. Since capitalist production was insufficiently developed, the problem of recognizing its collapse could not be fully posed and we had to await Grossmann to have full clarification.

“The question of the collapse of capitalist was considered in a genial way in all Marx’s major works, but it had to remain not understood. Capitalism had not reached such a level of maturity for the question of the collapse for the problem of the realization of socialism to become an immediate reality. Marx was so far ahead of his times that quite justifiably parts of his work remained not understood when making reference to it, and this forms for the materialist conception of history a fresh confirmation for the life work of Marx himself.” (Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, p. 194)

Apart from the type of statement that show as far as materialism is concerned, Grossmann’s is purely bourgeois, and jumps to cranky explanations which clearly show that he and associated defenders have understood nothing about the fall in the rate of profit and serve up the nth Ricardian rehash.

17.12 Grossmann and the absolute limit to the fall in the rate of profit

Grossmann poses the problem of the fall in the rate of profit as follows: Why can the fall in the rate of profit cause a crisis due to the fact that it falls from 9.7% to 9.3%?

“How can a percentage relation, like the rate of profit, a pure number, produce the collapse of a real system! It is as if the boiler of a machine could explode because the finger on the pressure gauge moved higher! Why does the capitalist class have to worry about the fall in the rate of profit if the mass of profit is increasing? The growing mass of profit is expressed in an always smaller fraction as the rate of profits tends to fall to zero, as the lowest point in a mathematical sense, without ever being able to reach it. But despite this, the capitalist and the capitalist system could hold their position. We really see in Table II that the capitalist system can exist even with a fall in the rate of profit and that the final collapse in the 35th year in itself has nothing to do with the fall in the rate of profit. It does not allow us to understand why the system can get by with a rate of profit of 9.7% in the 34th year while the following year it collapses with a rate of profit at 9.3%. The problem can be explained if we consider the collapse in the light not of the rate of profit, but of the mass of profit.” (Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, pp. 196-197)

The reserves mentioned by Grossmann fall in line with Tugan-Baranovsky and again we find a community of thought of the ICT and the ICC since the latter too does not see why the fact that the rate of profit falls from 100% to 10% and then to 1% would cause a crisis. For the ICC they form decisive arguments against the fall in the rate of profit. For Grossmann that would lead to theoretical variations of this type which would require a rewriting of Marx. While at the beginning Grossmann’s theory was presented as a restoration of Marx’s theory, as the discourse becomes more specific and he has to overcome always more evident contradictions between his and Marx’s theory, he is forced to abandon the theory of the fall in the rate of profit after having presented a caricature of it. Before looking at Grossmann’s rewriting, we have to consider all the stupidity of the presentation of the fall in the rate of profit where, as good apostles of Ricardo, they imagined there was an absolute point starting from which capitalism would collapse, or, more precisely, could not go on because, even if reduced to so little, there was no space for the slightest crisis in capitalist production. This absolute point, seeing that it does not exist in the fall of the rate of profit as it is

caricatured in this case, means that some deduce that Marx's theory is of no value (the case of the ICC) and others (like Grossmann) that it must be corrected by introducing the mass of profit as the determining criterion. As we have recalled, both the former and the latter ignore all the contradictions between commodity and money, which alone can explain that the crisis is possible due to the fact that the production and the realization of value and surplus value are not identical. This explains why the crisis breaks out in the sphere of circulation, on the level of banks and the wholesale trade.

“The creation of this surplus value makes up the direct process of production, which, as we have said, has no other limits but those mentioned above. As soon as all the surplus labour it was possible to squeeze out has been objectified in commodities, surplus value has been produced. But this production of surplus value completes but the first act of the capitalist process of production – the direct production process. Capital has absorbed so and so much unpaid labour. With the development of the process, which expresses itself in a drop in the rate of profit, the mass of surplus value so produced swells to immense dimensions. Now comes the second act of the process. The entire mass of the commodities, i.e., the total product, including the portion which replaces the constant and variable capital, and that representing surplus value, must be sold. If this is not done, or done only in part, or only at prices below the prices of production, the labourer had been indeed exploited, but his exploitation is not realized as such for the capitalist, and this can be bound up with a total or partial failure to realize the surplus value pressed out of him, indeed even with the partial or total loss of the capital. The conditions of direct exploitation, and those of realizing it, are not identical. They diverge not only in place and time, but also logically. The first are only limited by the productive power of society, the latter by the proportional relation of the various branches of production and the consumer power of society.” (Marx, Capital Volume III, Collected Works Vol. 37, pp. 242-243)

“In spite of its independent status, the movement of merchant's capital is never more than the movement of industrial capital within the sphere of circulation. But by virtue of its independent status it moves, within certain limits, independently of the bounds of the reproduction process and thereby even drives the latter beyond its bounds. This internal dependence and external independence push merchant's capital to a point where the internal connection is violently restored through a crisis.

Hence the phenomenon that crises do not come to the surface, do not break out, in the retail business first, which deals with direct consumption, but in the spheres of wholesale trade, and of banking, which places the money capital of society at the disposal of the former.” (Marx, Capital Volume 3, Collected Works Vol. 37, p. 303)

If the contradiction between production and realization creates the possibility of crisis, its necessity is to be found within the process of production in the creation of the contradiction valorization-devalorization. There is no need to find an absolute point corresponding to whatever may be the lowest level of the rate of profit. Crises break out when labour productivity suddenly declines and causes the rate of profit to fall. These crises require massive devalorization which together express the crisis and offers a solution. This crisis does not arrive, to take the example of the boiler, when there is a regular fall in pressure which at a certain point makes it stop working, but when pressure is high (seeking the maximum surplus value) a sudden fall off (sudden fall in the rate of profit, overaccumulation) stops the normal expulsion of excess steam (devalorization of capital due to the effect of the growth in labour productivity), which leads to a stop which must be removed radically by using ways different from the usual ones (major devalorization of capital, price cutting, destruction of capital etc.), and there follows an even greater crisis than when steam pressure is so



high that it increasingly threatens the safety of the boiler. When faced by such obstacles and their repeated appearance, one of the tendencies of capital would be to lower the pressure in the boiler (the tendency of the rate of profit to fall).

17.13 Grossmann rewrites *Capital*

Since Grossmann has understood nothing of this process, he seeks out an absolute point, which is a negation of any dialectic, of the tendential fall in the rate of profit. He assumes that he has found this point through the slanting of the mass of the rate of profit which is found to be insufficient at a certain moment (the 35th year in his scheme) to cover for the growing needs of capital accumulation. He underpins his divagations by firstly censuring Marx (cf. 17.7), then by having to rewrite him to let his theory take on an aura of orthodoxy.

“This circumstance was apparently the cause of the incomprehension of this fundamental aspect of the Marxist doctrine because in Chapter III in the first section of *Capital* Volume III, which deals with the relation between the rate of profit and the rate of surplus value, it is explained in “a series of uncompleted mathematical calculations”. Engels, who provides this note in the Preface, found himself obliged to seek the help of his friend Samuel Moore (“an old Cambridge mathematician”) to work out this part. But Moore was not an economist and, at the end of the day, the working out of these questions, even in a mathematical form, was a problem of economics. The form that the work took on publication made it credible to think that there were many opportunities to find misunderstandings and errors, just as the fact that the errors could consequently be easily passed on to the chapter on the tendency of the rate of profit to fall if only as a result of the common ground shared by the two intimately bound chapters.

The probability of error rises to an almost certainty when it is the matter of a word that unfortunately completely modifies the meaning of the presentation: the inevitable end of capitalism is attributed to the relative fall in the rate of profit, and not to the mass of profit. Here quite certainly Engels or Moore made a writing mistake!” (Grossmann, *Das Akkumulations- und der Zusammenbruchsgesetz des kapitalistischen Systems*, p. 195, for the quotes from Engels Preface to *Capital* Volume III, see p. 8 of *Collected Works* Vol. 37)

We can only appreciate the extremely prudent manner in which Grossmann empties his gall, how he makes way through insinuation to prepare his tricks and further rewritings. His poisonous backstabbing reputation finds full flow in a footnote which aims a death blow at Marx’s theory.

“The meaning of Marxist theory would greatly profit in terms of clarity if a correction was made in this way for which we can use the following well-known passages: “As the process of production and accumulation advances therefore, the mass of available and appropriated labour, and hence the absolute mass of profit appropriated by the social capital, *must* grow. Along with the volume, however, the same laws of production and accumulation increase also the value of the constant capital in a mounting progression more rapidly than that of the variable part of capital, invested as it is in living labour. Hence the same laws produce for the social capital a growing absolute mass of profit, and a falling rate of profit.” In the final words [“a falling rate of profit”], Engels or Marx made a mistake and should have said correctly “and at the same time a mass of profit which falls relatively”. Just from the construction of the sentence this correspondence appears logical. It can only refer to the mass of profit. The rate of profit does not fall relatively, but absolutely.” (Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, pp. 195-196, fn. 119). (The quote from *Capital* Vol. III is in *Collected Works* Vol. 37, p. 217)

Since Marx's point of view is crystal clear and confirms what he said elsewhere, Grossmann is shamelessly swindling with explanations pulled out of the magician's hat in an attempt to justify his theoretical innovations and puts them on Marx's account when the entire Marxist theory shouts out against such conceptions.

17.14 From the theory of collapse to the collapse of theory

17.14.1 On overpopulation

We have still to suffer Grossmann turpitude for a while longer. We also have to see how Grossmann tricks with his presentation of the collapse of capitalism. He performs a trick which allows him to accentuate the crisis and the fall in the rate of profit which, he believes, is the corollary of this theory. Moreover, it is only at the cost of this type of presentation that he can, even following his own point of view, speak in a low voice about devalorization.

In fact, when the disequilibrium arises, created in the mind, between the need for an imaginary accumulation and the mass of surplus value available to fulfil this need, Grossmann shifts the deficit now to labour power. He supposes (according to what logic? We shall never know!) that the accumulation of means of production moves ahead of that of labour power. Consequently, he artificially expands the reserve army, which he assumes, we will come to this later, forms on this occasion.

We have, from his point of view, in fact an imaginary need and a real mass of surplus value which do not correspond.

From now on, why is the disequilibrium found only in variable capital? Even if we accept the premises of Grossmann's thinking, why does the capitalist class, which is starving according to Grossmann and therefore suffers from diminished powers of thought, set to accumulating only constant capital without accumulating at the same time the variable capital required to put the former to work?

What kind of capitalist would purchase, for example, machines and raw material to carry out production and then realize that he could not pay the wages to employ workers?

As usual, Grossmann's conceptions are only constructions of the spirit, generally incoherent, and therefore he tries to hide their enormous faults with a lengthy "erudite" discourse where the most trivial argument is spun out until the reader drops off to sleep, hoping to make him forget the accumulated unrealities and convince him, by laxity, that all this jumble has some kind of relationship with Marx's theory.

Let's follow Grossmann's procedure. We find ourselves with the following configuration in the 34th year⁸⁸:

$$4,641,489c + 500,304v + 500,304s = 5,642,097$$

⁸⁸ This result is a rounding off for each period. In fact, in the 34th year constant capital stands at 200,000 X 1.1³³ = 4,645,030. Following the same reasoning, variable capital is 100,000 x 1.05³³ = 500,318. In this set up, the rate of surplus value consumed falls to 2.15% for 97.85% of accumulated surplus value.

The rate of profit $s/(c+v)$ stands at 9.7%. The part of surplus value consumed has fallen progressively to 2.2%, while the part of surplus value accumulated, the rate of accumulation, has risen to 97.8%.⁸⁹

As for the mass, surplus value is composed of 11,141 surplus value consumed and 489,163 surplus value accumulated. The latter is divided into 464,148 surplus value accumulated in the form of constant capital and 25,015 surplus value accumulated in the form of variable capital.

This accumulation brings the constant capital to 5,105,637 and variable capital to 525,319. The surplus value created is the same, that is 525,319. The next year, following Grossmann's logic, the "need for surplus value", taking into account the capital already accumulated will be 10% of constant capital already accumulated, 510,563 for constant capital and 26,265 for variable capital, as this increases only 5% annually. Such an accumulation can only be possible with a surplus value of at least $510,563 + 26,265$, that is 536,828. This is the minimum surplus value required because such a mass does not allow for any individual consumption by capitalists. But the surplus value available is 525,319. We have seen that, all things being equal, all that is required is a proportional reduction of accumulation to make the supposed disequilibrium disappear on its own, but Grossmann, unlike the capitalists, is not left without resources. Instead of reducing accumulation proportionally in line with the surplus value really available, he does it just for constant capital.

In the new phase of accumulation, the organic composition relative to surplus value accumulated, the marginal organic composition is $510,563/26,265$ that is 19.43. If we compare this organic composition to the surplus value, that is 525,319, we obtain the following division between constant capital and variable capital: $499,605_c + 25,714_v$. But Grossmann does not see things this way. He begins by employing a whole part of the surplus value to cover the demand for constant capital, that is 510,563. He detracts the accumulated constant capital from the existing surplus value, that is 525,319. This operation ($525,319 - 510,563$), leaving a surplus value of 14,756 which is used as variable capital. The Grossmann emerges victorious: there is a shortage of surplus value amounting to $26,265 - 14,756 = 11,509$ which, accumulated as variable capital, that would have allowed for an increase in the labour power used. Thus, an overpopulation appears due to the sudden slowdown in the variable capital accumulated.

17.14.2 On overproduction

The process for creating such a disequilibrium is, as we have seen, highly comical: it is as if the capitalists went on accumulating constant capital without a thought spent on the variable capital required to make it work.

But Grossmann has not ceased to stun us with his theoretical acrobatics which defy the laws not only of the dialectic but even of plain common sense. After having introduced the deficit of variable capital and the excess of constant capital, here he makes official, after overpopulation, the overproduction of capital, excess capital.

To be clear about this, Grossmann does not dare pull the strings he is playing with. He does not dare say that since there is a shortfall of 11,509 in variable capital, the excess capital, that is, the capital that cannot be put to work is worth 223,619, that is the constant capital that ought to put to work the 11,509 variable capital on the basis of the marginal organic composition (19.43)

⁸⁹ There is evidently an error in Grossmann's table.

Such a practice, which corresponds to Grossmann's logic, would be too gross and underhand, just like the all too obvious fallacious character of the reasoning.

With what may be called the taste for dissimulation that he often employs, Grossmann drowns the fish of unemployed additional variable capital in an ocean of the mass of total capital. Grossmann therefore calculates that the average organic composition for society overall in the 36th year would be about 10.18 ($5,616,200/551,584$) to apply this organic composition to the productive population employed, that is 540,075 ($525,319 + 14,756$) which gives a constant capital employed of 5,499,015 and an excess constant capital of 117,185 ($5,616,200 - 5,499,015$ or $11,509 \times 10.18$).

These are the subterfuges that Grossmann tries to use to indicate overproduction! After having created an artificial shortage in the labour force, he strives to show in the same way the constant capital that remains unused. After having created an imaginary disproportion as the basis of crises, Grossmann, an expert in arguing in circles, sets up another disproportion which ends up as an excess of constant capital on the one hand, and a shortage of variable capital, on the other.

We should note that from now on Grossmann only admits implicitly an overproduction of constant capital. What he calls excess capital regards only constant capital, since variable capital, according to him, is, on the contrary, insufficient. Yet again, all this has nothing to do with Marx because overaccumulation of capital for him concerned the whole of capital regardless of the constitutive elements, that is surplus value as well as constant capital or variable capital. For Marx, while money remained unused, unsold commodities piled up, machines laid idle and the labour force was out on the stones.

17.14.3 On devalorization

To conclude these operations, Grossmann introduced the concept of "devalorization" which in Marx means the fall in the value of capital and forms an essential concept in the understanding of crises of capitalist production. In Grossmann's theory, it is smuggled in as contraband.

If the situation described above becomes a persistent phenomenon, it would be the same as the decomposition of the capitalist mechanism, that is, its economic conclusion. Accumulation would not only be useless for the capitalist class, but would also be objectively impossible, given that the unproductive overaccumulated capital could not be set to work and would not create either valorization or whatever profit. There would be a sudden fall which would provoke a massive devalorization of capital.

Under which conditions could such a devalorization take place? What does it mean in such a case, in such a theoretical conception? Grossmann scarcely goes beyond the concept that is introduced fraudulently. Once his trick has been played, he changes the argument and leads the discussion in other directions.

17.15 The theory of overpopulation

Apart from the concept of devalorization, which Grossman cannot avoid as it is found in Marx's work, but which crops up here like a fly in the ointment, Grossmann is also obliged to completely revise the Marxist theory of overpopulation. In fact, overpopulation only emerges in the 35th year. One of the effects of accelerated accumulation of surplus value, despite the fall in the rate of profit, is that of variable capital. The idea that the rate of accumulation increases while the rate of profit falls was a fantasy that contradicts what Marx wrote on the subject. So now we come to a contradiction with another cardinal point of Marx's theory, the theory of relative overpopulation.



Grossmann, who, as we saw, could hide the first aspect by manipulating the citations cannot avoid the obstacle now. It does not matter. Grossmann sets out on a completely personal reconstruction of the theory of overpopulation.

“The freeing of workers, the rise of the industrial reserve army, which Marx speaks about in the chapter on accumulation, is not caused by (and this is not mentioned in works on the matter)⁹⁰ by the technical fact of the introduction of the machine, but by the insufficient surplus value in relation to accumulated capital [valorization - ed.] that appears in a certain advanced phase of accumulation. If clearly the cause of it has its origins entirely within the specific capitalist mode of production, the workers are not thrown out because they are replaced by machines, but because at a certain level of accumulation profits are too low and so this does not happen as the profit to buy enough new machines is insufficient” (Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, pp. 128-129, English edition pp. 88-89)

Grossmann therefore denies the whole conception of Marx of the formation of the industrial reserve army with the rise in the organic composition of capital, accepting only the overpopulation that arises during the crisis. We have again seen this his conception has no basis and that he exaggerated the growth of the excess population. Besides, the solution to his problem shows that only Marx's theory is valid. In fact, when the whole of surplus value is accumulated, so when surplus value is insufficient for the mass of surplus value to compensate for the effects of the rise in the organic composition of capital, we see the phenomenon of overpopulation, a phenomenon which not a synonym for crisis as Marx showed, but can perfectly well accompany and does accompany the accumulation of capital.

“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 productiveness of its labour, the greater is the industrial reserve army. The same causes which generate the expansive power of capital, develop also the labour power at its disposal. The relative mass of the industrial reserve army increases therefore with the potential energy of wealth.” (Marx, *Capital Volume 1*, *Collected Works* Vol. 35, p. 638)

Grossmann imagines that there is room to distinguish the displacement of the labour force due to the machine, a phenomenon which would hold true for all modes of production that knew this labour process, from the overpopulation which appears when surplus value would be insufficient. Only this overpopulation could be imputable to the capitalist mode of production and would be the essence of Marx's theory

Nothing could be further from the truth.

Marx's theory shows how labour productivity develops in a contradictory way in the capitalist mode of production. Even if the system based on the exploitation of wage labour has allowed for the development of the productive force of labour, this development comes into conflict with the limited goals that form capitalist production relations: the seeking after the maximum surplus value.

This contradictory development is expressed in the rise in the rate of surplus value, the rise in the organic composition, the growth of unproductive labour, the increase in fixed capital and the tendency of the rate of profit to fall. This tendential fall also means a growth in relative overpopulation. During phases of expansion, this overpopulation is all the more created as the

⁹⁰ And for a very good reason! (ed.)

organic composition rises and therefore the productive potential increases. At the same time, the accelerated growth of labour productivity provides the means to reabsorb this overpopulation with the acceleration of accumulation and the rise in surplus value dedicated to unproductive works. This contradictory movement transforms into a massive increase in the reserve army during crises and a matching, but slower, reabsorption after, since the rate of profit of each cycle tends to fall below that of the previous cycle.

So, it is not a question of two different aspects, but the same capitalist expression of the increase in the productivity of labour power.

In a communist society, the same increase would not cause unemployment, the increase in surplus labour and the rise of unproductive labour, but the shortening of the working day. The reduction of working time is one of the bases of the revolutionary policy of the proletariat.

17.16 Grossmann and the Industrial Cycle

Grossmann's theory, as we have already seen, is built on sand and is also just sand kicked into the eyes. He creates an artificial shortage of surplus value by linking the accumulation of capital to the volume of capital already accumulated, in particular to constant capital. He also notably introduced a contradiction in Marx's theory by claiming that the fall in the rate of profit and the rise in the rate of accumulation go hand in hand, while Marx stated the exact opposite. This is the start of a long calvary for Grossmann. The most glaring contradictions with the theory have to be erased and the others have to be explained by all means which leads Grossmann to perform the most pathetic theoretical acrobatics. While Grossmann does not hesitate to falsify Marx, to rewrite his work, neither does he hesitate to try to pour the quart of Marx's much greater theory, into the pint pot he has allowed, letting the part that does not fit spill over and leaving the rest to go to waste.

Grossmann could above all not dodge the fact that in Marx crises have a cyclical character. Marx spent his life seeking to determine and get thoroughly to the bases of them. The valorization of capital is something reversible for Grossmann. It is not the essence of a particular mode of production, that is, the capitalist mode of production, but an economic operation that can take on different meanings.

For Marx, it is the symbol of value reaching its autonomy, of value which seeks to cause the maximum growth of extra value, surplus value. This presupposes the existence of the free worker, the wage worker, who, by selling his labour power, alienates the capacity of this labour power to produce an extra value for the capitalist who personified capital. For Grossmann, the matter is much simpler or much more complex, as you wish. He imagines that when capitalism enters a crisis, a crisis established from his point of view (we have shown that they consist of imaginary crises), it was because it offered benefits to the workers while reducing the interest of the capitalist class to zero. In his example, Grossman reaches the conclusion that when his scheme unfolds, at a certain moment (for him in the 35th year), the consumption of the capitalist class falls to zero and therefore it no longer has any further interest in accumulation.

In this way, the mechanism of exploitation is pushed into the background in order to highlight the mechanism of distribution. If we represent the capitalist mode of production in its purest form, where capital-value exploits the proletariat without the slightest expenditure of surplus value to maintain the capitalist class, or without the capitalist class consuming surplus value, in brief, accepting that capital is faced only by productive wage labour and that capital consist only of industrial capital engaged in various spheres of production of surplus value, we would be in the conditions where capital seeks after the maximum surplus value, accumulation for accumulation's

sake expressed without any mediating factors, which, for Grossmann, would be the realization of socialism. The capitalist class does not exist, being reduced to the productive function of managing and organizing social labour, does not obtain any part of the surplus value, its only income being a salary. This boils down to saying that, for Grossmann, wage earners would benefit from the fruits of the system of production when exploitation is pushed to the greatest extent, the immanent tendency of capital, with the search for the maximum surplus value, accumulation for accumulation's sake, of extra supplementary value being realized. This is the fine conception that Grossmann imagines of the capitalist mode of production where the existence of autonomous value and wage labour could go hand in hand with the emancipation of labour, while communism implies the disappearance of both categories. While Marx's communism aims at a society without a state, classes or money, Grossmann's future society is wage slavery under state surveillance.

We have seen that for Grossmann the "crisis" would appear in the form of an imaginary disproportion or an imaginary overproduction of constant capital confronting an imaginary unemployed workforce.

Then Grossmann quotes Marx. In the quotation he uses, he trots out again (and this point of view is repeated in many other places) that overproduction involves the whole of social capital, that is just as much the means of production as the means of consumption, department I just like department II, and more generally speaking all the branches of social capital. Marx speaks of a "lower degree" of exploitation of the labour force with the consequence of a sudden fall in the rate of profit. The paralysis of the production process follows, so there is a crisis whose appearance and solution are based on the sudden devalorization of existing capital through falling prices, destruction etc.

"This fall in the rate of profit at the stage of overaccumulation is different from the fall at the initial stage of the accumulation of capital, The falling rate of profit itself is a permanent symptom of the progress of accumulation through its successive stages, including the initial stages of accumulation, that is when an increasing mass of profits is accumulated and in those when this happens along with the growth of part k destined for the consumption of the capitalist class. (Here we leave aside parts ac and av of the surplus value destined for accumulation)." (Grossmann, *The Law of Accumulation and Breakdown of the Capitalist System*, Pluto 1992, p.76 (part); *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, Hirschfeld Verlag 1929, p.123)

After having thereby dreamt up overproduction (it is still only partial), Grossmann continues to flounder in inextricable contradictions. The fall in the rate of profit is permanent in the scheme. In no case does it take on a sudden character. Grossmann comes even to asking himself the question as to what level the rate of profit has to fall to lead to a crisis. This question is the *pons asinorum* of all Marxist political economy. Who, from Grossmann to Tugan-Baranovsky, from the ICC through to Chaulieu-Castoriadis [Cardan], has not asked it in a rather vulgar form? Grossmann's "solution" consists in basing the crisis on the appearance of a breaking point which corresponds in the schematic representation to the moment when the mass of surplus value becomes insufficient to continue accumulation on the basis originally defined. For others, who display a clear hostility to the theory of the fall in the rate of profit, the ICC for example, there is the affirmation that a such a situation, that is the existence of a particular "absolute" point which allows for drawing a line of demarcation between crisis and accumulation and thus allows for stating that the fall in the rate of profit leads to a crisis of overproduction, does not exist. They conclude that Marx's theory is incorrect or insufficient. It is always the fundamental task for the communist party

to fight against those who falsify and those who turn their backs on the defence and development of the revolutionary theory.

Grossmann therefore finds himself having to face up to the theory of Marx and its statements which are just as many denials of his conception. He therefore sets out with fresh falsifications. Even if he correctly distinguishes between the fall of the rate of profit that takes place during crisis and the fall in the rate of profit which accompanies accumulation, (which is therefore a tendential fall), he still has to define the conditions which mean that the fall in the rate of profit turn into a crisis. Just any fall in the rate of profit is not a synonym for crisis. But, on the other hand, a high level of the rate of profit does not protect capital from a crisis of overproduction. In fact, Marx clearly defined the case in which the (sudden) fall in the rate of profit is concomitant with a crisis of overproduction. It is when “the degree of exploitation of labour falls”. Consequently, when there is a sudden reversal in the tendency of capital to raise the degree of exploitation of labour, the rate of profit enters a rapid downturn. This is the crisis. This phenomenon could appear regardless of the level of the rate of profit and is therefore a “relative” rather than an “absolute” point in the sense where there is the assimilation of the fall in the rate of profit to a mechanical process, which would imply that identical relations of cause and effect would produce the same reaction at the same moment.

Grossmann’s distinction can scarcely contribute to advance the understanding of Marx’s theory and instead serves rather to harm Marx. The correct distinction ought to state that the sudden fall in the rate of profit that appears at the moment of crisis and the tendential fall in the rate of profit that spreads over several cycles of accumulation have to be distinguished, while still showing their mutual connections. In fact, after having dodged the problem of the sudden fall (Grossmann’s perspective contains no phenomenon of this type), meaning he denies its existence, (see above Grossmann’s positions on the existence of what we have called the “absolute point”), he is forced to justify the regular fall of the rate of profit which accompanies the growth in the rate of accumulation. This first contradiction has been the object of the falsifications we have already described. Grossmann is a repeat offender. He quotes Marx while increasing the commentaries on him to his own taste.

“But beyond certain limits however, - Marx says – (in our example we call this limit r , which in the schematic example appears during the 21st year of accumulation), there is the fall in part k destined for the consumption of the capitalist class, and shortly after, the fall in the remaining parts of the surplus value destined for accumulation. ‘The fall in the rate of profit would then be accomplished by an absolute decrease in the mass of profit ... And the reduced mass of profit would have to be calculated on an increased total capital’(Marx).” (Grossmann, *The Law of Accumulation and the Breakdown of the Capitalist System*, pp.76-77; *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, pp. 123)

But in what conditions does Marx find himself writing here? If we go back to the quotation used, which is supposed to illustrate Grossmann’s intentions, we can only realize that Marx is dealing with the clearly particular case of when the organic composition of capital is not modified because there is a modification of the technical composition, meaning therefore that there is no increase made in the productive power of labour. The case Marx envisages is an attempt to show how the fall in the rate of profit takes place. In order to do so, in a didactic perspective, he neutralizes the process of valorization-devalorization. From a theoretical point of view, we are in fact taken back to a phase in the capitalist mode of production which has been surpassed, that of the formal submission of labour to capital when there is little constant capital and variable capital is developed, with the valorization process based on the production of absolute surplus value. In order to get



across the concept of overaccumulation fully, Marx envisages here, in order to understand the concept of overaccumulation, only absolute overaccumulation as it may appear without bringing into play the process of valorization-devalorization. The modifications in the organic composition and the fall in the rate of exploitation result from a rise in wages which provoked a notable fall in the rate of profit.

“In both cases, there would be a steep and sudden fall in the general rate of profit, but this time due a change in the in the composition of capital not caused by the development of the productive power, 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.” (Marx, Capital Vol. III in Collected Works Vol. 37., p. 250)

The perspective always appears clearly in the quotation Grossmann took from Marx and which appears 10 lines after the one we have just given. But Grossmann is attentive to cut it. “The fall in the rate of profit would then be accompanied by an absolute decrease in the mass of profit, [since the mass of employed labour power could not be increased]. And the reduced mass of profit would have to be calculated on an increased total capital.” (Marx, Capital Vol. III in Collected Works Vol. 37, p. 251. The words enclosed in square brackets are omitted by Grossmann, words underlined by Grossmann, The Law of Accumulation and Breakdown of the capitalist system pp.76-77; Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems, p. 123)

It can be seen that the conditions under which such a statement can be applied of a fall in the mass of profit are particularly restricted. These conditions correspond to hypotheses that have no relationship at all with those in which Grossmann was operating. That is to say, the development of the productive power of labour of which one expression is the rise in the organic composition of capital with constant capital increasing more rapidly than variable capital and a rise in the labour force in activity under the influence of the accumulation of surplus value. In such a case in point, when the contradiction between the valorization and the devalorization of capital emerges, when the process of valorization is based on the creation of relative surplus value, when the rate of exploitation burgeons no longer due to the effect of the lengthening of the working day (which does not mean that this measure is to be excluded), but due to the lowering of the value of labour power, while the intensity of labour grows at the same time, we are theoretically speaking in the framework of the phase of the real submission of labour to capital, and the overaccumulation of capital is not the result from a rise in wages, the degree of the productive power remaining unchanged.

Once again Grossmann changes into a forger. This makes it the second time we have caught him red handed in flagrante delicto of swindling. It is no longer a mere “accident”, but a systematic action to abuse of Marx’s theory by all means as a peg on which to hang his hat of an erroneous interpretation.

Mattick (a disciple of Grossmann) made declarations, even if they stand on a poor understanding of Marx’s conceptions on absolute overaccumulation, show on the contrary that we are clearly dealing with the hypothesis maintained by Marx in a completely different framework than the one maintained by Grossmann to establish his theory of “crises”.

“Marx’s concept of *absolute* overaccumulation according to Trottmann [Martin Trottmann, a critique of Grossmann – ed.] signifies overproduction not as a consequence of insufficient valorization but as the consequence of a shortage of labour power leading to rising wages and declining surplus value. What Trottmann fails to see is that the end result is the same in both cases, namely the suspension of accumulation as a result of the lack of profits. It was this state of affairs

that Marx wanted to emphasize, although his example is doubly unfortunate, as it contradicts not only all experience but also his own theory of accumulation itself.” (Mattick, Economic Crisis and Crisis Theory, Chapter 2)

Here Mattick confirms that the theoretical framework considered by Marx is not the usual one which Grossmann claims to move from. In the phase of real submission, the crisis can appear if overaccumulation is relative. It is not necessary for profit to fall absolutely. If this is the case, it is because the crisis is particularly deep. As far as regards the idea that this crisis is preceded by a fall in consumption by the capitalist class, it has no basis at all. Where Grossmann does not hide his cheek is when he claims to base his theoretical deductions on empirical work which demonstrates the complete opposite. Three studies carried out by Mitchell in 1927 for the United States, Stamp in 1918 for the United Kingdom between 1880 and 1914 and Lescure for France between 1874 and 1919 show that the rate of profit rose in an uninterrupted manner in the periods of prosperity and entered a decline during crises. These facts, far from backing up what Grossmann says, confute him. There is no regular fall in the rate of profit between crises, as in Grossmann’s schematic presentation, but a tendency to rise. The crisis breaks out rather at the highest rate of profit and not at the end of a long slide down at its lowest point. But the average rate of profit of the cycle has a tendency to fall between one cycle and the next. It is this phenomenon that Marx describes with the concept of the tendency of the rate of profit to fall. The seeking after the maximum surplus value within the cycle leads to a rise in the rate of profit which leads to a new crisis. Several dimensions are lacking in Grossmann’s conception. On the one hand the rate of profit falls regularly in his conception, while on the other hand the crisis breaks out without a sudden fall in the rate of profit. The theoretical conceptions are manifestly in contradiction, the opposite of those of Marx and the facts established by the authors we have cited, but Grossmann has no trick to get by. Besides, Grossmann cannot ignore the fact that Marx’s theory is also a theory of the cycle. Grossmann is therefore naturally led to present his conceptions as a representation of the theory of the industrial cycle. “The Marxist theory of the economic cycle which sees the growing valorization of social capital as the determining cause of accumulation- of the upswing – and its insufficient valorization as the cause of the downturn into crisis has been fully confirmed by recent empirical studies.” (Grossmann, *The Law of Capitalist Accumulation and the Breakdown of the Capitalist System*, p.77; *Das Akkumulations- und Zusammenbruchgesetz des kapitalistischen Systems*, p. 123)

We have seen what ought to be thought of the comparison of Grossmann’s theory with the facts, and now we can examine the economic cycle. Grossmann’s cycle can only be presented this way. The accelerated accumulation of capital connected with the slow fall in the rate of profit (which is a theoretical contradiction and is disproved by the facts) makes way to a tendency to collapse. Thanks to a “devalorization” whose modalities are evidently left unexplained (cf. CouC no.), capital finds itself again at a level that is adequate for returning to the path of accumulation. At a given time the same problems will manifest themselves again, the tendency to collapse will appear again when too much capital has been accumulated. According to Grossmann, this is a theory of crises, that is, he reintroduces here the cyclical character of crises without really going into depth about it. In fact, for Grossmann, it can only be a question of a series of events along the road to the “final crisis”. The basic tendency towards collapse breaks down into a series of cycles, and this tendency reappears periodically. But apart from the vicissitudes, the tendency to collapse is forever increasingly close and leads capitalism on towards the final crisis.

“In this way the breakdown tendency, as the ‘fundamental tendency’ of capitalism, splits up into a series of apparently independent cycles which are only the form of its constant, periodic reassertion once and again, just as the natural process of the growth of the sheep’s wool is interrupted by each

shearing to restart afterwards. Marx's theory of breakdown is thus the necessary basis and presupposition of his theory of crisis, because, according to Marx, crises represent only a breakdown tendency temporarily interrupted and restrained from fully realizing itself and thus represents a passing deviation from the 'trend' of capitalism."

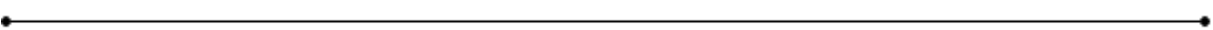
"But despite the periodic interruptions that repeatedly attenuate the tendency towards breakdown, the mechanism as a whole tends relentlessly towards its final end as the absolute growth of the accumulation of capital makes the valorization of this expanded capital become progressively more difficult. If these countertendencies are themselves defused or simply cease to operate - the exposition of these countertendencies and their dynamic forms the content of the third part of this book - the breakdown tendency gains the upper hand and asserts itself in the absolute form as the final crisis [letzte Krise]." (Grossmann, *The Law of Accumulation and the Breakdown of the Capitalist System*, p.85; *Das Akkumulations- und Zusammenbruchgesetz des kapitalistischen Systems*, p.140)

Grossmann's conception, which he presents as being identical to Marx's, is of the most vulgar type. It resembles the practice of Roman patricians during orgies. Capital accumulates like food at the bottom of the stomach and after each mouthful more food has to be served. When capital is overaccumulated, when our patrician has stuffed his guts to the full, capital undergoes a thorough devalorization, our Roman patrician sticks his fingers down his throat and rushes off to the toilet. A deafening silence surrounds the modality of this devalorization (from this point of view there is a difference with the patrician who spews up everything). Which relationships have been modified and in what proportions? How can capital, given the organic composition attained and the needs for surplus value, enter a new cycle of accumulation, or how can the patrician start eating again seeing that the last mouthful is always the biggest and it alone is able to fill the whole stomach.

In fact, Marx's point of view implies that the bulimic organism of surplus value therefore seeks always greater mouthfuls which are digested while dejections are regular. Every so often the expected mouthful proves to be insufficient to satisfy the needs of the organism and causes bad ingestion and swallowing of the food which has to be expelled violently (coughing and vomiting). The crisis passes, the organism is weakened but is back on its feet and can get back into action and strengthen itself until the next crisis looms. This crisis is independent of the general volume of the reached by the mouthfuls stuffed with food if it not the case that the larger the needs of the organism, the greater the crises become. Once again it not an absolute moment when the body will be so stuffed full that it cannot swallow anything more, but a relative moment, of the insufficiency of the food in relation to the (increasing) needs. We cannot await the death of the interest of the crisis but instead hand the temporary weakening with a relative paralysis being able to offer the opportunity to lay it low. Following the determined historical conditions, or within the defined geopolitical framework, we know that the organism will go on with increasingly serious convulsions which allows us to believe that the monster can be finished off if it does not regenerate through remarkable leaps, through crises of unprecedented dimensions. If there is no final crisis in the sense of a final economic crisis, only the revolutionary proletariat would be able to put an end to the domination of capital, or the contradiction could have the outcome in the destruction of current antagonisms which would mean the end of humanity.

After having tried to combine such a poor theory with a general explanation of the cycle, Grossmann poses the problem of its length. It is quite clear that from his point of view the length of the cycle is determined by:

- 1) The level of the organic composition



- 2) The dimension of the rate of surplus value
- 3) The level of the rate of accumulation
- 4) The development in the marginal organic composition

In other terms, the rate and level of profit and the rate and level of accumulation. Only after long digressions does Grossmann come round with a build up to the conclusion given above which is scarcely clarified neither as regards the length of the cycle nor of its tendencies?

From this point of view Grossmann accumulates contradictions with Marx's theory. In his scheme, the cycle (which he mixes up with the final crisis) lasts 35 years. The hypothesis of a rise in the rate of surplus value and therefore the fall of a lower rate of profit would mean that the cycle would be lengthened. The shortening of the cycle would suppose on the one hand of a much greater growth in the accumulated surplus value (a hypothesis which flies in the face of Marx's theory, which nevertheless Grossmann employs to base his theory cf. RIMC no. 7/chapter 17 above), or, on the other hand, growth in the marginal organic composition in the ratio between additional constant capital and additional variable capital. The second hypothesis supposes the reintroduction of an acceleration of the fall in the rate of profit which we have just limited by the raising of the rate of surplus value. All in all, the crisis will arrive all the more quickly when the rate of profit is low and the rate of accumulation is high, that is in other terms the contradictory hypotheses underlying Grossmann's theory are all the more glaring.

Marx worked on the hypothesis of a decennial cycle, that is on the length of the cycle that was apparent to him in the second half of the 19th century. But the laws of capitalist production meant that this cycle would continue to shorten. Grossmann's works stress that the shortening of the cycle depends on mutually contradictory hypotheses which are less likely to appear than the countertendencies to the fall in the rate of profit (above all the rise in the rate of exploitation). Grossmann tries his best to dodge this point on the one hand by not mentioning Marx's perspectives and on the other hand chatting on about examples that demonstrate a cycle of around ten years. Consequently, Grossmann becomes unable to really establish a tendency of the shortening of the cycle and leaves his reader in the dark by taking great care not to indicate the full position of Marx. For Marx, the turnover time of fixed capital was the material basis of the industrial cycle as it introduces a divergence between the transfer of value to the product, that is to say the cycle of value, and its renewal during its complete wearing out. Even though he never arrived at a definite solution, it would remain a life-long theme for his research. Along with the turnover of fixed capital, it is equally important to bear in mind the cycle of the valorization of capital which tends to push the rate of profit to breaking point, and the cycle of capital in the financial sphere too, with their relative independence and their relations, combinations and mutual interpenetrations. The industrial cycle between 1815 and 1847 lasted approximately 5 years. After 1847 it became 10 years. This period also corresponds to the establishment of the phase of real submission of labour to capital in Britain. This is to say that machinery spread to different branches of industry, with fixed capital increasing in the whole of society to play an ever greater role in the basis of the industrial cycle, contributing to lengthening it.

“As the magnitude of the value and the durability of the applied fixed capital develop with the development of the capitalist mode of production, the lifetime of industry and industrial capital lengthens in each particular field of investment to a period of many years, say of ten years on average.” (Marx, Capital Vol. II in Collected Works Vol. 36, p.187)

This lengthening is counterbalanced by the arrival of the phase of real submission with the increase in labour productivity, lowering its value, and the technical progress, affecting fixed capital by making it obsolete, which characterizes this phase: “Whereas the development of fixed capital extends this life on the one hand it is shortened on the other by the continuous revolution in the means of production, which likewise incessantly gains momentum with the development of the capitalist mode of production. This involves a change in the means of production and the necessity of their constant replacement, on account of moral depreciation, long before they expire physically.” (Marx, *ibid.*)

To the extent that the turnover of fixed capital is an element in the determination of the industrial cycle, it would equally contribute to its shortening. In any case, the general tendency of capitalist production is the reduction of the length of the cycle.

“Just as the heavenly bodies always repeat a certain movement, once they have been flung into it, so also does social production, once it has been flung into the movement of alternative expansion and contraction. Effects become causes in their turn, and the various vicissitudes of the whole process, which always reproduces its own conditions, take on the form of periodicity. But only after mechanical industry had struck root so deeply that it exerted a preponderant influence on the whole of national production; only after foreign trade began to predominate over internal trade, thanks to mechanical industry; only after the world market had successively annexed extensive areas of the New World, Asia and Australia; and finally, only after a sufficient number of industrial nations had entered the arena – only after all this had happened can one date the repeated self-perpetuating cycles, whose successive phrases embrace years, and always culminate in a general crisis, which is the end of one cycle and the starting-point of another. Until now the duration of these cycles has been ten or eleven years, but there is no reason to consider this duration as constant. On the contrary, we ought to conclude, on the basis of the laws of capitalist production as we have just expounded them, that the duration is variable, and that the length of the cycle will gradually diminish.” (Marx, *Capital Vol.I*, Penguin edition, p.786)

We cannot be surprised that, buoyed up by Grossmann’s example, Mattick, his disciple, plays down the importance Marx attributed to the role of fixed capital in the determination of the length of the cycle.

“The *definite* crisis-cycle of the last century is, however, an empirical fact not directly related to Marxian theory. It is true that Marx tried to connect the definite periodicity of the crises with the turn-over of capital. But he did not insist on the validity of this explanation. In any case, his theory does not depend on any particular periodicity of crises. It only maintains that crises are bound to arise as an expression of a temporary overproduction of capital and as the medium for the resumption of the accumulation process.” (Mattick, *Marx and Keynes*, p. 73)

As we can see, Mattick is not to be outdone when it comes to falsifying Marx’s positions, and in this sense, he is a good pupil of his master, Professor Grossmann.

Nevertheless, it is just by taking up Marx’s analyses and by basing our work on the empirical studies carried out since 1945 that CouC has been able to clearly illustrate the present industrial cycle and to foresee the recent crises which have regularly shaken capitalist production.

17.17 Grossmann and the rate of interest

Grossmann’s theory is grossly mechanical. It is impossible to use it to take account of the reality of the capitalist accumulation which instead requires a dialectical conception. The theoretical bases



of his analysis, which are completely Ricardian, have been shown above. We have seen that the point of view of Grossman is the opposite of scientific communism. As Grossmann each time comes up against the difficulties connected with the differences of his conceptions compared with Marx, it becomes increasingly difficult to “adapt” his model to make it resemble as far as possible real materialist theories. We have seen how such attempts turn into a catastrophe when dealing with the industrial cycle. If we take another step up the level of the phenomena, we now come to see how the theoretical rerouting breaks new ground by following Grossmann’s progress concerning credit and interest.

“Once we have understood the causes of the conjunctural development (we have in fact seen the level of “understanding” reached – ed.) we can explain a series of phenomena which, if they have been clearly verified empirically, have not been sufficiently well explained by previous theories of crises.” (Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems*, p. 226)

The reader who has already been warned of Grossmann’s practices can only be even more mistrustful now. Grossmann is openly on the look out for an “improvement” and we can only fear the worst! Grossmann notes that the general framework of his analysis implies that an equilibrium between the various spheres of production in bourgeois society has to be achieved, and that accumulation must reach such a level that the labour force is fully employed, while prices remain constant. Grossmann then declares that such conditions do not exist in reality. Equilibrium can only come about by chance. Two cases are possible in the abstract: accumulation is either higher or lower to the one corresponding to a situation of equilibrium. For Grossmann, only the second one is practically possible. Such an argument means stopping there. In fact, Grossmann tells us that, seeing that accumulation is undertaken on the basis of the most modern techniques, an overlarge accumulation would make the labour force insufficient. If we examine this closer, then this case corresponds in fact to the famous “crisis” due to a lack of surplus value. Let us start with the Bauer- Grossmann scheme:

200,000c + 25,000v

At the start of the scheme, 10% of constant capital and 5% of variable capital is accumulated, that is 20,000 for the increase in constant capital and 1,250 for the increase in variable capital. The surplus value consumed by the capitalist stands at 3,750. We therefore have $20,000ac + 1,250av + 3,750 = 25,000$. If accumulation were higher, for example if the accumulation of constant capital stood at 15%, the constant capital needed for such accumulation would be 30,000, that is a value higher than the surplus value. Even before considering the question of the labour power, we reach the first condition for “crisis” according to Grossmann, that is the lack of the surplus value needed for the accumulation of capital. Therefore the “crisis” in Grossmann is just the expression of a case of overabundance of capitalist accumulation, what economists call “overheating” which corresponds to the phase of excessive speculation on the cycle. Not only would the accumulation of capital not be paralysed, it would be in full swing and would crash into the “natural” barriers to accumulation as the elasticity and plasticity of accumulation would be fully absorbed. Let us now take an example which offers space for an increase in variable capital. If the increase in constant capital is 10.5%, or 21,000 as defined above, the labour power required to put the constant capital into motion would be, on the basis of the marginal organic composition as defined above, that is $20,000/1,250$, a value of 1,312. A surplus value of 2,688 remains for the consumption of the capitalist class. If such a reduction does not obtain, we find ourselves in the same situation of crisis as before, that is to say that the surplus value destined for accumulation is insufficient to fulfil its needs. In this case, Grossmann’s method is firstly to envisage the increase of constant capital, He

would therefore have to say that constant capital rises to 221,000. By taking 21,000 surplus value from the 21,250 available, only 250 remains for the purchase of labour power while 1,312 are required. So, supposing that the population available represents a value of 1,250, an unemployed labour force of 1,062 is therefore locked out. Above, we saw how Grossmann attempted to dissimulate his reasoning by calculating an “overproduction” of capital on the basis of the average organic composition and not, as we have done, on the basis of the marginal organic composition. In this case, instead of a ratio of 21,000:1,312, he calculates an average organic composition of 221,000:26,312 which, in relation to the excess working population of 1,062, gives an “overproduction” of capital of 8,924. If we follow Grossmann’s method, we come to the same result: an artificial insufficiency of variable capital with one of its consequences being the creation of an equally artificial overproduction of constant capital. This phenomenon can be shown to exist from the moment that capitalist accumulation spirals out of control and goes beyond its material possibilities. Caught up in the web of his own making, Grossmann beats a careful retreat and deals with such an eventuality in three lines with the tasteful argument that the labour force would not be sufficient. In the same case, following this point of view, following the focus on constant capital or on variable capital, it would be possible to conjure up either an excess of an insufficiency in the population. Once again, we have fresh proof of the purely artificial and mechanical character of Grossmann’s theory and its incapacity to emerge from its contradictions if not by playing tricks. The study of the second case, the only one Grossmann maintains, and correctly so, can only confirm this judgement. Grossmann now supposes that constant capital increases at 5% instead of 10% originally proposed. Therefor constant capital rises to 210,000. From the point of view of the marginal organic composition we could think that to put the additional constant capital into motion, a rate of increase of 2.5% in variable capital would be enough. In other terms, if a supplementary variable capital of 1,250 was needed for an additional constant capital of 20,000, for an increase of 10,000 in constant capital an extra 625 of variable capital would be needed, thus remaining at a growth of $625/25,000 = 2,5\%$.

In relation to an available population equivalent to a variable capital of 1,250, the population unemployed represents a capital of 625. But here again Grossmann is anxious to make his calculations on the basis of the average organic composition. Consequently, if for 220,000c the corresponding variable capital was 26,250v, for 210,000 on the same basis 25,056v would be enough. This implies that the supplementary variable capital only comes to 56v. In relation to 25,625 (25,000 + 625) found in the preceding calculation, the reserve army is artificially expanded to $1,250 - 56 = 1,194$. But this is not the most important change. Following Grossmann, in relation to the original accumulation, which reached 22,500 (20,000 + 2,500), there remains $(22,500 - 10,056 (10,000 + 56))$ or 12,444. If we suppose that the capitalist class consumes 10% of the surplus value, or 2,500, in the first year, the remaining 12,444 can form the basis of loan capital for investments. If we follow this logic, we get the following table:

Year	C	v	Reserve Army	k	L (k + L)	a _c	a _v
1	200,000	25,000		2,500	12,444 (14,944)	10,000	56
2	210,000	25,056	1,194	2,505	11,994 (11,499)	10,500	57



3	220,000	25,113	2,449	2,511	11,516 (14,027)	11,025	61
4	231,000	25,174	3,766	2,517	11,009 (13,526)	11,576	72
5	243,101	25,246	5,141	2,524	10,510 (13,034)	12,155	57
6	255,256	25,303	6,603	2,530	10,011 (12,541)	12,762	—
7	268,018	24,842	7,974	2,484	9,211 (11,603)	13,201	38
8	281,219	24,880	9,576	2,488	8,386 (10,874)	14,060	—
9	295,279	24,726	11,452	----- 85,081		14,763	

(Grossmann, The Law of Accumulation and Breakdown of the Capitalist System, p. 113 (part only); Das Akkumulations- und Zusammenbruchgesetz des kapitalistischen Systems, p.233)

Even if it falls regularly in each cycle, an unemployed capital, called for the circumstance loan capital by Grossmann, accumulates to reach 85,081. At the same time, a reserve army, which is artificially increased, arises. After the summary quotation of some extracts from Marx, Grossmann declares:

“The loan capital we are speaking about here in the analysis of the real production cycle has to be seen differently from loan capital in its normal condition. So here we are dealing with the case in which, following the hypotheses, the productive apparatus is too small (we suppose that c grows only 5% annually instead of the necessary 10%) and consequently a part of the surplus value accumulated in the production process cannot find a productive investment.” (Grossmann, Akkumulations- und Zusammenbruchgesetz des kapitalistischen Systems, p.235)

So, Grossmann states that this capital is the basis for the creation of a loan capital that seeks investments. Yet again this is pure phantasy. Money capital available for loan in fact can find no borrower until accumulation is underway. In fact, money capital is faced by a surplus value in the material form of the elements of constant and variable capital. The value corresponding to this surplus value is put out to fallow if it is not accumulated. It is not loan capital, but excess capital. The idea that productive capital could remain unemployed, remain fallow, is the symptom not of the relationship between lender and borrower, but of overproduction. And this overproduction calls for a sudden devalorization of capital, not its artificial maintenance from one year to the next, thereby forming a reserve for capital to draw on as needs may require. The idea of permanent overproduction is alien to Marx's theory. Above, on militarism, we reviewed Mandel's divagations. He followed a reasoning which was strictly in line with Grossmann's to justify not the existence of loan capital and the fall in the rate of interest, but the development of the armaments sector and the role it played in regulating capitalist production. Here it is pseudo loan capital that plays such a

role. When it is in excess, it makes the interest rate fall. This fall in the rate of interest favours the company rate of profit as well as expanding the reserve army, so placing wage levels under pressure. These factors encourage accumulation and therefore the rehiring from the reserve army as well as finding productive outlets for loan capital. This is the pretty little story that serves as the theory of the cycle and the rate of interest for Grossmann. And it is just this Stalinist swindler, forger and mercenary who serves as the mentor for a part of the communist movement. A theory riddled with contradictions, which is trampled underfoot by revolutionaries at every step, is served up again, decked out with even more imbecilities typical of its authors, by the CWO and its ilk.

18. Grossmann and international trade

18.1 Introduction

It is doubtlessly true to say that never in the history of science has a theory received such a resounding confirmation as that of Marx. No other theory has had such a great power of explanation and such a capacity to predict over such a long period. The bases of this triumph are clear to be seen: scientific socialism is a modern theory, the most modern and the most recent. It was developed on the basis of the most advanced capitalist society which had made the revolution of machinery which, by taking work from the hand of man, could raise labour productivity to levels never before seen in the history of humanity. Revolutionary theory could therefore stand on the shoulders of its precursors and make a pitiless criticism of them. It also presented something specific from this point of view. While science is the specific form adopted by universal labour corresponding to the bourgeois epoch, the materialist conception of history was created as the theory of the proletariat, the theory of the modern exploited class. The work of scientific discovery, in the sense of the theory that stands up to reality, was theory freed from prejudices characteristic of the limited vision of the bourgeoisie class and its intellectuals. We should also stress, in line with what we shall explain after, that it was the first theory, and doubtlessly the only one as it will last as long as the society divided into classes, that consciously applies the materialist dialectic as the method of knowledge. While the philosophical bases of sciences are increasingly shaky, the materialist analysis of the proletariat, with its strength, the certainty of its judgement, the wealth of its forecast and the subtlety of its analysis, is all the more striking. Lastly, revolutionary theory is a global conception of the world capable of thinking about its place and that of other forms of knowledge as well as its relationship with them, knowing that science is lined up against the proletariat, since all development of the productive forces means, in the capitalist mode of production, a further step in the exploitation of the proletariat.

It is equally doubtless that no theory in the history of science has had such a difficult time in being recognized as that of Marx. The abjuration of Galileo and the persecution suffered or the difficulties encountered by numerous students in order to prove their point of view are of little consequence compared to the outrages committed against scientific socialism, with prison and execution being the lot falling to those who sought to be its steadfast defenders.

The theory of the proletariat, scientific socialism, is the abomination for the ruling classes as it announced their end. It is therefore clear that, with the forces of the intellectuals of the bourgeoisie with its strength in relation to the number of other dominant classes, it is able to take in everyone that society considers as talented to be mobilized against Marx's theory using any means to limit its influence. Renaissance students followed the rise of bourgeoisie and its seizure of power. The bourgeoisie could benefit from their support since it played an increasingly important economic role by establishing the power of money and capital. As for the proletariat, even if it was a rising social force in bourgeois society, it could not immediately think of assuming some kind of economic power that would act as a lever in its political emancipation. The process is the opposite. The proletariat must first seize political power to then obtain its economic emancipation and that of humanity in general by abolishing forever the modes of production based on the existence of antagonistic classes. Seeing that the advances in natural sciences are linked to the practical requirements of the increase of capitalist mode of production, there is the need for theories that are more increasingly adequate, being able to dominate nature more fully, and so science ends up, whatever detours may be taken, by imposing itself in the great majority of cases with the experimental verification of theories being observed. For the proletariat, the field of experience is

the whole of society and the proof of validity is as great as the theoretical construction itself, seeing that it is the question of the international revolution.

The theory of the proletariat, nevertheless, was so strong that the frontal attack by the dwarf thinkers of the bourgeoisie were insufficient to gag it. The bases had to be undermined, watered down, falsified, betrayed and revised. This was the role adopted by social-democracy culminating in the fatal blow inflicted by its treachery in 1914. If this first blow appeared to be mortal, it did not succeed in stopping the revolutionary process since the October Revolution in 1917 followed the Paris Commune in constituting fresh proof that clearly show the way to the proletariat. Here again, and we cannot repeat this too often, it was social-democracy which was the prime agent in our defeat. The same work had to be taken up again in order to root out the revolutionary vigour of the proletariat. In the West, social-democracy crushed the German proletariat and misled the whole of the western proletariat. Then Stalinism in the East dealt the coup de grace, while in countries where national unity was weak, the bourgeoisie threw itself into the arms of fascist adventurers after the revolutionary wave had been broken by social-democracy. Democrats, social-democrats, fascists and Stalinists formed the greatest holy alliance against their common enemy in the revolutionary proletariat.

Bourgeois society scores a double victory by misrepresenting revolutionary theory. While at the same time as it annihilates the theory of the proletariat as far as its action in society is concerned, it also regenerates the pole of bourgeois materialism that was in a poor state following its own development. It vampirized revolutionary theory so regenerating its own following the example of capital which had regenerated itself by the most intense exploitation ever suffered by the proletariat.

It would be difficult to stress too much the major responsibility borne the heirs of the revolutionary camp who carried out theoretical work during the counter-revolution. Besides, this tendency had done nothing but wear away over the last thirty years as the residues of the present revolutionary milieu show themselves less and less capable every day that passes to achieve any kind of reflection or even to renew itself with the great scientific tradition of dialectical materialism. For ourselves, we have always been indifferent to sarcasm and other accusations and have tried to carry through the most serious work possible, considering our weak forces, concerning the crucial question facing the proletarian movement. The critique of Grossmann today offers the occasion to deal with certain fundamental points concerning the question of international commerce.

18.2 Theoretical communism and international commerce

Marx stated that “Capitalist production does not exist at all without foreign commerce.” (Marx, Capital Volume II, Collected Works Vol. 36 p. 469) Foreign trade therefore cannot be seen as an appendix that is even superfluous and can just be added to or omitted from the analysis. Foreign commerce is intimately linked to capitalist production and its development, being an organic moment of it. Bourgeois thought remains faithful to its metaphysical logic when it often separates the “closed economy” from the “open economy”. Foreign commerce thus appears as a supplementary element that either complicates or refines the theory or the model as a new variable to be played around with or left out. Alternatively, the last ditch as the motor of growth, or its threat and constraint, foreign trade is treated as a separate factor and economic theory willingly adapts to the economic and political interests of the moment. It is enough to look at the changes in theories of foreign trade that have gone from free trade (even if in reality frequently in the minority), when the interests it served profited from it, to the growing defence of national policies that could introduce large measures of protectionism, when the same interests were threatened by free trade that had been defended up to that moment.

Clearly Marx made an abstraction of foreign trade in certain parts of his work. This was especially the case In Capital Volume II when he examined the reproduction schemes. Here Marx studied “capital in general” at a very high degree of abstraction as if only one state existed with a single market. He supposed that capital had taken hold of the branches of production and that it fell into two great departments representing productive capital, that credit did not exist and that society was composed only of capitalists and proletarians etc. But it was precisely when he posed these restrictive hypotheses, including that of the absence of foreign trade, that he correctly specified what we quoted above: “capitalist production does not exist at all without foreign trade”.

Throughout the publication of the issues of *Communisme ou Civilisation*, we have unceasingly recalled the fact the Marx did not complete “The Economy”. The entire Capital represented only 1/6 of this work, while the study of capital in its international dimension represented 1/3 with a volume on foreign trade and another on the world market, which goes to show once more the importance of these aspects in the scientific conception of socialism. This all again demonstrates the importance Marx attached to these subjects and that he was counting on giving them a much fuller treatment, including particular cases. However, the relative scarcity of elements left by Marx also shows the nature of the task facing the communist party in elaborating a critical point of view as regards political economy concerning these themes. This critical point of view would also have to include around 150 years of the history of the world market which has seen many major changes.

We have already dealt with foreign trade from the point of view of the necessity of its greater role in in the beginning of the phase of formal submission of labour to capital (cf. CouC nos. 5, 7 and 9)⁹¹ concerning the two historical phases of capitalist production). One of the roles of this phase of formal submission was to create a world quasi-market which is itself at the basis of the phase of the real submission of labour to capital.

“The concentration of trade and manufacture in one country, England, developing irresistibly in the seventeenth century, gradually created for this country a relative world market, and thus a demand for the manufactured products of this country which could longer be met by the industrial productive forces hitherto existing. This demand, outgrowing the productive forces, was the motive power which, by producing large-scale industry – the application of elemental forces to industrial ends, machinery and the most extensive division of labour – called into existence the third period of private property since the Middle Ages (...)” (Marx, *The German Ideology*, Collected Works Vol. 5, p. 72)

The arrival of large-scale industry, and with it, the phase of the real submission of labour to capital, means that a new world market has to be shaped in the image of the most modern capitalist production.

“The world market itself forms the basis for this mode of production. On the other hand, the immanent necessity of this mode of production to produce on an ever enlarged-scale tends to extend the world market continually (...)” (Marx, *Capital Volume III*, Collected Works Vol. 37, p. 331)

⁹¹ See our republication in the same format (“Les deux phase historiques de la production capitaliste” [The Two Historical Phases of capitalist Production] [note added in 2009]

18.3 On imperialism

The concept of “imperialism” is not found in Marx, unlike what Roger Dangeville would lead us to think, and only by the procedure of falsification in the abuse of the word imperialist as applied to Emperor Napoleon III can such a point of view be maintained. Besides, for many Marxists this fact is not disputed.

Lenin, for example, saw imperialism as a recent phase of the capitalist mode of production which Marx and Engels could not have known because it appeared after their deaths. Lenin gave quite a precise date for the beginning of this imperialist phase which he set at after 1898, the date corresponding to the end of the war between the Spanish Colonial Empire and the United States which led to the defeat of the of the Spanish Colonial Empire in America with the loss of Cuba. If we follow Lenin to the letter, we should conclude that this war was not imperialist and that the defeat of the old colonial power by youthful American capitalism in full expansion does not belong to the list of imperialist wars⁹².

We should note that to be clear the United States at this moment was poised to become the leading world power and that the bourgeois revolution was concluded by the end of the Civil War in 1865 (the end of the War of Secession).

According to Lenin and the supporters of this thesis, what Marx and Engels had not described was the formation of financial capital, a concept described as the merger, the interpenetration of industrial and banking capital. Imperialism is also monopoly capital that follows on from free trade capitalism. Now, as we have already largely demonstrated in works on the agrarian question⁹³, the point of view defended by scientific socialism is not the same. Revolutionary theory does not see monopoly and competition as antitheses. The Italian left, however, always stopped half-way in the critique of Leninism. Its criticisms of tactical conceptions with arguments that often flirted with idealism never went back explicitly to the fundamental principles it supposed were agreed with. Even when implicitly there was a tendency to reopen the question of the theoretical bases of Leninism, this tendency was never followed up. The theses on fascism are also at least in part in line with monopoly theories. Certain texts depict fascism as the centralization of political power

⁹² This is an error of interpretation. Lenin dates imperialism back to 1898 (neither Marx nor Engels lived to see the imperialist epoch of world capitalism, whose beginnings do not go back beyond 1898. Lenin, in ‘Imperialism and the Split in Socialism’, took this conflict rather as the starting point of the imperialist epoch. “The Spanish-American War (1898), the Anglo-Boer War (1899-1902), the Russo-Japanese War (1904-1905), and the economic crisis in Europe in 1900 are the chief historical landmarks in the new era of world history.” (Collected Works, Vol 23, p. 106)

“In the United States, the imperialist war waged against Spain in 1898 stirred up the opposition of the “anti-imperialists”, the last of the Mohicans of bourgeois democracy, who declared this war to be “criminal”, regarded the annexation of foreign territories as a violation of the Constitution, declared that the treatment of Aguinaldo, leader of the Filipinos (the Americans promised him the independence of his country, but later landed troops and annexed it), was “Jingo treachery”, and quoted the words of Lincoln: “When the white man governs himself, that is self-government; but when he governs himself and also governs others, it is no longer self-government; it is despotism.” But as long as all this criticism shrank from recognizing the inseverable bond between imperialism and the trusts, and, therefore, between imperialism and the foundations of capitalism, while it shrank from joining the forces engendered by large-scale capitalism and its development – it remained a “pious wish.” (Lenin, Imperialism, Collected Works Vol. 24, p. 287) [note added in 2009]

⁹³ See our republication in the same format (“La question agraire”) [note eddied in 2009]

and linked it to the concentration and centralization of capital on the economic level, which would make it a phenomenon specifically representative of the evolution of the modern state. This is not the place to develop these aspects of the Italian left. The matter is raised here to demonstrate the incapacity to break with Leninism, and the practice of falsification by Dangeville is mentioned to show the treasures of Jesuitism used to establish a continuity where there is none.

For those who defend the idea, as in our case, that the theory expects and forecasts the entire capitalist course, which does not mean that the last word has already been said and there is no need for any further scientific effort, the Leninist perspective inherited from social-democracy of a specific development of the capitalist mode of production that was not foreseen by Marx and was called “imperialism” to readopt the concepts that were in use in the colonial milieux in the late 1800s and early 1900s, therefore cannot be accepted.

Modern capitalist production stands on the real submission of labour to capital. The forms of the extraction of surplus value characterizing it rest in particular on the development of the productivity and intensity of labour. This meant a major increase in exploitation for the proletariat and a rise in the rate of surplus value, even if real wages also rose and the working day was shortened.

The division of this surplus value between landed property and capitalism was the subject of a theoretical explanation that showed how average profit and super-profit were far from being opposed, but in fact articulated. Marx’s agrarian theory, which is also the moment to show the role and the domain of monopoly prices, that is, prices fixed without any relation to the labour time they contain to be dictated by the importance of demand when facing a limited offer, as is the case with fine wines.

Therefore, right from the time of the publication of *Capital*, the roots of the whole set of phenomena, which are considered as characteristic of imperialism, were both described and explained. This said, positions have crystalized on the basis on the ossification of Lenin’s thought (called “Leninism”), which must be distinguished as much from that of Marx as from that of Lenin himself. The currents of thought, which are best expressed in old and modern Stalinism, state that the imperialist phase is one when the capitalist mode of production through monopoly either dominates the law of value or else liberates itself from it. This theoretical affrontery lets it be imagined that it is possible to attain the complete mastery of capitalism by the means of a more drastic state control over the economy. The nationalization of companies, the maintenance of value, wage labour, money and the state, is the *nec plus ultra* of this “socialism”, which allows for the proletariat and the bourgeoisie, prostitution and police to survive and turns away from a classless society in which mercantile categories and the state are banned and which was, still is and always will be, the goal of the revolutionary proletariat if it wishes one day to gain its emancipation.

Marx’s theory therefore describes the whole of the course of the capitalist mode of production, also describing the goal of classless society and the means employed in the dictatorship of the proletariat and the constitution of the class as a party, thereby offering an example of a theoretical victory without precedent in the history of thought.

The concepts of imperialism are not built on sand from the point of view of revolutionary communism, which does not mean that the phase of the real submission of labour to capital has no history. But this history has now lasted over two centuries and concerns events as great as colonialism and decolonialization in the 19th and 20th centuries, the wars where the proletariat could support one of the two sides, or enact revolutionary defeatism.



This phase of real submission of labour to capital itself also saw the rising power of the state during the present century. It also saw periods of revolution and even more of counter-revolution. Throughout the issues of CouC dealing with the crisis, we have shown that both Luxemburg's theories, and all the other theories based on them, and those of Grossmann, and all the theories based on them, and of Lenin, and therefore all the currents emerging from the Third International, were in contradiction with revolutionary orthodoxy. They all shied away from the socialism of Marx and Engels. None of them renewed themselves with the scientific and revolutionary tradition of socialism.

The whole revolutionary milieu in all its components from the ICC to the CWO, passing through Battaglia comunista and the various Bordigist sects, either reneged on the theory of Marx or destroyed it under the pretext of restoring it. Clearly, all the political consequences that can be drawn from the theoretical bases of such a notable failure in complete contradiction with the orthodoxy of communism can only be null and void.

A good example of the deep idealism of petit bourgeois romanticism present in the communist milieu is found in the reaction of the CWO. In a previous issue of CouC, we briefly considered, and we shall return to this later, that Marx did not propose the equalization of the rate of profit on an international scale and the same was the case for the national level too. It is quite clear that the CWO did not invent such a conception all on its own, but had picked it up from Grossmann as presented by Mattick. Our critique rubbished at the same time both their conception of decadence and that of imperialism, then, obviously, their "political" conceptions too, if we can talk about political conceptions in writings which are a rehash of articles from the bourgeois press retold in the jargon of the "communist milieu". Far from defending on a theoretical level, or far from justifying their theory scientifically speaking (which is really a farce given the importance of the CWO's theoretical divagations), it was preferred to exhibit what had to be demonstrated. The CWO replied in brief "But your theory (thus Marx's position) ends up by denying the reactionary character of national liberation struggles", to our political position. Yes gentlemen, your political position is no more orthodox than your economic conceptions. Seeing that one should be the foundation of the other, there is no basis and so both should be consigned to the dustbin of history. The positions of Marx and Engels on the national question instead maintain on the economic level in our epoch all their "validity", as far as the situations are identical.

18.4 Changes in the GDP: international figures

Let us look at the changes in countries at the top of nations scale.

First and most, the United States. We have two series of estimations, the more important one is in ECUs⁹⁴. The US GDP rose from ECU 483.4bln. in 1960 to ECU 1,276bln. in 1975, and reached ECU 4,917.5bln. in 1992. In 32 years, the GDP at current prices, including inflation rose tenfold, that is with a nominal increase of 7.5% per year. Common opinion, that is, the one that serves as a vademecum of bourgeois thought in the post-war period up to about 1975, states we were living in an idyllic period that allowed a reactionary economist Jean Fourastié to coin the expression "trente glorieuses" ("thirty glorious years"). This concept, which had a great success, is still on the lips and in the writings of the right as well as the left. The image is so ingrained that it already appears in history books and will stay there for a good while yet. This is how history is told to the

⁹⁴ The European Currency Unit (ECU) was a unit of account used by the European Economic Community, and came in to operation on 13 March 1979. It was later replaced by the Euro (€) at parity 1 on 1 January 1999. [Note added after the 2009 edition in French]

young generations. The so called thirty glorious years, with colonial wars, misery, the class struggle and the repression of the working class in their wake, were followed, just as in more recent years, by a cycle lasting around 6 years which, it is true, rarely ended with an effective fall in the value of production. But the same contradictions which now appear in broad daylight were already at work. All this was smoothed over during a period which, in fact, was one of the most prosperous, meaning that the exploitation of the proletariat was never so fruitful, in the epoch corresponding to the domination in the phase of real submission of labour to capital of the capitalist mode of production.

If we break down the figures we have, concerning the USA in this case, into two long periods of almost the same length being the “thirty glorious years” and the “years of crisis”, we can draw an initial conclusion.

The average rate of growth between 1960 and 1975 was 6.6% and 8.2% for the period coming after, 1975-1992. This calculation takes into account inflation which therefore cannot be used as an argument. We can now go back to the real significance.

If the figures for the main industrial countries are included, we obtain the following Table in current prices in billions of ECU.

Table I Changes in GDP source I)

	1960	1975	1992	average%	% 60-75	%75-92
US	483.4	1,276	4,917.5	7.5%	6.7%	8.25%
W. Germany	68.4	337	1,360.5	9.8%	11.1%	8.5%
France	57.7	276.3	1,016.1	9.4%	11%	7.9%
Japan	41.9	403.1	3,024.1	14.3%	16.3%	12.5%
Italy	37.6	171.3	989.5	10.7%	10.6%	10.8%
UK	68.4	188.8	889.3	8.3%	7%	9.5%
Total	757.4	2,652.5	12,197.0	9%	8.7%	9.4%

This table gives nominal growth, that is including inflation. However, in the long-term a different rate of inflation has an effect on the currency exchange rate. If we suppose that the rates of exchange are well adjusted at the time the calculation is made, it is even more true as the period in consideration becomes longer and the calculations take into account an average, and we therefore have a good idea of the effective relative weight of nations on the world market. Here we have

absolute values. We can note that there is a major difference between the rates of change in various countries. Our sample for the whole of the period show the bourgeoisies who got the best out of it are in descending order Japan, Italy, Germany, France and then the United Kingdom and the United States. So, all the European countries and Japan have done better than the United States, which represents a declining part of global value.

This does not mean that the situation is uniform. The tendency for the period over thirty years long is not the same if it is broken down into two nearly equal parts, 1960-1975 and 1975-1992. The first part was included in the so-called “thirty glorious years”, while the second was in that of so-called “crisis”. If in the first part the hierarchy remained the same for the whole period, three countries obtained a better result in the second than in the first part. This did not mean that they gained positions on the level of the world market, but just that they did better in the second part, not necessarily because their performance had improved. The table in absolute values has some advantages, but should not lead to an error. Higher global growth in the second part could and does in fact mean there was higher inflation in the whole of the capitalist world at the time. But even if this inflation is taken into consideration along with real growth, the situation on the world market is still to be appreciated.

So, the United States is one of the countries that had a higher nominal rate of growth in this phase. The country did not improve its relative position (except regarding France), but it fell back less quickly on the world market. This judgment must also be nuanced by the fact that the American currency is without doubt over-valued. The United States can live in part on credit towards the rest of the world due to this monopoly of the dollar.

The most spectacular result is that of the United Kingdom which moved up from next-to-last to third place and which obtained a growth rate higher than the average in the group. Many factors were involved in this return to grace, although the entry of the United Kingdom in the EEC in 1973 must have counted. Are the tendencies we have stressed confirmed in the second set of data, where the GDP is given in the local currency and not the ECU?

Table II GDP Growth rates (source II)

	1970	1975	1992	%
US	1,010.7	1,585.8	5,955.8	8.3 %
W. Germany	73.1	148.0	473.0	8.8%
France	675.3	1,026.6	2,983.7	7%
Japan	793.5	1,467.9	7,155.1	10.5%
Italy	67.2	138.6	1,542.9	15.3%

UK	51.8	105.9	606.8	11.8%
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The rates indicated above take inflation into account and this explains why the best results on a nominal level were obtained by the countries with the highest rates of inflation (United Kingdom and Italy).

The relative effect of inflation is cancelled by correcting the results obtained by using the nominal currency rate of exchange. Bourgeois theories postulate that they are called the purchasing power parity of the currency. In other words, they assume that if a country sees its prices rise more rapidly than another, its currency will be devalued at the same rate to return to the previous parity. But things do not happen this way, neither in theory nor in reality. We must also be careful when considering the world market in comparing just the rates of growth of each country taken separately. These rates of growth expressed in local currency do not take into account the movements in the rate of exchange, even if they allow for inflation. In order to make the calculation required, we can use a more or less equivalent series which measures changes in the dollar against other currencies for almost the same periods. This gives us the following table. The results for the United States are, by definition, interchangeable as the dollar is the reference for the series.

Table III GDP growth rates (currencies unified)

	1970	1975	1992	%
US	1,010.7	1,585.8	5,955.8	8.3 %
W. Germany	209.7	573.8	3,654	13.8%
France	179.6	462.4	1,841.8	11.1%
Japan	158.7	323.3	1,315.3	10.1%
Italy	108.9	174.8	1,263.9	11.8%
UK	136.3	216.1	1,083.5	9.8%

We have the same relative hierarchy taken separately from the first series of figures, even if the reference period is shorter and the data on the rates of exchange are less precise.

This first series of statistics concerning the absolute change in the relative relationships between some of the leading countries in the capitalist world allow us to highlight facts that are not always clearly seen. Except for the collapse like the Mexican Peso or the Rouble (Russia paying once for what was discounted for half a century), we can see that the European country which offered the best performance on the world market was Italy. It was the country which produced more value



(at least apparently), that is it is the leading country among those mentioned for value created accepted by the world market. In both cases, it can be seen that the pretension of the Italian bourgeoisie of having overtaken Great Britain seems to be true. Even if a monetary catastrophe is not be ruled out, seeing the mountain of debt accumulated by Italy, this does not conceal the relatively good performance of Italian capitalism compared with its rivals, a phenomenon which is rarely stressed.

18.5 Creation of value and labour time

Now we have to evaluate these results in line with the second parameter, that of labour time. The data available are again only approximate and a more detailed study would clearly be more interesting, but the series are sufficient to be able to discover the mean tendencies. First of all, we must recall the value of a commodity, 'w', and here we are dealing with the totality of commodity production at the level of commodity capital, is equal to the sum of constant capital 'c', variable capital 'v' and surplus value 's', as seen in this equation:

$$w = c + v + s$$

The task of trying to find the equivalents the categories of scientific socialism in the mess of bourgeois statistics is very delicate. Besides, the class enemy having neither the interest nor the intellectual capacity, seeing the stupidity of the theories which underlie its action in the domain of statistics, it is vain in part to attempt to establish statistical knowledge worthy of the name, and also in part to establish an equivalent with the data available for theoretical reasons inherent in communist theory. However, despite the necessary approximations, the differences in size are sufficiently clear to leave few doubts regarding the matter of major tendencies. The objective we set here is to compare the values we have calculated with the mass of productive labour required to produce them. Of course, this perspective can only be approximate.

The calculation of the value per active worker forms the most important data without being, far from it, perfect pro capita figure of the GDP by inhabitant, as it provides a better approach that we may call the apparent intensity of labour, that is, the value apparently created by the labour force. The best results can only be obtained when knowing the working hours of this working population, as a part of the active workforce does not work full-time and annual working time varies between countries. The result for the effective apparent value can only be obtained by subtracting the part, approximately 10%, which is represented by fixed capital. Lastly, and no statistics provide this, we have to take into account only productive labour, with the theoretical consequences the state of things would entail, that is, part of the value created does not appear in the GDP. The arguments are valid only in a purely capitalist framework, and it is also important not to forget value creating labour which is not performed by the proletariat, which still takes place in modern societies, such as by peasants and artisans, even if this section is declining. There are great difficulties to be encountered in performing this calculation, but we shall try our best all the same.

18.6 Population, active population: international data

We shall begin with the comparison between the change in the working population, the active population and the total population. The table below shows the change in the population, the active population and the working population in the countries concerned. The figure for the working population is obtained by taking the active population and subtracting the officially unemployed population for the period in consideration. For example, the United States population averages



198.4mln in the period 1961-1973 with an active population of 78.2. In 1992 the population was 255.3 with an active population of 127mln. The column headed “Delta” gives the population growth and active population growth. To continue with our example of the United States, the calculation gives a population growth of 56.9mln. and an active population growth of 48.8mln. The last column headed “%” gives the active population as a percentage of the total population in 1992 and the ratio between the growth of the active population and the total population. For the United States, we can see that the active population formed 49% of the total population in 1992 (127/255.3), while the ratio between the additional active population and the supplementary total population is 85% (48.5/56.9). We can see here that the average variation is higher than the first average obtained, meaning that the active population is expanding at a faster rate than the total population.

Table IV: Growth of population and active population

	61-73	74-80	81-90	1992	Delta	%
US	198.4	220.5	239.7	255.3	56.9	49
	78.2	99.3	116.7	127.0	48.8	85
Japan	100.5	113.7	120.9	124.4	23.9	53
	49.4	54.6	60.2	66.2	16.8	70
W. Germany	59.3	61.6	61.6	64.0	4.7	48
	26.8	27.4	29.4	31.1	4.3	91
France	49.4	53.2	55.4	57.3	7.9	43
	20.8	22.8	24.0	24.8	4.0	50
UK	54.8	56.2	56.7	57.6	2.8	48
	25.4	26.1	27.5	28	2.6	92
Italy	52.5	55.9	57.1	57.9	5.4	42
	20.7	21.5	23.3	24.3	3.6	66

All the countries studied saw their active population expand faster than the total population. This does not mean that effective employment rose faster than the total population. In fact, the active population also includes registered unemployed. This means that a growing part of the population is jobseekers. Marx drew a distinction between absolute and relative unemployment (Cf. The two phases of capitalist Production [in Results of the Direct Production Process, Marx, Collected Works, Vol. 34 -trans.]). Absolute overproduction is due to an increase in the population higher than that required by the accumulation of capital during a constant increase in the productive forces. This is the only form of overpopulation during the phase of the formal submission of labour to capital. But with the real submission of labour to capital another form of overpopulation comes

into being which does not necessarily replace the first: relative overpopulation. This relative overpopulation is rooted in the contradictory increase in labour productivity.

“The demand for actual labour is determined not only by the amount of variable capital already used, but also by its average continuous growth, with the offer of labour remaining normal as long as it follows this movement. But when variable capital falls to a lower rate of growth, the same offer of labour which had until then been normal, now becomes abnormal and overabundant, such that a greater or lesser fraction of the working class, having ceased to be necessary in the valorization of capital, has lost its *raison d’être* and finds itself now superfluous or supernumerary. As this trend continues with a rising market of accumulation, this brings growing overpopulation in its wake.

The law of the proportional reduction of variable capital, with the correspondent fall in the demand for relative labour, thus has as corollaries the absolute increase in variable capital and the absolute rise in the demand for labour following a decreasing proportion, and lastly, as a complement, the creation of relative overpopulation. We call it “relative” because it does not come from a positive growth of the working population which would exceed the limits of wealth on the way to accumulation, but, on the contrary, from an accelerated growth of social capital that allows it to pass from a larger to a smaller part of its work force.” (Marx, *Le Capital*, Livre I, ed. Pléiade tome 1, pp. 1145-1146, cf. *Capital Volume I*, Collected Works Vol. 35, pp. 624-625)

We now have to recall the two forms of overpopulation, and by taking into account of the figures we have calculated in the above Table, it seems quite valid to deduce from the difference between the growth of the active population and the population in general that the rise in an absolute overpopulation is something that should not be forgotten in the calculation of what is called unemployment. We cannot discuss this matter here. We do not have sufficient data to offer a more detailed opinion. Nevertheless, if we take the case of France, a country for which we have some data, some of the figures should be considered.

These figures are all the more interesting because France is the country where the gap between the growth in the active population and the growth of the population is the least. The latest data go back to 1990 and can be compared with the previous ones from 1982. This 8-year period saw the working active population rise by almost 800,000, from 21,465,960 in 1982 to 22,232,974 in 1990. However, this overall figure hides the differences between men and women: the active male population fell by almost 200,000, while the active female population rose by about 1,000,000. The question of women replacing men is more complex than a simple job by job replacement because the type of job available has changed. Nevertheless, considering that women are generally paid less than men, capital has generally gained from it.

On the other hand, the number of part time jobs has increased over the same period by several hundreds of thousands, which means in net value that the jobs created have been essentially part time and ones that on their own allow only with great difficulty for the complete reproduction of labour power. Finally, unemployment hits women harder. This paradox of a rapid increase in female employment of 11.4% compared with 4.4% for the population and 3.6% for the working active population, all the while having a higher rate of unemployment, can be partly explained by the rise in the level of activity among women which itself is both a cause and a consequence of the change in relations between the sexes, the composition of the family etc. It can also be noted that the “Latin” countries such as France and Italy have a ratio of active population/total population several percentage points below that in “Anglo-Saxon” countries or Japan too; the former at about 40%, the latter at about 50%. One of the consequences of this phenomenon is to attribute a

mechanical underestimation to unemployment in countries where the active population is higher since the rates of unemployment are in relation to the active population. The rate of activity, and the active part of the population too, have changed over time and here we cannot draw any further conclusions. A study by the French Statistical Office INSEE concerning two centuries of work shows that the rate of activity of women from 25 to 54 years old has been the highest ever in recent years during the phase of the real submission of labour to capital, while the male active population peaked around 1974, and the ratio between the active population and the total population increased regularly in the 19th century, reaching over 50% between 1896 and 1921. This period also corresponds to a ratio between the active female population and the total population among the highest in history and this is again the level we find today for women. We have frequently shown that unlike the wailing of part of the bourgeoisie and the reformist parties, the period starting in 1974 cannot be considered as a period of crisis as the crises were not permanent in character. But we could be tempted to see in the data we produced the material roots, certainly in relation with the slowing of the increase in productivity (as the bourgeoisie defines it) of this kind of sentiment. On the contrary, history has called the period from the end of the 19th century up to the beginning of the First World War, a period characterized by historians as one of low prices associated with higher wages, the “Belle époque”. What the western bourgeoisie above all has seen as a period of crisis in fact considers a period characterized by the clear demonstration of crises of overproduction with an approximately 6-year cycle, which is a startling theoretical victory for scientific socialism. But crises are not permanent. If we believe the World Bank, the last ten years have been those of the highest rates of growth the world has ever seen. The conjunction of sentiments in our area in clear contradiction to global tendencies in the world economy, simply means that the old imperialist countries are being competed against by young rivals and their relative importance is declining on the world market.

18.7 Active population, working population: international figures

We now come to concentrating on the formation of absolute overpopulation and the relationship it has with relative overpopulation. Our objective remains above all the establishment, in a summary form, of the mass of living labour corresponding to values given in the GDP. In order to do this, we have to deduce the part of the active population which, without being called so by name, remains inactive because it cannot sell its labour power to the barons of capital. The part of the workforce which is working fears joining them and the pressure of capital weighs heavily on the price of labour power. The working active population is obtained by subtracting the unemployed. We know the rate of unemployment and its trend. We can calculate the employed population and the tendency it follows.

By taking the rate of unemployment found in the first line of each table compared with the active population in the previous table, we get the mass of unemployed. Once this mass is subtracted from the active population, we obtain the working active population. For example, in the period 1961-1973 the average unemployment rate in the United States was 4.9%. Seen in relation to the active population over the same period, 78.2mln. (see Table IV), we obtain 3.8mln. unemployed. If we subtract this number from the active population, we obtain 74.4mln. (78.2 – 3.8) working people. Certain countries, such as the United States, have seen the number of those working grow considerably (43.4mln., that is 117.8mln. – 74.4mln.). This growth is much weaker in the European countries taken into consideration where it reaches at most 2.6mln, in the case of West Germany. The sum of the European countries dealt with here has a population almost the same as the United States and together they have seen the working population grow by 7mln., that is 1/6 of that in the United States. If we take all the countries considered (Japan, West Germany, the United Kingdom, Italy and France), they offer less jobs than the United States alone, even though their population is

40% higher. The last column gives the increase in the population employed, 43.4mln (117.8 – 74.4) between the two dates given in the table. If we compare this figure with that of the variation in Table IV, we obtain the percentage on the second line. The United States had a population growth of 56.9mln. in the same period. The comparison of the two variations gives the percentage figure of 76% for the United States (43.4/56.8). If the rate is greater than that obtained on the first line of the last column of the table above, that means that the active population has risen faster than the total population. It is not necessarily the same for the working population, because the rate of unemployment has generally risen regularly, at least tendentially.

Table V: Rate of growth and variation of the working population

	61-73	74-80	81-90	1992	% Pop
US	4.9%	6.9%	7.1%	7.2%	43.4
	74.4	92.4	108.4	117.8	76%
Japan	1.2%	1.9%	2.5%	2.2%	15.9
	48.8	53.5	58.7	64.7	66%
W. Germany	1%	4%	8.2%	6.3%	2.6
	26.5	26.3	27	29.1	55%
France	2%	4.8%	9.3%	9.8%	2
	20.4	21.7	21.7	22.4	25%
UK	2.1%	3.9%	9.1%	9.7%	0.4
	24.9	25.1	25	25.3	15%
Italy	5.4%	6.8%	10.6%	11.1%	2
	19.6	20.0	20.8	21.6	37%

The result of this analysis is much more varied, as far as this aspect is concerned. Certain countries such as the United States, Japan and West Germany have seen a growth in the working population higher than that of the total population, as a marginal rate of growth higher than the ratio active population: total population shows. For the other countries, Italy, France and the United Kingdom, the phenomenon is the opposite. Italy is more or less in equilibrium because the ratio between the working population and the active population is almost constant. In the case of France and the United Kingdom, the growth in employment is slower than the growth of the total population. In the United Kingdom, where the active population increases rapidly with a marginal ratio of 100% compared with the total population, the unemployment rate is therefore among the highest. In a summary approach to relative overpopulation, seeing that we consider the total population growth and the growth of the working population as equal as the definition of the limit between excess population created by advances in labour productivity and that which is the result of the growth of

the job-seeking population faster than “wealth being accumulated”, what are we stating? If we take the net situation or the marginal result, three countries have balanced the effects of the increase in labour productivity by their accumulation. From this point of view, the overpopulation in the United States, West Germany and Japan, as expressed in unemployment, is due only to absolute overpopulation. For the other three countries, the two effects cumulate with a maximum reached in the United Kingdom, where there is both the highest relative and the highest absolute overpopulation. Clearly there is a significant parameter that has a direct effect on the reabsorption of overpopulation. It is the rate of accumulation of surplus value which is thought to be the same everywhere, but which is obviously not the case in fact.

Even with significant reserves regarding above all labour time and the mass of productive labour, we have gained a summary insight into the mass of labour corresponding to the GDP. Here we presuppose that there is the same level of labour socialization, the same average labour time and the same distribution of productive and unproductive labour. As we are dealing with countries of comparable relative importance, the most highly developed capitalist countries, we can accept this approximation for the time being.

18.8 GDP and fixed capital: international figures

The sector of the GDP corresponding formally to living labour time is obtained by deducting the figure corresponding to fixed capital used in the production process.

We have already had occasion to recall that in brief the GDP is not the equivalent of $c + v + s$, but $v + s +$ the fixed part of constant capital. It should also be noted that a concept such as the formation of gross fixed capital does not include just the part of fixed capital consumed, but also the part accumulated.

The methods used in various private calculations drawn from national accounts are far from being homogeneous and the determination of the value of fixed capital remains rather imprecise. At a first glance, if the value of the social product increases, and therefore the GDP too, that could be due to either an increase in fixed capital, therefore a part of dead labour, or the increase in living labour. The latter can increase either because of the increase in the productive population with an unchanged average labour time, or due to an increase in the intensity of labour. The fact of taking into account only living labour sets aside for the moment knowing which part is obtained by the proletariat in the form of wages which is equivalent to variable capital, and which part returns to capital as surplus value. It is clear that we can expect to find nothing in bourgeois statistics on the matter. We can also avoid worrying about it and therefore indicate only what is shown as dead labour, fixed capital, and what belongs to living labour, without knowing what is the part relative to necessary labour and surplus labour.

We have two types of data. Firstly, there are the statistics on what is called gross formation of fixed capital. This value is equal to the sum of the part of fixed capital consumed and the part that is freshly accumulated. We can thus obtain the following table:

Table VI: Gross formation of fixed capital as % of GDP

	61-73	74-80	81-90	1992
US	15.0 %	16.7 %	16.3 %	12.9 %

Japan	32.9 %	31.8 %	29.2 %	30.9 %
Italy	24.6 %	24.0 %	20.9 %	19.7 %
France	23.4 %	23.5 %	20.4 %	20.3 %
UK	18.4 %	19.1 %	17.5 %	15.5 %
W. Germany	24.9 %	21.0 %	20.2 %	21.9% (1991)

There has been a fall in the formation of fixed capital everywhere to a greater or lesser extent since the period 1961-1973. What remains to be distinguished is what a fall in accumulation demonstrates and what would correspond to the part of the value of fixed capital in the social product.

Figures available show that there is a tendency for the total product to contain an increasing part of fixed capital.

The depreciation of capital which should correspond to the wear of fixed capital used in the production process changes as shown in the table below:

Table VII: Depreciation of fixed capital as % of GDP

	61-73	74-80	81-90	1992
US	8.6 %	10.5 %	11.5 %	10.8 %
Japan	13.0 %	12.7 %	13.9 %	15.7 %
Italy	10.4 %	12 %	12.1 %	12.6 %
France	9 %	11.5 %	12.6 %	12.6 %
UK	8.8 %	11.3 %	11.7 %	11.5 %
W. Germany	9.7 %	11.3 %	12.7 %	12.6 % (1991)

At a first glance, this means that fixed capital overall represented a larger part of the total value of the product. This growth therefore in part explains the increase in the GDP. When the gross GDP is worth 100, if fixed capital represents 10% of the value of the fixed capital of the GDP, the net GDP is worth 90. If the part of fixed capital rises to 15% while the GDP increases to 200, then the net domestic product is worth 170. It has not doubled while the GDP has. If the net product represents only the action of living labour, the gross product which adds a part of the value of fixed capital can increase more rapidly due to the faster increase in fixed capital. In our example, while the GDP doubles, the value of fixed capital transferred to the product triples from 10 to 30. This means that, since the real development of fixed capital is limited, this factor alone cannot explain the increase in the GDP. Certain tendencies in the communist milieu at the time offered this kind of response by attributing the growth of the GDP exclusively to the rise in fixed capital. They are ignoring reality and the most elementary facts. We can see that the change in fixed capital remains limited and the size remains similar among the different countries.

We can now see what part is officially assigned to the accumulation of fixed capital. This information is obtained by calculating the difference between the two previous tables we have prepared:

Table VIII: Rate of accumulation of fixed capital as % of GDP

	61-73	74-80	81-90	1992
US	6.4 %	6.2 %	4.8 %	2.1 %
Japan	19.9 %	19.1 %	15.3 %	15.2 %
Italy	14.2 %	12.0 %	8.8 %	8.1 %
France	14.4 %	12.0 %	7.8 %	7.7 %
UK	9.6 %	7.8 %	5.8 %	4.0 %
W. Germany	15.2%	9.7%	7.5 %	9.3 % (1991)

Here we can observe a negative tendency in the increase in the part of fixed capital in the GDP which means a slowing down in the rate of accumulation with a noticeable net fall in the 1980s. The two tendencies do not only not contradict each other, but are instead fully complementary. At first sight, if the increase of fixed capital in the GDP can indicate a fall in the rate of profit and the increase of the organic composition, it follows that this fall in the rate of profit would tend to discourage accumulation and therefore lead to a fall in the rate of accumulation. This subject requires further investigation which we cannot undertake here. We should simply note in order to increase the perplexity of a good number of zealous disciples of the fall in the rate of profit that

the countries which have the largest part of fixed capital and which therefore should have lower rates of profit are the same countries which obtain a greater success on the world market (Japan and Italy) while the old capitalisms, the one which were or still are the first in the world, put in mediocre performances and have the lowest rates (Great Britain and the United States).

The relative importance of fixed capital is similar among the various nations we have studied and the increase is clearly the same. On the other hand, there are uncertainties concerning the statistical calculations of net capital, which explains why statisticians prefer to give gross GDP figures. Lastly, apart from the analysis of fixed capital as it is given in the statistics, it would be important to know how it is spread between productive and unproductive employment.

Taking note of these reserves, we can use the data at our disposal regarding the change in the depreciation of fixed capital in applying it to the table which sums up the changes in the GDP. If we deduct this depreciation of fixed capital, we can obtain an evaluation of the ratio between the value apparently produced as expressed by the GDP and living labour.

For example, we deduct the average value of the corresponding period from the GDP for 1960 for the United States. The depreciation of fixed capital is 8.6%, so we obtain a net domestic product of $483.4 - 8.6\%(483.4) = \text{ECU } 441.8\text{bln.}$

Table IX: Changes in net domestic product (in ECU bln.)

	1960	1975	1992
US	441.8	1,142.0	4,386.4
W. Germany	61.7	299.0	1,187.7
France	52.5	244.5	888.07
Japan	36.4	351.9	2,549.3
Italy	33.6	150.7	864.8
UK	62.3	167.4	787.0

18.9 Apparent labour intensity: international figures

We can now calculate the value created by each active worker by taking into account these new data. The sources we can use do not correspond exactly for the beginning of the period, but the error is the same for all countries.

The table below shows the difference between the net domestic products for a given period.



For example, the difference between the net domestic product of the United States between 1960 and 1992 was ECU 3,944.6bln. For a comparable period (cf. Table V), the working population saw a rise of 43.4 million. By comparing these two figures we obtain a figure which has no great importance in itself, but which allows us to classify countries by their level of development and their apparent intensity. The last two columns of Table X provide the absolute level of apparent intensity in 1992 and 1996 according to the date provided by another source and converted into ecu. If we divide the net domestic product for 1992 by the working population for 1992, we obtain the figure of ECU 37.2bln. For 1996, the figures in billion French Francs provide the following approximate result: 242. The GDP in 1995 was FrFr34,210.3bln. – 11% depreciation of fixed capital (a value estimated using the results available in Table VII above) divided by the working population of 125.5mln (figure estimated for unemployment in May 1996 of 7.448mln. people representing 5.6% of the active population – 7,448mln.) The calculation is 30,447bln. net domestic product and a working population of 125.5mln. The figures for 1992 and 1996 therefore have a relative significance unlike the previous ones. They offer the first expression of the apparent intensity of labour. If the whole population were productive wage earners, it would indicate that the value apparently created by living labour would be about FrFr242,000 per person working in the United States in 1996.

Table X: Population changes and Changes in the GDP.

	ΔNetDP	ΔPop	$\Delta\text{DP}/\Delta\text{PO}$	1992 (M€ ECU)	1996 (M FrFr)
US	3,944.6	43.4	91	37.2	242
Japan	2,512.9	15.9	158	39.4	308
W. Germany	1,126	2.6	433	40.8	340
France	835	2	417	39.6	279
UK	724.7	0.4	1,811	31.1	173
Italy	831.2	2	415	40.0	232

18.10 The decline of the United Kingdom and the United States

We have obtained a result with a strong contrast as while the rate of growth of Great Britain for apparent intensity is the highest, the absolute value is the lowest. The United Kingdom has therefore fallen in the rankings of nations, or rather it has risen less quickly than the others. It has been passed over by many countries both on the absolute and on the relative level. At the same time, it seems to have begun some kind of turn around as if it had drawn back to its bases so as to restart from a stronger position to reconquer the world. At the same time, a rapid growth in the active population accompanied by a weak rise in the working population led in 1992 to expanding

unemployment (we should note that the United Kingdom was the only country to see an increase in working time). The latest figures we have available seem to show a reduction in unemployment and an increase in the working population which has reached almost 26mln. people according to our estimates, a clear improvement over previous years. Despite this, the United Kingdom takes the last place on the Table. The leading country in the 19th century is now an average country. The level of labour productivity on the world market is far behind the other European countries mentioned as well as Japan. The show of the Empire on which the sun never sets goes on, as is the case for the French Republic too, but it is far more pallid than before.

The question of the relative decline of the United Kingdom, a decline not only of a country compared with those with a larger population, but also in relation with those who have a similar population, is an old one. When the United Kingdom was threatened by Germany and the United States, and to a lesser extent by France, there was the first wave of reflection on the causes of the decline. Grossmann echoed this debate. The question he asked himself was what factors made a bourgeoisie succeed more than the others in exploiting the proletariat and how it could lose this advantage with the passing of time. It would not be enough to simply invoke the laws of capitalist production, as Grossmann does. All the more so as the laws do not come straight from Marx, but from arithmetical acrobatics whose inanity the good Professor has managed to demonstrate. In fact, for Grossmann, at a determined level of accumulation of capital, technical progress has to slow down given that the valorization is insufficient to fulfil this objective (cf. Grossmann, *Das Akkumulations- und Zusammenbruchsgesetz der kapitalistischen Systems*, p. 264). Supposing that all this has a basis, it could explain why the most advanced country was *caught up with* by the others, but not why it was *overtaken*. The laws of the capitalist mode of production are the same for everyone. Countries with larger populations could overtake the United Kingdom, but the leading country in the world fell back to sixth position on an absolute level and even more in relative value terms, such as GDP/inhabitant and a fortiori GDP/active population, where the United Kingdom is below the twenty-fifth rank.

The observers at the beginning of the 20th century (Victor Bérard, *L'Angleterre et l'Imperialisme* [England and Imperialism], Paris, 1900 and Schulze-Gaevernitz, *Britischer Imperialismus und englischer Freihandel zu Beginn des zwanzigsten Jahrhunderts* [British Imperialism and English Free Trade at the Beginning of the 20th Century], Leipzig, 1906, for example) considered that one of the cultural characteristics of the English was their technical conservatism, an apprehension about or a refusal of technological innovation, to be attributed to a historical process of spiritual decomposition. Grossmann remarks quite correctly that in this case it could not be explained how they have been the first to introduce inventions in certain epochs. If the examples are legion where English innovations (beginning with those of Bessemer and later Thomas in steelmaking) were not employed first in Great Britain while they were established abroad, the explanation of relative decline cannot be due to the national character of a people whose roots go back to well before capitalism and the present mode of production is precisely the result of dissolution. One cannot go as far as saying it had no influence. Here it is not at all probable that the differences in the importance of accumulation can be reduced to just one factor. The cultural factor necessarily has a dimension that articulates in a complex manner with the other factors.

What other factors may be important? This subject requires a deep analysis. Without trying to be complete and wishing to classify them, we can just remark:

- The United Kingdom managed to dominate world trade because it was a maritime power, and being an island was a great help. One could think that land transport on an island, like the United Kingdom, which by definition is less open to the outside world, was less easy

after links with the continent were developed, and more easily open to competition. Recent enquiries have shown that in the homeland of the railway, travel times have not been reduced, or have even increased, on certain lines for almost a century, while everyone knows about the difficulties in building the high-speed link from Folkestone to London.

- Maritime transport itself has changed since the building of the Suez Canal. Until it was built, it was cheaper for a silk merchant to get his raw material through London rather than the Mediterranean.
- Raw materials necessary for many industries, such as coal and iron ore, were in abundance in Great Britain in the 19th century.
- The demographic model characterized by an increase in and then the maintenance of the birth rate, with a decline in the death rate, became established in England during the 18th century. The industrial zones were those which saw the most rapid population growth.
- While the English elite has without doubt, and continues to benefit from it, a very high-quality educational system, the education of the masses was the poor cousin. If English capitalism could take in and even look for an illiterate proletariat so as to subjugate it better, the evolution of the capitalist mode of production itself leads bourgeois society to offer the proletariat an increasing degree of instruction, which makes the domination of the bourgeois class and its power of command attached to capital always more delicate and less justified.
- At the same time, the increasing insufficiency of the school system, eroded by bureaucratization, social contradictions, the separation from productive activity and to a lesser extent sport, where education and culture appear to be prerogatives of the ruling classes which is force fed it covered in a disgusting hypocritical humanist democratism, leading to the revolt by many young people, often poisoned by individualism.
- More than anything else, the United Kingdom was a great imperialist nation, and, like France, it is probable that such a situation favoured a type of parasitism and slowed or halted the changes that other non-colonialist countries had to undergo more rapidly. Without mentioning the question of Ireland which is millstone around its neck.

We should deal with two other important questions.

The United Kingdom sacrificed its agriculture very early on and quite radically to the advantage of its industry. Did this not have an effect on the mastery of biological sciences which have become, and will become increasingly so in the future, one of the basic impetuses in the rise of productive forces?

The United Kingdom is one of the most stable democracies in the world. This means that the bourgeoisie had maintained political power permanently and therefore the class antagonisms never reached such proportions as to oblige the bourgeoisie to want to abandon power. The class struggle was never such that it could become a scarecrow that could threaten to slow economic growth by limiting the increase in the proletariat as the Third republic in France tried to do by protecting the peasantry as far as possible with tariff barriers, or in the opposite way using rapid growth to integrate the proletariat, as in the case of France after 1968. In many ways, the development of machinery and the productive forces is related to the class struggle. The stability of its democracy and its development into a plutocracy are indices that the

necessary integration of the proletariat to ensure capitalist development could be obtained more easily and therefore to the detriment of the development of modern capitalism.

The country which succeeded to the United Kingdom as world leader has followed the same path for many years. The United States still maintains a high level of productivity that compares with that of the other countries in the study. But all of them, except for the United Kingdom, have overtaken the US. If we examine the tendency of the increase of the apparent intensity of labour, the United States are at the bottom of the table (Cf. Table X, 3rd column). This means that productivity is growing faster in the other countries. The United States has the lowest growth among all the countries studied. It is the country which had the greatest need to increase the number of proletarians to slake the thirst for surplus value. The others have especially raised the productivity and intensity of labour, which has a repercussion on the value of apparent intensity as it appears on the world market. The increase in surplus value in the United States is certainly the fruit of the increase in the productivity and intensity of labour, but also the mass of living labour set to work. The level of labour productivity and intensity is lower there than the world standard which was represented by the most highly developed European powers, for example. Here we can admire the cretinism of the European bourgeoisie whose economists have no other model to offer in resolving the social problem than the American or British one, the models of decline. Modern economic thought is so destitute that it takes even the clearest signs of weakness for virtues. Economic science hallucinates on its death bed. It sees the symbols of wealth in the signs of poverty. Its delirium caused by a deep misunderstanding of the basic mechanisms of capitalist production, driven by its hatred of communism, finds the opportunity to launch a critique of revolutionary theory which evidently leads to its own confusion. A superficial reading can only tell us that equal masses of labour do not create the same value on the world market. The bourgeoisie celebrates this. Look everyone! The theory of value is wrong. It writes our obituary, but gets it wrong as we are safe and sound.

However, the various comparisons between countries that have a seemingly similar relative importance, that is between countries that top the hit parade of the imperialist feast, display notable differences between levels of apparent intensity. These differences are all the more important when making a comparison with countries which are more distant on the industrial level.

According to the only theory that can explain these phenomena, communist theory, that means that the higher the apparent intensity, the higher the productivity, because what counts on the world market is productivity as intensity. This explains the apparent paradox which ruins the Ricardian theories of value and is translated by the fact that equal masses of labour provide the world market with an unequal value.

The United States clearly created more jobs in this period and clearly created more jobs than all the other countries considered added together, but it was the country which made the least progress among those considered. Only by showing that unproductive labour is particularly extensive in the United States can the conclusions be modified. In fact, unproductive labour creates neither surplus value nor value and from this standpoint a supplementary job does not lead to an increase in value and surplus value. The hypothesis of a more rapid increase in this unproductive labour is far from having to be discounted, but, in this case, we would have to show through careful analysis why the United States have increased unproductive labour to such a point that production per worker is lower than most of the countries we have analysed.

The corollary of this relative decline of the United States in the table of nations, although it still stands in first place on an absolute level, is that the average real wage has stagnated for years to such an extent that even recently it was still at the level of the 1960s. As we have already stated, it is not wages which determine the general level of prices, but prices which determine wages. In other terms, it is the slowing of American performance on the world market with the slowest growth in apparent value there which causes the stagnation of the value of labour power.

On the other hand, we have reasoned as if the working population worked the same working day. In fact, there is a different mass of annual labour between various countries with a spread of easily 20% between the highest and the lowest. In France, the annual average working time, including part-time jobs, has fallen to 1,500 hours now. This phenomenon does not exclude the possibility that working time may be extended for a whole part of the working population.

19. Communism and the law of value on an international scale

19.1 A theory put under the bushel

Why are there identical labour times which produce different values on the world market?

Only Marx's theory gives the right answer. Only the international theory of value produced by Marx allows us to pass through the international maze. It is this theory alone, buried under the rubbish of vulgar economics heaped on it by the "Marxism" of social-democracy and Stalinism, ignored and defiled by the communist movement which finds nothing better to do than dish out Luxemburgist ineptitudes, rehashes of Grossmann or Mattick, or even play avatars of Leninism, which we have resolutely stood to defend. This standpoint had variously been carefully eluded, buried, mutilated, watered down, eliminated, toned down and discarded not by chance, because it is one of the characteristics of the theory of value of the revolutionary party.

The task of social-democracy and Stalinism was to reduce revolutionary theory to the level of bourgeois theory by making it into a kind of vulgar economics. The traitors and grave diggers of the proletarian movement could only be heartened when they found unexpected support in a communist movement, weakened by 70 years of counter-revolution and reduced to a hulk which floats with the tide, when they had to go beyond a mere conspiracy of silence regarding this milieu.

The leitmotiv of bourgeois economics concerning the international relations of force is obsessive: the fault is that of "low wage countries". The companies based in "low wage countries" offer lower production costs by paying lower wages than those in the more developed capitalist countries. So, competition is in their favour.

Several conclusions can be drawn by the bourgeoisie of developed countries:

- One tendency consists in requiring some degree of protectionism to prevent competing products from invading the market thanks to their lower prices. All countries use protectionism in different ways (customs duties, quota systems, special technical regulations, protected markets etc.), while swearing blind that they believe in free trade.
- A second tendency consists in the wish to realign the wages of the proletariat in developed countries with those of their brothers in other countries. The proletariat of countries which have been more prosperous up to now have too high wages and an overgenerous social security system. Thus there has been, among others, the creation of a category of precarious and very poorly paid jobs has been permitted by flouting the law, substituting men with women, raising the age of retirement, introducing measures to reduce contributions for low wage earners, the happy days of illegal immigration providing a labour force which is both overexploited and socially marginalized, the increasing weight of the reserve army that in borne by active workers, the cuts made to social security, unemployment benefits and, finally, the discrimination against young people who are condemned to spend years just getting by before finding a rather more fixed job. The objective is to reduce step by step, for the moment, the level of wages (both direct and indirect, that is by including the cost of social security, education etc.) of the better paid proletarian to that of the worst paid.

□ A third tendency is the trumpet most often sounded by social-democracy, although the bourgeoisie does not always refrain from blowing it. It consists in crying copious crocodile tears over the fate of the proletarian classes in the less developed countries which are, nevertheless, increasingly competitive as regards old capitalism. The objective is, apart from distracting the attention of the proletariat and increasing competition between proletarians, to hinder the strength of competition from “low age countries” by insisting on changes in wage levels and the cost of social security and education. Bourgeois humanists are immediately concerned about the proletariat, of other countries naturally. They are all too willing to demand wage rises, better social security, respect for the environment and the prohibition of child labour, and while they are ready to take offence at exploitation elsewhere, they are far less inclined to denounce it in their own countries. Nevertheless, as revolutionary theory shows, this exploitation is necessarily greater here while at the same time allowing the proletariat to obtain a higher standard of living during prosperous periods. Our humanists are only too happy to forget their own history to point to their neighbours, while their relative prosperity and their improvement stands on the shameless exploitation of generations of children under conditions which could seem shameful to many of today’s capitalists in South-East Asia or elsewhere.

The response to all this is largely given by revolutionary theory when it shows that the value of commodities is determined by the average socially necessary labour needed to produce them. Labour power, like any other commodity, obeys this law. Consequently, if the commodities of a country are more competitive than those produced in another, it is because the value they express on the world market is inferior to that which the other country offers on the world market. The general level of wages has nothing to do with this. It is sufficient to determine the rate of labour exploitation. The general tendency ensures that this rate is all the higher the higher the level of development on a capitalist level of the country concerned. In yet other terms, it is because commodities are sold at low prices that wages are low (as the wage is determined by the value of the sum of commodities needed to reconstitute it, to reproduce it, to be more precise, labour power), and not the other way round.

19.2 Labour time and value on a world scale

It remains to be shown is how identical labour times are expressed by different prices on the world market. Here too Marx’s theory represents an exceptional advance on enemy theories. Communist theory showed a capacity of forecasting without precedent.

The theory shows that on the world market:

1st. The intensity of labour is not the same in different countries. More intense labour creates more value in the same time.

2nd. The productivity of labour appears as the intensity of labour and therefore a more productive type of labour counts as a more intense type of labour.

“In every country there is a certain average intensity of labour, below which the labour for the production of a commodity requires more than the socially necessary labour time, and therefore does not reckon as labour of normal quality. Only a degree of intensity above the national average affects, in a given country, the measure of value by the mere duration of the working time. This is not the case on the universal market, whose integral parts are the individual countries. The average intensity of labour changes from country to country; here it is greater, there less. These national averages form a scale, whose unit of measure is the average unit of

universal labour. The more intense national labour, therefore, as compared with the less intense, produces in the same time more value, which expresses itself in more money.

But the law of value in its international application is yet more modified by this, that on the world market the more productive national labour reckons also as the more intense, so long as the more productive nation is not compelled by compensation to lower the selling price of its commodities to the level of their value.

In proportion as capitalist production is developed in a country, in the same proportion do the national intensity of productivity of labour there rise above the international level. The different quantities of the commodity of the same kind, produced in different countries in the same working time, have, therefore, unequal international values, which are expressed in different prices, i.e., the sums of money varying according to international values. The relative value of money will, therefore, be less in the nation with more developed capitalist mode of production than in the nation with less developed. It follows, then, that the nominal wages the equivalent of labour power expressed as money, will also be higher in the first nation than in the second; which does not at all prove that this holds also for the real wages, i.e., for the means of subsistence placed at the disposal of the labourer.” (Marx, Capital Volume I, Collected Works Vol. 35, pp. 558-559)

The theoretical consequences of this proposition are fundamental. We interpreted this citation incorrectly in a previous number of CouC. The conception defended then was that of representing the relationship between productivity and intensity at an international level as a real phenomenon. This would mean that the value created by a proletarian in the country with the higher productivity is actually higher. This is not necessarily the case if it is a social phenomenon which is translated into the creation of what Marx called (cf. The Agrarian Question) a false social value. Marx tells us that the productivity of labour *counts* as intensity on the world market. This means that the scale of social values established between different countries is not in proportion to labour time needed for their reproduction. If a country has a labour productivity higher than another, if it produces a commodity in an hour there when the other takes twice as long, this does not mean that therefore the value of the product will be half that in the more productive country. On the contrary. The social value appearing on the world market will to a great extent be inversely proportional to the labour time contained in its commodities. In fact, the productivity which is defined by an increase in the number of commodities for an identical social labour time counts as more intense labour, that is the creator of more value and more commodities at the same time. Besides, seeing that the richer country develops greater labour intensity than the poorer one, the social value established in the more developed country will be higher than that established in the less developed country. The value really created will therefore not be that which appears on the world market. If the phenomenon is of an accountancy kind, this is because it is placed on the level of the relative currency values.

19.3 The value of currency is not single

Marx develops this point of view when he states that the relative value of money is lower in a nation where capitalist production is more developed than where it is less. It therefore follows that the values of national currencies are different. The value is in inverse correlation to the level of development of labour productivity and intensity. It is clear that there are other factors within the monetary sphere which influence the rates of exchange of different currencies. But here we are dealing with the fundamental determinants of the value of money. Frequently Marx

is seen as a contemporary of the gold standard and commodity money. One quickly came to make believe or state that his theory moves naturally into this theoretical space. Here we can say that it is nothing of the kind. If the value of national currencies is different, this means that their value is not determined by a universal commodity which would be the standard common to all countries. The value of currencies contains a specific character which ties them to the national labour productivity and intensity. The value of money in developed capitalist production is therefore not strictly tied to the value of a particular commodity, be it gold or any other standard commodity. This result, which is contained implicitly, if not explicitly, in the analysis of credit, poses revolutionary theory as a particularly modern theory. It alone was able to foresee the development of the capitalist mode of production. It alone is able to provide the analysis and, what is much more important, to give the warning of its being put to death and how to conduct this act.

“Among the effects of the gold drain, then, the fact that production as social production is not really subject to social control, is strikingly emphasized by the existence of the social form of wealth as a *thing* external to it. The capitalist system of production, in fact, has this feature in common with former systems of production, in so far as they are based on trade in commodities and private exchange. But only in the capitalist system of production does this become apparent in the most striking and grotesque form of the absurd contradiction and paradox, because, in the first place, production for direct use value, for consumption by the producers themselves, is most completely eliminated under the capitalist system, so that wealth exists only as a social process expressed in the intertwining of production and circulation; and secondly, with the development of the credit system, capitalist production continually strives to overcome the metal barrier of wealth and its movements, but again and again it breaks its back on this barrier.

In the crisis, the demand is made that all bills of exchange, securities and commodities shall be simultaneously convertible into bank money, and all this bank money, in turn, into gold.” (Marx, Capital Volume III, Collected Works Vol. 37, p 569)

Today currencies are completely separated from the gold standard. All the same, this does not mean that gold does not play the role of a refuge, especially during crises.

19.4 Global intensity and productivity

We have shown through our comparison of the situation in countries in the group of the 6 richest countries in the world that there is a difference in the apparent value created by active worker. These differences show notably that Germany, France and Italy have comparable levels of labour productivity and intensity, while the United States, and above all the United Kingdom, have slipped down the world hierarchy. From the point of revolutionary theory, this means the level of labour productivity and intensity is higher in the first three countries. As productivity counts as intensity on the world market which is translated as by a weaker relative value of money, the value expressed per active worker will be higher. This phenomenon also lets us understand why labour time has been almost halved in 170 years while the value expressed by each active worker has multiplied almost 13-fold. Annual working time was around 3,000 hours in 1830, while today it is below 1,700 hours. In the same period, the value created by an hour's work has multiplied by around 25-fold. We cannot completely account for this increase by the increase in labour intensity, even though it obviously plays a role. Productivity counts as intensity and thereby causes an increase in the value expressed by an hour of work.

Social compatibility is therefore the opposite of appearances. The greater the increase in labour productivity, the lower is the time of social labour required to reproduce the commodity. But this productivity appears on the world market in an inverted way: the commodity seems to have a greater value, it has a higher sale price. The most devalorized commodity achieves the greatest valorization on the world market. Commodities with the lowest “value” appear as the highest social values. What is true for a given commodity is generally so for this particular commodity, labour power. That is, the value of labour power of the most developed countries, all things being equal, is the lowest. The proletariat of the most developed country produces a greater mass of surplus labour in the same labour time. The rate of exploitation is also higher in the developed country. Therefore, contrary to the third worldist vision, or the limited powers of understanding of the petit bourgeois, it is the proletariat of the more advanced countries which is at the same time the most exploited. For the same labour time, and generally for less labour time, the proletariat of the most advanced countries is exploited more both as regards the mass and as regards the rate of surplus value. But their nominal wage, and as a rule their real wage is higher too. Marx does not induce automatically from this that the nominal wage being higher, the same goes for the real wage, but immediately after the lines we have quoted he adds:

”But even apart from these relative differences of the value of money in different countries, it will be found, frequently, that the daily or weekly, etc., wage in the first nation is higher than in the second, while the relative price of labour, i.e., the price of labour as compared both with surplus value and with the value of the product, stands higher in the second than in the first.” (Marx, Capital Volume I, Collected Works Vol. 35, p. 559)

Expressed otherwise, this means that most often the real wage will be higher in the richer country. The rate of surplus value (the proportional price of labour compared with surplus value) will also be greater. It is the same for the relation of value of labour power to the value of the social product. If the ratio v/s and the ratio $v/(c + v + s)$ is higher in the second nation (the country where the capitalist mode of production is less developed) than in the first nation, that means the inverse relation, that is s/v – rate of exploitation – and $(c + v + s)/v$ – ratio between the value of the social product and the value of labour power, are higher in the more developed nation from the capitalist standpoint.

The tendency of the first ratio (s/v) clearly confirms that in Marx and in revolutionary theory the relation of exploitation does not diminish with the growth of bourgeois society, that the rate and mass of surplus value tend to become even greater as the productive power of labour increases. On the other hand, if this is one of the golden chains that capital uses to hitch the proletariat to its cart, the real wage there is often higher. This point of view was also proposed by Marx in the following passage:

“In any case because in a given country the relative value of labour falls in proportion to its productivity, it must not be imagined that wages in different countries are inversely proportional to the productivity of labour. In fact, exactly the opposite is the case. The more productive one country is relative to another in the world market, the higher will be its wages as compared with the other. In England, not only nominal wages but also real wages are higher than on the continent. The worker eats more meat; he satisfies more needs. This, however, only applies to the industrial worker and not the agricultural worker. But in proportion to the productivity of the English workers their wages are not higher.” (Marx, Theories of Surplus Value, Collected Works Vol. 31, p. 252)

The second relationship $[v/(c + v + s)]$ also shows us that in the spirit of Marx the organic composition of capital is all the more important the more developed the country is, that the productive force of labour is greater there. Increased exploitation is not a synonym for poverty as common sense would define it. The appearance and the essence do not coincide and only the scientific conception of scientific socialism is able to uncover the mysteries of bourgeois society as the prelude to its revolutionary overthrow. Consequently, we have shown that the general level of prices is higher in the richest nation. If the less developed nation manages to compete against the richer nation, it will therefore be favoured because prices in general are lower there. Even though it is less productive overall, it appears to be more competitive on the world market. The level of wages does not come into the matter. Whether this level is higher or lower changes nothing in the productive force of labour and in its expression through the formation of a specific social value on the world market. The level of wages will determine what part will go to labour and what part will go to capital in the form of surplus value, but in no way the value of the commodities and relative competitiveness of nations. If, all things being equal, wages fall, then profit will rise, but there will be no a priori improvement to the competitiveness of the developed nation because the value of the commodities would remain the same. The higher level of wages is on the contrary the result of this higher productivity and the relative monopoly which may be derived from the higher productive force of more developed nations. It is because the productive force of labour is more developed that the ruling class can offer crumbs and tie down the proletariat during periods of expansion by granting real wage increases. Besides, as we can see, the proletariat and more in particular a fraction of it, its aristocracy can profit from the exploitation of less developed nations by the more developed nations.

The same old tune about the competition from low wage countries is therefore only one of the ideological ways the capitalist class adopts to attack the wages of the proletariat. Does it compose the protectionist discourse of the sectors most directly hit by competition by countries where the value of commodities is lower? Or, alternatively, does it announce a general relative decline of nations that once ruled the roost? In other terms, has the American or British model, which has been presented as the panacea, become the model of relative decline adapted to the societies that prefigured the way to be taken by old European societies which were the cradles of capitalism and the inheritors of a long western cultural tradition? The future will tell.

If Marx is quite explicit about the relationships between real wages, the rate of exploitation and the relative value of commodities and currencies on the world market, the communist movement has been much more hesitant. Perspective Internationaliste, following a long break and many torments which may have led to think that it risked definitely leaving the orbit of the communist revolution, has restarted with a vigorous round of thought. There are still many lacunae in the scientific expression, but the progress made is so noticeable that the concept of decadence coming from the ICC is now merely decorative, a way of writing, without a solid theoretical basis. It is sometimes difficult to break with the usual slogan. So, we can read in no. 30-31 (Autumn 1996) the following.

“During the rising period of capitalism, other nations could catch up with the massive productivity of England just because the relative separation of national markets created differences between average national rates of profit so that capitals with a low organic composition could use their higher rate of profit to finance their own process of industrialization. This has become impossible in decadent capitalism, not only because the threshold to cross in capital formation is increasingly high, but also because of the equalization of the general rate of profit globally. As we shall see below, the use of customs barriers played

at most only in minor role among the rare cases of successful national development in the 20th century. Another illustration of the phenomenon was the huge increase in the rate of profit in areas such as Latin America during the world wars when they were all but cut off from imports arriving from developed capitals and the commodity value of their exports was regulated to a large extent by local conditions of production. Today the separation between various rates of profit is on the way out. Furthermore, as the world experiences technological improvements, there is always less possibility for production undertaken with backward methods to enter the global production chain. All these backward countries can still offer is their extremely high level of exploitation.” (p. 24)

We shall come back later to consider the “theories” of PI regarding the rate of profit. Here we shall just pay some attention to the last sentence which stands miles apart from revolutionary theory.

As far as statements from historical fiction are concerned regarding the rise in the 19th century compared with the decadence of the 20th century, it is difficult to find a worse example than that of the United Kingdom. It was overtaken by the United States and then Germany towards the end of the 19th or the beginning of the 20th century (up until 1914 half of international transaction were in sterling). Since then, the United Kingdom has been overtaken by France, Japan and Italy. So far we have considered only countries with the greatest absolute production. Pro capita income allows us to make comparisons with countries with smaller populations, but which are particularly prosperous on a capitalist level, such as Switzerland and Luxemburg, showing that Great Britain has fallen to the 22nd rank among nations.

PI follows the example of the CWO (zealous heir of the Stalinist Grossmann) to sing the old refrain which denies that foreign trade has any importance in the theory of value. In the wake of the bourgeois, but with the pretext of an “internationalism” typical of the petit bourgeois in imperialist countries, it is impossible to go beyond national boundaries. The particularities in the formation of value are ignored. The particular functions of money as world money are left aside. Turning back from the critique of political economy to go to its defence, there is a gap the believers in Ricardian conceptions have to cover. Dialectics do not consider things as given, but as a process. They are not to be examined only statically, as that would be to understand just an aspect or a moment. It is vital to study the movement to grasp their future development. This holds true for value and money. Abstract labour cannot acquire the whole of its determination as social labour within the field of national needs (cf. CouC no. 4, “Communisme contre valeur” [Communism against value]). We have to leave the limited framework of the nation to approach the universal need of the global system in order to measure up to its concept. We should recall that, unlike the bourgeois representation the bourgeoisie constructs for itself, the world market, from the communist standpoint, does not only mean international exchange, but represents the sum of all national markets. Abstract labour, the form of social labour that typifies mercantile society, on the one hand only fulfils its complete expression with the generalization of commodity production, that is the capitalist mode of production, and on the other only fully becomes a fraction of universal labour by realizing itself in an infinity of use values. Abstract labour only fully unfolds with the development and generalization of commodity production. Foreign trade and the world market allow for attaining its full expression. Value realizes itself on the world market.

“But it is only **foreign trade**, the development of the market to the world market, which causes money to develop into world money and *abstract labour* into social labour. Abstract wealth, value, money, **hence** *abstract labour*, develop in the measure that concrete labour becomes a totality of

different modes of labour embracing the world market. Capitalist production rests on the *value* or the development of the labour embodied in the product as social labour. But this is only [possible] on the basis of **foreign trade** and of the world market. This is at once the precondition and the result of capitalist production.” (Marx, Theories of Surplus Value, Collected Works Vol. 32, p. 388)

The same point of view is presented in Capital Volume I.

“In the trade between the markets of the world, the value of commodities is expressed so as to be universally recognized. Hence their independent value form also, in these cases, confronts them under the shape of universal money. It is only in the markets of the world that money acquires to the full extent the character of the commodity whose bodily form is also the immediate social incarnation of human labour in the abstract. Its real mode of existence in this sphere adequately corresponds to its ideal concept. (...)

Money of the world serves as the universal medium of payment, as the universal means of payment, as the universal means of purchasing, and as the universally recognized embodiment of all wealth.” (Marx, Capital Volume I, Collected Works Vol. 35, pp. 153-154)

These are some of the elements that Grossmann leaves hidden. He does not even envisage this fundamental aspect of the theory of value in Marx. The only aspect that he comments on in the passage above (after quoting it!) is the exchange of values which permits foreign trade. The decisive importance of foreign trade in the determination of social labour time, value and the performance of abstract labour in social labour, thus the fundamental mechanism that maintains the material base of commodity production, are passed over in total silence. The bases of the determination of prices, the particular importance of foreign trade, all this is missing from Grossmann’s theory (and for good reason). Mattick and the CWO (we should add Battaglia comunista, because all these good people have the same anti-communist point of view) are of the same sort. This therefore leads them to completely underestimate the importance of this specific function of money which provides the prelude to other revisions. This specific function of money which Marx stresses in Capital when he speaks of money of the world is passed over in silence. The CWO does not even bother to mention it. It prefers the company of bourgeois economists whose manuals it copies from. It could not be otherwise since in this function of money of the world we find the theoretical presuppositions for the scientific conception of socialism regarding the formation of world prices, of foreign trade and international exchange. The current that ranges from Grossmann to the CWO, passing via Mattick, has chosen to reject revolutionary communism, but is careful not to face up to Marx directly. They bypass the obstacle and ignore it.

This ignorance is not something that happened by chance. It fully corresponds to the interpretation of the Ricardian type of value as this current of thought regularly offers evidence. This conception allows it to limit the debate to the framework of the equalization of the rate of profit. It denies the exploitation of nations and makes unequal quantities of labour able to be exchanged other than on the basis of the equalization of the rate of profit. Now, as we have shown elsewhere, the equalization of the rate of profit between the different fractions of capital supposes a similar labour productivity and intensity between the branches and components of capital. But here, on the world market, there is instead the contrary of the inequality of labour productivity and intensity. The conditions of trade are completely different and suppose the formation of an international value following a path different from that of the formation of production prices. The establishment of an international value follows rather,

taking into account the particularities characteristic of the existence of an international market and trade, the logic constituting the market value within a branch (cf. CouC no. 4).

If an equalization of the rate of profit between national capitals is decreed, this means that identical labour times always create and will always continue to create the same value. This is to adopt a Ricardian theory of value. At the same time that it defends a shrivelled theory of value which ignores all the functions of money and which pleads for the eternity of the capitalist mode of production, it also finds it opportune to deny it by introducing monopolist practices.

After having placed the essential part to one side in a subsection of a chapter ('The Importance of Foreign Trade in the Growth of the Variety of Use Values' pp. 422-433), and after having destroyed the theory of value in another subsection called 'Foreign Trade and the Sale of Commodities with Values different from production Prices' (pp. 428-440), Grossmann dedicates a chapter to 'Foreign Trade and the Importance of World Monopolies. The Struggle for World Raw Materials. The Importance of Monopoly Profits' (pp. 450-489). Grossmann follows the Leninist vein in this. By posing foreign trade as the privileged domain of monopoly profits, therefore where prices are determined without a relation to their value, the path continues to the further denial of the theory of value. On the one hand he endeavours to deny the specificity of the theory of value in its international application as he reduces the theory to below its possibilities, while on the other hand its action is denied and it is pushed outside its field of action.

Foreign trade is equally the base for the existence of monopoly price as for their negation in the scientific and dialectical conception developed only by revolutionary communism. In fact, without foreign trade, the social value of luxury means of consumption would be insufficiently determined, as they would not appear in either the calculation of the value of labour power, or, generally, of constant capital. They could therefore have a relatively indetermined price, if the world market were not there so that abstract labour could acquire fully its dimension of social labour. This applies to all products whose price level can be influenced by a monopoly. As regards absolute rent, Marx wrote:

"But it may be asked: If landed property gives the power to sell the product *above* its cost price, *at* its value, why does it not equally well give the power to sell the product *above* its value, at an arbitrary monopoly price? On a small island, where there is no foreign trade in corn, the corn, **food**, like every other product, could unquestionably be sold at a monopoly price, that is, at a price only limited by the state of demand, i.e., of *demand backed by ability to pay*, and according to the price level of the product supplied, the magnitude and extent of the effective demand can vary greatly." (Marx, Theories of Surplus Value, Collected Works Vol. 31, p. 542)

Consequently, a weak or even inexistant competition between landowners ("a small island"), the lack of a tie with the world market through foreign trade, would allow prices to become monopoly prices. Foreign trade therefore has the function of preventing prices having any further direct relation with the movement of value and consequently they can form monopoly prices. If foreign trade is a privileged domain for the creation of monopoly prices, it is also the privileged domain for their negation.

19.5 The question of the equalization of rates of profit on an international scale

Grossmann, who we have frequently had occasion to find *in flagrante delicto* of lying and falsifying, has not yet come to the end of his turpitude. We can remark how he destroys any specificity and importance in Marx's theory. Grossmann seems to fall into a historical

perspective where he ignores everything. If he admits, he tells us, as Ricardo did, that the law of value had a general validity and the commodities are sold at their value both in domestic trade and foreign trade, the difference between the two does not lose its importance. In foreign trade, only different use values are exchanged at an identical exchange value. Then Grossmann quotes Ricardo for whom any increase in foreign trade would not immediately increase the sum of value held by a country. He then concludes by introducing Marx: “Marx, on the other hand, accentuates the role of competition in the relations of international exchange between states” (p. 431). All this is just for Grossmann to prepare a new invention, that is the idea of the equalization of rates of profit on an international level. To do this, Grossmann starts from the stylized general characteristics of capitalist production. He takes an example from Marx, where Marx destroys any third worldist discourse then and forever, to prop up his argument. In fact, in this example in line with the general tendencies described by the theory, the highest rate of exploitation is found in the most developed country. Therefore, the proletariat of the most developed countries are the most exploited, even if they may also be the best paid. As far as the organic composition of capital is concerned, the same is true, that is that it is higher in the country where the capitalist mode of production is most advanced. Still in line with the general tendencies of capitalist production, the rate of profit is lowest in the richest region. In his example, Marx considers an Asian country with a rate of surplus value of 25% compared with 100% in the European country. The organic composition is $\frac{1}{4}$ in the Asian country and 4 in the European one.

We can therefore obtain the following:

ASIAN COUNTRY

$$16c + 84v + 21s = 121 = \text{Value of the product}$$

EUROPEAN COUNTRY

$$84c + 16v + 16s = 116 = \text{Value of the product}$$

Marx worked out this example at the beginning of Capital Volume III in order to illustrate the material motivation for the inequality in the rates of profit. This example is therefore found *before* the analyses of the equalization of the rates of profit and the conversion of values into production prices. Marx concludes:

“The rate of profit in the Asian country is thus more than 25% higher than in the European country, although the rate of surplus value in the former is one-fourth that of the latter. Men like Carey, Bastiat, and *tutti quanti* [all the others], would arrive at the very opposite conclusion.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 150)

On the other hand, Grossmann starts from this to develop a theory foreign to that of Marx. This theoretical point of view characterized by complete vulgarity is, of course, taken on board by the epigones of Grossman, be they Mattick or the CWO.

“But in foreign trade equivalents are not exchanged because here, as in the domestic market, there is a tendency for the equalization of rates of profit, and also the commodities of the highly developed countries, that is the countries with the highest average organic composition, are sold at production prices which are always higher than their values, while, on the contrary, the commodities of countries with a lower organic composition of capital are sold in the context of free trade at production price which have generally to be lower than their value.”



(Grossmann, Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems, pp. 431-432)

Grossmann therefore envisages an equalization of rates of profit on an international level. He even has the nerve to try to make others think that such a conception could also be attributed to Marx.

“In Marx’s example shown above, this would mean that an average rate of profit of 18.5% would be formed on the world market and that for the same reason the European countries would sell its commodities at a price of 118.5 instead of 116. In this way, transfers of surplus value on the world market would take place in the sphere of circulation towards the more developed capitalist countries because the distribution of surplus value would not take place in relation to the number of workers employed, but according to the dimensions of the capital at work.” (Grossmann, Das Akkumulations- und Zusammenbruchsgesetz des kapitalistischen Systems, p. 432)

So, according to Grossmann, an average rate of profit is established. Then production prices are established. We can note that for an identical amount of capital, as is the case in the example, the general level of prices is the same. In this case, there is a transfer of surplus value to countries with an above average rate of profit from countries with a below average rate of profit. Taking into account the general theoretical conditions that have been laid down, this means that the less developed countries, those with a below average organic composition and rate of surplus value lose a part of their surplus value which is gained by the more developed capitalist countries. In the above example, the richest country realizes a profit of 18.5 in place of a surplus value of 16. It therefore obtains an extra profit of 2.5. if we follow this logic, the world is divided into two camps, one which realizes more profit that it does not extort from the surplus value of its workers, the imperialist camp, and the other which realizes less profit that it extracts from its proletarians, the non-imperialist camp. If by chance a country enjoyed average conditions such that the profit obtained was the same as the surplus value, one could talk until the cows come home about the question of being “non-aligned”. If we draw all the consequences of Grossmann’s and followers’ theoretical conception, we would also have to accept that there is a general price level that is the same in each and every nation. In fact, the equalization of rates of profits leads to the formation of an identical international production price. On the other hand, the level of exploitation of the “non-imperialist” camp by the “imperialist” camp is fixed by the difference between the rate of profit in each camp and the average rate of profit. In our example, the rate of profit in the more developed countries is 16%. The average rate of profit is 18.5%. We can fix a rate of exploitation where the rate of transfer regarding the advanced capital is 2.5%. In other terms, a profit of 2.5 is transferred from one end of the world to the other.

Let us suppose that the value produced in the more developed countries and those where the rate of profit is below average is divided as follows:

Type 1 countries (imperialist countries): $c + v + s = w$

Type 2 countries (exploited countries) : $c' + v' + s' = w'$

$c/v = n$ = organic composition

$c'/v' = n'$ By definition therefore: $n > n'$



$s/v = t = \text{rate of exploitation}$

$s'/v' = t'$. By definition therefore: $t > t'$

v and v' are linked by the coefficient h which expresses the relationship between the mass of wages in countries of type 1 and 2. $v = v'h$

What is the average rate of profit?

$$(s + s')/(c + v + c' + v')$$

If we divide all the terms by v' , we obtain:

$$(s/v' + t')/c/v' + v/v' + n/n' + 1)$$

If we substitute v' with v/h , we obtain:

$$(sh/v + t')/(ch/v + h + n' + 1)$$

That is:

$$(th + t')/(nh + h + n' + 1)$$

or

$$(th + t')/(h(n + 1) + n' + 1)$$

All other things being equal, the higher coefficient h , which means the same as saying that capital is all the more concentrated in the imperialist countries, the more the average rate of profit tends towards the rate of profit of the developed countries. This leads to obtaining in the extreme case the maximum rate of transfer which is equal to the difference between the two average differences between the rates of profit applied to capital advanced in the less developed countries. The greater the concentration of capital in the imperialist countries, the lower the development of the countries dominated by imperialism. But the more capital is concentrated in the imperialist countries, the less this transfer of surplus value influences the raising of the rate of profit. The exploitation of the less developed countries by means of the transfer of surplus value has increasingly less interest for raising the rate of profit even though the mass of surplus value transferred is at its maximum.

The other factor which therefore influences the rate of transfer is the difference between the rates of profit. The higher the difference, the higher the rate of transfer. Here too one could think within the general theoretical conditions which form the framework for the reasoning that the greater the difference all the greater the concentration of capital. When countries develop, the difference between their rate of profit and the rate of profit of their forerunner narrows. That leads us to say that the greatest exploitation would be obtained for an organization of the world market that makes this exploitation all the more negligible the greater the material bases of this exploitation.

What a wonderful theory of imperialism!

Let us give an example to illustrate the general result provided by the mathematical equation. Let us suppose that the capital of the imperialist countries and the exploited countries is divided as follows:



I Imperialist countries: $90c + 10v + 10s = 110$

II Exploited countries: $10c + 90v + 20s = 120$

The rate of profit is 10% in countries of type I and 20% in the countries of type II. The average rate of profit is 15% and the mass of surplus value transferred is 5.

If capital is much more greatly concentrated in the imperialist countries so as to reach 90% of the social capital against the 50% previously, we obtain the following result:

I Imperialist countries: $900c + 100v + 100s = 1,100$

II Exploited countries: $10c + 90v + 20s = 120$

The rate of profit in the countries in type I is 10% and the rate of profit in the countries of type II is 20%. The average rate of profit that is established on this basis is around 10.9%. Therefore, the surplus value transferred will be equal to more than 9. It will tend towards a limit of 10, which represents the maximum possible in this set up. But in the previous situation 5 represented $\frac{1}{3}$ of the surplus value, while in the present situation 9 represents less than $\frac{1}{10}$ th. Its relative size falls as its absolute size increases. The interest of imperialism becomes more distant the more its pressure increases. So, the more countries come to compete the more the advanced countries will draw the benefits of this situation. This is the stunning result that Grossmann's theory provides!

Moreover, this result can only be obtained if there is real exchange between the countries. The transfer of surplus value is not a virtual phenomenon which sees a country selling its commodities a production price higher than the commodity value and the other at a production price lower than its commodity value. If these countries do not really trade these commodities, there can be no transfer of surplus value. We would only see a nominal rise or fall in prices without any change being made to real relationships. We have to suppose a complete exchange of production if the surplus value is to be completely transferred. Such a perspective supposes that the whole of the production of the poorer country is exported and exchanged against a part of the production in the richer countries. There are no countries which export 100% of their production, and generally speaking the more a country develops, the more of its production is given to foreign trade. The last 50 years have seen foreign trade grow more rapidly than production, except during years of crisis⁹⁵.

19.6 The formation of the international production price

Clearly, Marx had never shared such a vulgar and magician's hat type of theory. He had even explicitly rejected:

⁹⁵ This is not systematic, or at least it witnesses a limit in this case relative to the depth of the crisis. At the beginning of the 1990s, one after another, the greatest countries of the world entered into a crisis (United States, Japan, East Europe) all the same without world trade declining more rapidly than production, as the case had been in previous years. Asia and the Pacific took up the baton of world trade and supported its growth, despite the slowing down of trade between the older poles of the capitalist mode of production. What is called "globalization" is merely a concept which notably expresses in an alienated manner the recognition that the centre of gravity of world exchange has shifted to the Pacific- This phenomenon that our party has forecasted for nearly 150 years became an evident reality in the 1980s.

“The levelling out of *values* by labour time and even less the levelling out of *cost prices* by a general rate of profit does not take place in this direct form between different countries.” (Marx, Theories of Surplus Value, Collected Works Vol 31, p. 426)

If the rates of profit do not equalize following the logic of the creation of a production price and the formation of a general rate of profit, it is important not to forget either the role of transfers of capital which contribute to the redivision and the proportioning of capital between branches by following above all the rate of profit they can obtain, or the fact that the rates of interest are much more affected by a process of international equalization because of the mobility of capitals which are invested in the financial sphere.

“In emphasizing this difference between the rate of interest and the rate of profit, we still omit the following two points, which favour consolidation of the rate of interest: 1) the historical pre-existence of interest-bearing capital and the existence of a traditional general rate of interest; 2) the far greater direct influence exerted by the world market on establishing the rate of interest, irrespective of the economic conditions of a country, as compared with its influence on the rate of profit.” (Marx, Capital Volume III, Collected Works Vol. 37, p. 365)

We have to return to the bases of Marx’s conception to be able to go beyond the theoretical bric-à-brac peddled by Grossmann and Co. What have we learned from the elements that we went through above in this text? What are the general characteristics of a more developed country? Everything being equal, the rate of surplus value is all the greater, the greater is the increase in labour productivity and intensity. The rate of exploitation will be for the same labour time greater in the more advanced country. Capitalist production and exploitation march forward in step together, which is quite certainly a thesis diametrically opposed to that of third worldism.

The perspective of greater exploitation is in no way contradictory, as Marx shows, with two other general characteristics: the nominal wage is therefore higher as well as the real wage, Consequently the general level of prices is higher. If the real wage is higher, the purchasing power of the proletarians in the richer nation expressed in the currency of the less rich nation even more. The organic composition of capital is also higher in the richer country. On the other hand, the rate of profit will generally be lower.

The hierarchy of nations is therefore based on the degree of development of the productive force of labour. The nations placed higher on the industrial scale show the others the hill they still have to climb.

The vital conditions for equalization of the rates of profit and the formation of an average rate of profit, that is the equal intensity and productivity of labour, the whole of labour considered as simple labour, the equality of masses of capital, the ability of capital and labour to circulate freely, are not united on an international level. The laws of the formation of a production price on the international market are therefore not the same as those acting in a national context. More productive labour counts as more intense labour on the world market. The general rule is that labour is more intense if it is more productive.

Using these general bases, we can draw a portrait of a world of the relations between a developed country and another country at a lower level on the industrial scale.

Let us suppose that in country A 10 proletarians work 10 hours each to produce 200 units of a commodity. The constant capital used is 100 hours (here we are supposing that there is no

fixed capital, or at least that its turnover time is equal to 1). In country B, 10 workers also work 10 hours each and produce 100 units of the same commodity. The constant capital they use is equal to 50 hours of work. If we suppose a rate of exploitation of 1.5 in country A and 1 in country B, the working day can be divided as follows:

A: $40v + 60s$

B: $50v + 50s$

The value of labour power is lower in A than in B, while the rate of surplus value is higher.

The organic composition of capital is $100/40$, or 2.5, in A, and $50/50$, or 1, in B. The organic composition of therefore higher, as our general characteristics require. Instead, the rate of profit is higher in B. It stands at $50/(50 + 50)$, or 50% in B compared with $60/(100 + 40) = 43\%$ approx. in A.

The result of a day's work in the two different countries gives the following result:

A: $100c + 40v + 60s = 200$ hours work for 200 units of commodities

B: $50c + 50v + 50s = 150$ hours work for 100 units of commodities

It follows that the relationship $v/[c + v + s]$ is lower in A ($40/200$) than in B ($50/150$). 200 units of commodities represent 200 hours of work in A and 100 units of commodities represent 150 units of work in B. Therefore, one hour of work in A produces one unit of commodities, compared with one and a half hours in B. In A the productive force of labour is more highly developed. The relationship between the national productivities is 1.5. The individual value of the labour power is 4 hours in A (10 workers have a total value of 40 hours) and 5 hours in B. Taking productivity into account, this value is equivalent to 4 units in A, against $3\frac{2}{3}$ in B. The real wage corresponds to 4 units of commodities per worker in A, against $3\frac{2}{3}$ in B. The real wage is therefore higher in A.

If we leave out the problem of the general level of prices, which is a function of the rate of exchange which will see later, we can find in this illustration the whole range of the general characteristics which correspond to Marx's descriptions.

The general level of prices is determined by the rate of exchange between currencies. Let us suppose that in country A, an hour of work corresponds to a dollar. Let us say that in country B an hour of work is paid one franc. The exchange of commodities on the international level through the equivalence of labour time would imply a rate of exchange of one dollar for one franc. But such an exchange rate supposes that an hour of work in A is the equivalent to an hour of work in B. Now, if the productive labour power is 50% higher in A. We know, however, that productivity must count as intensity on the world market. That means the one dollar is exchanged for 1.5 francs. Expressed in francs, the production of A represents the sum of 300 francs. All this takes place as if the value of the international market is determined by the least productive nation. That is, a mechanism that is similar to that regarding differential rent (cf. the work of CouC on the agrarian question).

Nevertheless, such an exchange rate does not respond completely to the last characteristic which we lack, that is a higher general price level in A. This level must be such that the worker in A could obtain more units of commodities in B once his wage is converted into the currency of B, than he would obtain in A. On the basis of the rate of exchange indicated, the 4 dollars

of the worker in A would exchange for 6 francs in B. With these 6 francs, he would buy 4 units of commodities, that is the same quantity as in A. In the same way, the 5 francs of the worker in B represent $3\frac{1}{3}$. The price of the commodities being 1 dollar, the worker in B would have the same purchasing power in A as in B. Marx's theory is much greater than one that postulates an equality of purchasing power for determining exchange rates. Here nominal wages do not differ as much as real wages are different. We still lack an element to obtain a more complete representation of the perspective of Marx. The rate of exchange that we have just established is therefore the minimum rate. We can find a whole range of characteristics that we have defined beyond this rate of exchange. Let us take a rate of 1.8 francs for 1 dollar as an example. When the worker in A changes his wage of 4 dollars into francs, he gets 7.2 francs and 4.8 units of commodities, that is 0.8 unit more than in A. On the other hand, the worker in B only gets approximately 2.8 dollars. He can obtain only 2.8 units of commodities there where he received 3.3 approximately.

How is this possible on the basis of the law of value? It is because to the effect of the productivity we have to add to the intensity of labour which is also increasing with the development of the productive forces. The value of money is therefore the function of the productivity and the intensity of labour. The relative value of currencies therefore depends on productivity which counts as intensity on the world market as well as the differences in labour intensity. The rate of change is therefore the function of the differences in the labour intensity which on the world market corresponds to the difference between national labour intensities and the difference between national productivities which count as intensities on the world market.

To be greater to the extent that they constitute the foundations of the relative value of currencies, there has to be the connection of the exchange rates to the determinations we are about to consider. The rate of exchange cannot be understood as the mechanical product of the intensity and productivity of labour. Numerous elements arising from the financial and commercial sphere, such as interest rates, the movement of capitals and the relationships between commercial balances, all exercise a particular influence. We cannot deal with them here.

19.7 The forms of exploitation in foreign trade

We have seen how far we have taken our distance from the theoretical acrobatics of Grossmann. We have also reached the point where we can discuss the consequences of the elements we have outlined. In Marx's theory we can find the exploitation of one nation by another. All that takes place during the exchange between complex and simple labour on the national level. Different values are created and different values are exchanged. The product of a day's labour in A, the richer country, is exchanged with product n days (n is more than 1) in country B. Following our example, 1 day of labour in A exchanges for 1.8 days of labour of B. The richer country therefore exploits the poorer one, even if, as Ricardo showed, it draws a comparative advantage from this exchange.

“And even according to Ricardo's theory, 3 days of labour in one country can be exchanged against one of another country (...). Here the law of value undergoes essential modification. The relationship between working days of different countries may be similar to that existing between **skilled, composed labour** and **unskilled, simple** [labour] within a country. In this case, the richer country exploits the poorer one, even where the latter gains by the exchange (...).” (Marx, *Theories of Surplus Value*, Collected Works Vol. 32, p 294)

The inequality of exchange is manifested through the relationships between currencies which determine the rate of exchange. Exploitation and antagonistic relationships are present on the industrial scale, each one being in a position to hope to exploit the poorer one and seek to limit its exploitation by the richer ones. A universal antagonism therefore exists between nations. On the world market, a product of ECU 100 exchanges against a product of ECU 100, but according to countries, the same labour time is not required to produce them. The greater the gap in labour productivity and intensity between the two countries, the greater the relationship of exploitation and the greater will be the exploitation of the less developed country by the richer country. The interest of the richer nation (if it acquires use values it is lacking, or if it acquires them at a lower cost, which is also an advantage to the poorer nation) is to take part as much as possible in foreign trade. For the rich country, the greater the part dedicated to foreign trade, the greater the gain obtained in exchange. The position of strength on the world market is also a strong lever in maintaining a labour aristocracy. The development of the productive force of labour on the one hand opens up the perspective of an increase in real wages while at the same time increasing surplus value and strengthening its position on the world market.

“And the working class? If even under the unparalleled commercial and industrial expansion, from 1848 to 1868, they have had to undergo such misery; if even then the great bulk of them experienced at best but a temporary improvement of their condition, while only a small, privileged ‘protected’ minority was permanently benefitted. (...) The truth is this: during the period of England’s industrial monopoly the English working class have, to a certain extent, shared in the benefits of the monopoly. These benefits were very unequally parcelled out amongst them: the privileged minority pocketed most, but even the great mass had, at least, a temporary share now and then. And that is the reason why, since the dying-out of Owenism, there has been no Socialism in England. With the breakdown of that monopoly, the English working class will lose that privileged position; it will find itself generally – the privileged and leading minority not excepted – on a level with its fellow-workers abroad. And that is the reason why there will be Socialism again in England.” (Engels, Preface to ‘The Condition of the Working Class in England’, 1892, in *Collected Works* Vol. 27, p 268)

19.8 Limits to exploitation, competition and the international division of labour

This process of exploitation bears within itself its own limits. The maximum level of exchange is reached when one of the two countries engages the whole of its production in foreign trade. If the relative gap between the degree of development of the productive force rises, exploitation can increase as regards its “rate”. For example, today there is the exchange of three working days against one, while yesterday the ratio was two to one. However, all things being equal, it will induce the richer nation to lower the part going in exchange in relation to production.

The general theoretical elements that we have discussed suppose a form of the division of labour. If the same commodity is produced in two countries, it is the less developed country that will have cheaper commodities and so more competitive ones. When the less developed country is able to climb to a higher rung on the industrial ladder, there is the risk that it may upset previous relationships and modify the rules of competition. Commodities do not become competitive because wages are lower and oblige the more developed country to lower its prices (this is the situation that Marx probably had in view when he described a situation where competition forced the more productive nation to lower its sale prices to the level of their value – see above) or even to close certain lines of production which they previously maintained, but this is the result of the action of the law of value on an international level. The whining about

globalization (as if the capitalist mode of production did not presuppose a world market right from the beginning!), the “competition from low wage countries” have no basis other than the modifications in relative relations between labour productivities on an international scale due to the rapid development of the capitalist mode of production and the productive labour power which goes with it in various countries which until now had been latecomers to the concert of nations. The material basis for the phantasms of the bourgeoisie surrounding the strange concept of globalization is nothing other than the recognition and publicizing what was foreseen for a century and a half by our party, that is the Pacific will become the principal zone for trade. This has been a matter of fact since the end of the last decade [1980s- trans.].

The more developed countries will have to establish a division of labour that suits their interests better in order to maintain their leadership. They tend to promote protectionist techniques when they are threatened by competition. They are free traders when the international division of labour follows their interest, and protectionists when it becomes disadvantageous. Free trade allows for the increase in the efficiency of capitalist production, and therefore has a positive effect on the rate of surplus value. Protectionism seeks to maintain production which is the basis of all exchange and tries to maintain the mass of surplus value. The two aspects are not mutually exclusive, but are rather in dialectical opposition.

What is the best suited organization of labour for the richest countries?

We have already seen regarding the agrarian question that the capitalist mode of production makes agricultural produce relatively more expensive than industrial products. The more developed countries, backed by the advantage that they can gain from foreign trade, have every interest to reserve for themselves the production of industrial products while restricting less developed countries to production of raw materials.

“A new and international division of labour, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field.” (Marx, Capital Volume I, Collected Works Vol. 35, p. 434)

In the sectors where the market price is determined by the least favourable conditions of production, the less developed countries can more easily enter international competition and win a competitive edge.

“That in the course of development of capitalist production, agricultural labour has become relatively less productive than industrial labour only means that the productivity of agriculture has not developed with the same speed and to the same degree. The reduction in the necessary labour time seems small compared with the progress in industry. This is evident from the fact that the agricultural products of countries like Russia, etc., can beat those of England. The lower value of money in the wealthier counties (i.e., the low relative production costs of money in the wealthier countries) does not enter in to it at all. For the question is, why it does not affect their industrial products in competition with poorer countries when it does affect their agricultural products. Incidentally, this does not prove that poor countries produce more cheaply, that their agriculture is more productive. (...)” (Marx, Theories of Surplus Value, Collected Works Vol. 31, pp. 254-255)

If Russia can outcompete England in agricultural products and not industrial products, it is because the relative productivity of Russian agriculture, in relation to its industrial production, is higher to the relative productivity of English agriculture, given the rate of exchange between

the English and Russian currencies. The rate of exchange is the result of an average. It expresses average productivity. This is influenced by a large extent in England by the productivity of industrial products. The sectors which have a social productivity higher than this average, that is industrial products in England and agricultural products in Russia, find themselves favoured in part by this situation, while those that have a lower productivity than the average, like agricultural products in England, are, on the contrary, unfavoured. Nevertheless, the labour productivity in English agriculture may be higher on an absolute level, on the level of the effective use of labour time for a unit of a given commodity, than the labour productivity in Russian agriculture.

19.9 In place of a conclusion: towards the Euro?

How can we understand the present move of the bourgeois economy in Europe towards a single currency. We cannot exclude an error of judgement, seeing that if there is an area where bourgeois theory demonstrates a congenital infirmity, it is clearly that of its currency. We can see a plausible explanation in that ignorance and stupidity have replaced Scylla and Charybdis. In this scenario, the arrival of the Euro whose effective launch would fit in with the next major crisis of overproduction, it would end up in an even greater fiasco. The political choice of the single currency would aggravate the crisis by cancelling, partially, it is true to say, until 2002, many of the possibilities of national reaction. On the other hand, this stop would necessarily pave the way for the relaunching of nationalist tendencies in Europe.

How can so many countries, with such very different degrees of development of the productive power of labour, create a single currency?

In this chapter, we have established that the value of a currency is related to labour productivity and intensity on a national level. This result means that the general level of prices will be all the higher, the higher are labour productivity and intensity.

Let us review some facts. In a given country, there are differences in productivity between regions, just as there are between companies. We could imagine that the distribution of these different productivities around the average is quite the same from one country to another. It would seem, however, that this is not the case at least for regions. A country like Germany has regions among the most productive in Europe and also regions that are at the same level of less advanced ones. Nevertheless, the whole of the regions is federated with the Deutsche Mark.

We do not have any particular information to hand concerning this matter, but it seems likely that the United States, state by state and within the states themselves at a county level have different levels of productivity. Is this difference between the most productive and the least productive poles comparable with the one existing in Europe?

If this is the case, we would have another example where the single currency would be compatible with the great differences in labour productivity.

Inasmuch money is seen in its function of accountancy, it does not matter if there is one or there are many currencies. The single currency on the contrary presents the advantage of simplicity and a reduction in the costs of maintaining a currency. What is ignored by the

bourgeoisie's theory of money, in all its tendencies, vulgar Marxism included⁹⁶, is the understanding of money in its function of an international currency which expresses national labour as social labour on the world market. From this standpoint, the existence of a single currency plays a greater role of dissolution and accentuates the tendencies characteristic of capital when seeking universality.

Let us suppose there are two great branches of activity in a given country. Let us suppose that the increase in productivity is greater in one branch than the other. At first, the prices expressed on the world market by branch I, the more productive one, would increase, as long as the rate of exchange of the currency remained stable. The two branches would have to reach a compromise concerning their specific interests which would not exclude tension, struggles for influence, a temporary victory for one camp rather than the other in influencing exchange rate policy. Industrial policy too, with a clearer perspective of specialization for one activity would also be on edge. But here we are talking about national policies, and the exchange rate policy, just like industrial policy, are elements which guarantee the cohesion and existence of a national bourgeoisie. The creation of a single currency could only favour the dissolution of this state of affairs. The interests of branch I and II would separate (they are in any case situated in the periphery of the country and of Europe) while the realignment takes place among the other forces within a supernational area (among all the companies in branch I, for example). Such a policy should therefore create a strong tendency towards a state that surpasses present day national states, just as the Zollverein, which was a factor in the unification of Germany.

But the bourgeoisie entering a political orbit beyond the national framework, going towards, if its policy succeeds, whether it is conscious or not, the United capitalist States of Europe, would be an event of the utmost importance. If the bourgeoisie, that our party has always described as being incapable of going beyond the national framework, starts to open the way to these perspectives that take up the communist programme, it would be saying a lot about the maturity of the material bases of communism, of the existence of a sublimated situation, to readopt a concept from Invariance no. 6.

Here again, just like for free trade, our party votes in favour of the Euro⁹⁷.

⁹⁶ Such a concept has all the same wormed its way into the communist movement which from this point of view does not stand apart from vulgar Marxism (cf. for example the CWO).

⁹⁷ "But, generally speaking, the Protective system in these days is conservative, while the Free Trade system works destructively. It breaks up old nationalities and carries antagonism of the proletariat and bourgeoisie to the uttermost point. In a word, the Free Trade system hastens the Social Revolution. In this revolutionary sense alone, gentlemen, I am in favour of Free Trade." (Marx, Speech on the Question of Free Trade, Collected Works Vol. 6, p. 465)

20. Appendix 1: Communism and the Theory of Crises

20.1 A letter from “il nostro lavoro”

The Turin research centre called “il nostro lavoro” - we know very little about its activities, (our opinion is that it is more a circle of petit bourgeois than an expression of revolutionary militants) - has sent us a letter along with its work entitled “Development and crisis (for the study of extended reproduction)”. This analysis is composed of three parts: the first is mainly statistical in nature, the second is theoretical and the third is a panorama of the positions of various theoreticians on the subject and thus hopes to base (this is the aim of the theoretical section) the crisis of the capitalist mode of production on the disproportion between the two departments of productive capital as described in Capital Volume II, that is on the disproportion between the department of means of production and the department of the means of consumption. Such attempts, which go straight back to the perspective of vulgar economics of the Ricardian tendency, certainly clash with the classical position of revolutionary communism. We have already discussed these questions elsewhere in previous chapters and we will not return to them here. Nevertheless, it can still be presumed that our explanations are not clear enough since a large part of the letter is based on certain misunderstandings and, since the authors clearly maintain their concepts, this means that we have to come back to these subjects again.

“Il nostro lavoro” criticizes us, for example, for not being clear about what we mean by the contradiction of valorization-devalorization and its connections with the fall in the rate of profit. We can to a certain extent accept that that we have not made a detailed study on this point, even though we have offered indications here and there. There is a simple reason for this, being that we have not reached the point in the plan of our demonstration where such questions have to be dealt with in more detail. This does not stop us from trying in the future to make such an effort to be clearer over the matter.

“Il nostro lavoro” also goes as far as criticizing us for not having developed the theoretical part of Rosa Luxemburg, that is fact to show clearly a disproportion in the reproduction schemes due to the effect of the rise in the organic composition. Even if this subject certainly deserves further consideration, it is far from having the importance – and for a good reason, since it defends similar theories – that “il nostro lavoro” gives it, just as much as ourselves as for Luxemburg herself. This aspect of the problem was worked out in chapter 25 of her book (The Accumulation of Capital) containing 32 chapters, and, considering the main point of her argument in the “Anti-critique”, it does not take this aspect of the matter into consideration.

The craze of “il nostro lavoro” for disproportionalist theories drives it to reject our criticism of disproportion, but unfortunately it does not explain this.

The “il nostro lavoro” circle all the same proposes in its letter a new example for gold production in the schemes, (Cf. chapter 11)

I	4,000c + 1,000v	+	1,000s
II	1,980c + 500v	+	500s
III	20c + 5.05v	+	5.05s

and criticizes us for including gold production in department I while it could as well go into department II.



“Il nostro lavoro” does not understand why we recoil from Grossmann’s theory and along with him considers that the rate of accumulation must increase with the fall in the rate of profit and, if it does not increase, this is due to unproductive expenditure which increases so that the State can accomplish its role as a buffer, handle growing unemployment and therefore maintain economic and social stability. The letter ends with a series of critical remarks on Invariance that is useless to deal with in detail here. This is our reply.

20.2 The forecast of the Left

“First of all, there is a rather irritating element in your letter which on one hand attributes to us positions we do not hold and on the other hand confronts us with arguments that we ourselves have proposed. Perhaps this is due to an over rapid reading or a problem with the language, even though your French is very good, or that our positions are not expressed altogether clearly which, given your ability to handle the economic concepts, leaves us rather puzzled as to the understanding of less able readers.

For example, regarding the forecast, you criticize us over the following sentence: “In fact, only the laws of mathematics for the common multiplier. which means that 3 cycles of 10 years are equivalent to 5 cycles of 6 years, can explain that 1975 effectively coincided with a crisis.” This sentence did not intend to explain the forecast! It is instead an ironical remark about the forecast made in the past by the Italian Left which forecasted on the basis of a 10 year cycle a catastrophic crisis presenting the alternative between war and revolution in 1975. But the real cycle, and our statements are based on the study of statistics of some of the most advanced capitalist nations, show what is particularly clear for France, where the cycle is more regular, that is the cycle is now 6 years long. The cycle of capitalist production has shortened, just as Marx foresaw. There was clearly a crisis in 1975, but not the catastrophic crisis as expected, and therefore as regards the date established by the Left this does not mean that the forecast of the Left was correct, as certain epigones triumphantly announced, but is just a mere coincidence. It was this coincidence that we wished to stress ironically in the sentence in question.

20.3 Gold production in the reproduction schemes

In the same way, you criticize us for inserting gold production in department I and you quote one of our remarks criticizing Luxemburg. If we have understood your objection clearly, you have the intention to add onto gold itself included in department I certain commodities to be consumed unproductively. Our intention was aimed at showing though absurdity the reasoning of Luxemburg and nothing more. On the previous page, following Marx, we stressed that “this part of capital (the part dedicated to gold production) emerges from the framework of the hypotheses defined in the schemes of simple reproduction”. This means that such production does not appear anymore in the strict sense in department I than in department II. In fact, the schemes “only analyse the relationships between the two large departments of productive capital” (underlined in the text, cf. 11.4 , three lines above the passage quoted).

Seeing the level of the analysis where Marx stood, he did not aim at complicating the situation by introducing new departments which did not fit into the field of his study for the time being. We have, from this point of view, followed the same desire, just as we have wished to show, and this is why we have formally left gold – in the study of the equilibrium of the schemes and not in the theoretical analysis of the problem – in department I so that it does not upset the equilibrium of the schemes, as Luxemburg supposed.



Besides, we took care to note that it was important to clearly see the qualitative location of this type of production, rather than to link it to the number of the section.

The means that we only stressed that the following were not taken into account in the schemes (cf. 11.4):

- the productive capital engaged in sectors producing capital employed unproductively;
- the productive capital engaged in sectors producing commodities for the state in as much as this spends money from revenue;
- the capital employed in unproductive sectors where there is no production of value or surplus-value, unlike in the two preceding cases.

As we stressed, we therefore obtain a better classification if we attempt to break down the following capitals which are exchanges against capital or revenue. Certainly, here we only consider capitals producing surplus value which stand outside departments I and II. The numbering of these departments is clearly of no importance. On the contrary, as regards unproductive departments (in as far as they produce neither surplus value nor value⁹⁸), they lie outside the problem dealt with in Volume II in the framework of capital reproduction.

If their analysis so requires, we shall dedicate all or part of a coming issue (cf. chapters 12 and 13) to these questions, but it does not seem to be possible to deal with them within the framework of the reproduction schemes. We can recall that Marx would have had to dedicate a whole book to these problems. If it is possible and logical to reintroduce productive capital used unproductively, it is more delicate, from a theoretical point of view, to introduce unproductive sectors strictly speaking. We can at best envisage this as an illustrative example only with the greatest possible care..

Returning to the particular case of gold production, we cannot see clearly what it matters if the state is the owner or not of this part of social production. Apart from the fact that nationalised companies pay taxes, as is also the case for civil servants (at least in most countries), the problem posed, at the level of abstraction we have adopted is that all the fractions of the capitalist class have to pay the costs arising from capitalist accumulation in proportion to their capital. All capitalists have a capital producing surplus and there is no reason for them not to accept their share of unproductive costs. Whether the state is the owner of one or all branches of production makes no difference here.

Luxemburg correctly criticized Marx for placing department II at a disadvantage. She forgot that her solution placed the capitalists of gold production at an advantage in relation to the other departments. It is just this illogical position that we criticize. Grossmann made the same error too.

The same holds true for yourselves in your scheme. Any scheme which, besides making the organic composition and the rate of surplus value the same in each department, satisfies the following conditions would be valid:

- “monetary costs must be deducted from the surplus value;
- expenses must be proportional to the capitals advanced by each fraction of the capitalist class;

⁹⁸ On this matter, we do not really understand how unproductive labour could be consumed productively. (p. 3 of your letter).

- the value of the production of the means of production must be enough to satisfy all needs, be they the reproduction of constant capital of productive departments or the reproduction of constant capital in the department of gold production. As regards internal exchanges, they must take place without hinderance.” (Cf. Chapter 11.6.1)

Your scheme does not respect some of these conditions. Even if the rate of surplus value is clearly the same in each department, the organic composition and the rate of profit are different. The organic composition is 4 in department I, 3.96 in department II and above 3.96 in department III.

Even though you do not indicate precisely the division of monetary costs between the different departments, they could not be proportional in each department. In department I they are 20/5,000, that is 0.4%. Applying this rate to department II, we get 9.92. This leaves $10.1 - 9.92 = 0.18$ for department III. This gives a ratio of $0.18/25.05 = 0.72\%$ and so the monetary costs are much higher than in the other departments. Clearly, you may envisage a further division, but whatever the case for costs carried over, all the sections will not bear monetary costs proportional to their advanced capital.

If you really wish to draw up a scheme with the organic composition of 4 and a rate of surplus value of 1, the solution could be:

$$\begin{array}{ll} \text{I} & 4,000c + 1,000v + 1,000s \text{ monetary costs : } 20 \\ \text{II} & 1,480c + 495v + 495s \text{ monetary costs : } 9.9 \\ \text{III} & 20c + 5v + 5s \text{ monetary costs : } 0.1 \end{array}$$

In a more general way, if we call M the monetary mass and m the monetary mass employed, the value of gold production is equal to $m = c3 + v3 + s3$.

If we call n the organic composition and t the rate of exploitation, we obtain for the gold production department:

$$\text{III } mn/(n + t + 1) \text{ being } c3 + m/(n + t + 1) \text{ being } v3 + mt/(n + t + 1) \text{ being } s3$$

In department I we have:

$$\text{I } A = c1 + v1 + s1$$

In department II

$$\text{II } B = c2 + v2 + s2$$

So we have the following situation:

$$\begin{array}{llllll} \text{I} & c1 & + & v1 & + & s1 & = & A \\ \text{II} & c2 & + & v2 & + & s2 & = & B \\ \text{III} & mn/(n + t + 1) & + & m/(n + t + 1) & + & mt/(n + t + 1) & = & m \end{array}$$

The rate of exchange between I and II is such that:

$$v1 + s1 - mn/(n + t + 1) = c2$$

It remains to obtain the terms v2 and s2 for the department II:

$$v2 = (v1 + s1 - mn/(n + t + 1))/n$$



$$s_2 = (v_1 + s_1 - mn/(n + t + 1))t/n$$

If we substitute c_1 by v_1n and s_1 by v_1t , we can obtain the following general situation:

$$\text{I} \quad v_1n \quad + \quad v_1 \quad + \quad v_1t$$

$$\text{II} \quad v_1 + v_1t - mn/(n + t + 1) + (v_1 + v_1t - mn/(n + t + 1))/n + (v_1 + v_1t - mn/(n + t + 1))t/n$$

$$\text{III} \quad mn/(n + t + 1) \quad + \quad m/(n + t + 1) \quad + \quad mt/(n + t + 1)$$

In department I, monetary costs rise to: $mn/(n + t + 1)$ and, in relation to the capital advanced, the relative burden is equal to $[mn/(n + t + 1)]/[v_1(1 + n)]$

That is: $mn/[v_1(n + t + 1)(1 + n)]$

As overheads have to be proportional in the two departments, in department II they are equal to:

Monetary costs of II : rate obtained for I x advanced capital of II

$$(mn/[v_1(n + t + 1)(1 + n)]) (v_1 + v_1t - mn/(n + t + 1)) (1 + 1/n)$$

$$[m(n + 1) (v_1 + v_1t - mn/(n + t + 1))]/[v_1 (n + t + 1) (1 + n)]$$

$$[m (v_1 (1 + t) (n + t + 1)) + m^2n]/[v_1 (n + t + 1)^2]$$

As far as monetary costs in II are concerned, they are equal to:

$$(m (1 + t)/(n + t + 1) - [m (v_1 (1 + t) (n + t + 1)) + m^2n]/[v_1 (n + t + 1)^2])$$

With the equivalent of living labour in department III being $(v + s)$ – the monetary costs in department II.

$$[v_1 m (1 + t) (n + t + 1) - v_1 m (1 + t) (n + t + 1) + m^2n]/[v_1 (n + t + 1)^2]$$

With: $m^2n/v_1 (n + t + 1)^2$ = participation in monetary costs by III

The equation can be further refined by making $(A + B)/M = r$, that is, the velocity of circulation of money (not taking into account of the hoarded monetary mass), and $M/m = \alpha$ being the index of wear of the monetary mass.

$$A + B = v_1 (n + t + 1) + [v_1 (1 + t) - mn/(n + t + 1)][(n + t + 1)n]$$

Giving:

$$A + B = (v_1 (n + t + 1)^2/n) - m$$

Thus:

$$M = (v_1 (n + t + 1)^2/nr) - m/r$$

And

$$m = (v_1 (n + t + 1)^2/nra) - m/r\alpha$$

$$\text{Hence: } m (1 + 1/r\alpha) = v_1 (n + t + 1)^2/nra$$



$$m = (v1 (n + t + 1)^2 / [(nra (1 + 1/r\alpha))] = v1(n + t + 1)^2 / n(1 + r\alpha)$$

If we replace m in the above equations, we can obtain, for example, for the share of III in monetary costs:

$$[v1(n + t + 1)^2 / n(1 + r\alpha)]^2 n / (v1 (n + t + 1)^2$$

Being:

$$v(1 + t + 1)^2 / n(1 + r\alpha)^2$$

The monetary costs of this fraction of the capitalist class therefore represent the share of m equal to:

$$[v1(n + t + 1)^2 / n(1 + r\alpha)^2] / [v1(n + t + 1)^2 / n(1 + r\alpha)] = n / (1 + r\alpha) / n(1 + r\alpha)^2 = 1 / (1 + r\alpha)$$

The share in monetary costs for the class of gold producers of the mass of money to be renewed and therefore of gold production is inversely proportional to the index of wear of the monetary mass and the velocity of circulation.

The monetary costs for department I stand at:

$$Mn / n + t + 1$$

This becomes

$$v1(n + t + 1)^2 n / (n + t + 1) n (1 + r\alpha) = v1 (n + t + 1) / (1 + r\alpha)$$

When given in relation to the monetary mass and therefore gold production, the share of costs for I stand at:

$n / (n + t + 1)$ (which is quite clear here and which we already know). The higher the organic composition, the higher the share of monetary costs to be paid by I.

Following the same process, for II we obtain:

$[v1(n + t + 1) (1 + t - (n + t + 1) / (1 + r\alpha))] / [n (1 + r\alpha)]$ for the sum of overheads on II's account.

$((1 + t) / (n + t + 1)) - (1 / (1 + r\alpha))$ for the share of II in overall gold production.

The share of living labour tends to decline as part the value of the total product and therefore the share of costs falling on department II also tends to fall. As regards gold producers, we have seen that their part of overheads was in relation to the velocity of circulation and the wear of the monetary mass (an abstraction being made of the correlation between the wear and the velocity of circulation). This is logical because the volume of capital to be advanced in gold production is a function of these criteria. With a given index of wear, the slower the velocity of circulation, the greater the monetary mass to be renewed. With a given velocity of circulation and thus a given monetary mass, the greater the wear the greater the monetary mass to be reconstituted.

The classic relationship in simple reproduction between department I and II is equal to the ratio of dead and living labour, according to the framework of the hypotheses accepted, at $n / (t + 1)$.

From this perspective, gold production must be inserted in department II to be reconstituted.



$$[n/(n + t + 1)]/[((1 + t)/(n + t + 1)) - (1/(1 + r\alpha)) + (1/(1 + r\alpha))] = n/(t + 1)$$

These elements therefore are of much greater importance than you give to them.

20.4 The theories of disproportion

Another aspect of the entirely disagreeable nature of your remarks is due to the fact that you overlook that our work is published in review issues which have not all reached their conclusions. For example, if you state that we have not formulated the fundamental equation for extended reproduction, this does not really make sense as the passages you focus on relate to the part of the work where we set out what Marx stated.

We have only systematically stated what Marx said without any ambiguity. Seeing that he did not manage to complete his work on extended reproduction in particular, it should be no surprise to find that when we illustrate the state of Marx's works there is no generalization of his point of view. We have quite a lot to say above (98). A closer reading and a glance at the plan laid out of our work would have given you the chance to see that we foresee speaking about this, the same holds true for Luxemburg. We have begun a critique of Luxemburg and therefore let us bring it to a conclusion, taking time to think over further what has already been published.

However, what is certain is that we have already rejected (cf. above) the idea that chapter 25 of "The Accumulation of Capital" is one of the sharpest parts of Luxemburg's account. Without going into the matter, one of the principal criticisms that can be made of such a presentation is of a methodological order. That is to say, it makes no sense to seek within the framework of the reproduction schemes to introduce the rise in organic composition as it was not the object of those schemes and was not its destination either. This has led to debates where the inanity of the arguments has only led to the imbecility of the conclusions.

Since we have already dealt with the question in detail, we hope we can be excused for not going back in a detailed fashion over the point regarding "Invariance".

We emerged from this publication, but we lay claim to what is said in nos. 1-7 of the first series published in 1968-1969. The elements you refer to do not concern us, without taking into account both that they are of no great interest and also that we are not greatly attracted to agreeing with your final observation.

As far as Grossmann goes, we could put the ball back in your court. Grossmann was a professor of Stalinist political economy whose main work in a caricature of the communist conception of the fall in the rate of profit. His theory stands far from demonstrating that the capitalist mode of production can only create catastrophic crises and instead goes towards its eternalization. Ricardo too thought that the rate of profit fell, but that did not therefore make him a revolutionary. Grossmann's theory bears numerous affinities to that of Ricardo. The gradual fall in agricultural productivity and the rise in rent is substituted for by a rise in the organic composition independently of the surplus value produced and a slowing of the progress made in labour productivity. His first sophism has its immediate outcome in having the rate of accumulation rise while the rate of profit falls which is the most flagrant contradiction, unlike what you state, of Marx's theory. These sophisms lead on to falsifying Marx on this question as well as on relative overpopulation because, on the basis of his reasoning, overpopulation, despite the fall in the rate of profit, only appears, as it consists only as an artifice, when surplus value begins to run out. Clearly, his delirium continues with the question of the export of capital etc., something you do not avoid as your work speaks

about the international equalization of rates of profit, a thesis that lies in complete contradiction with that expounded by Marx.

As far as the crises which appear at the end of the day are concerned, they have nothing to do with those which Marx considered as being determinant for the future of the capitalist mode of production. They consist in crises of disproportion, those you go wild about, that is to say partial crises, the only ones accepted by Say, one of the most vulgar economists called into cause by Marx, and which implies that their theoreticians have a conception of money seen only as a means of exchange without noticing that it contains the possibility of a split between sale and purchase and thus the possibility of a crisis which could be general. Therefore, the theories of crises which see disproportion as the general basis of crisis derive from the famous “law of outlets”. This leads on to the consequence that there is a possibility to avoid general crises by using the right means, for example planning, in order to limit and reabsorb these crises without relying on market mechanisms which themselves lead to the reestablishment of the equilibrium (“Harmony is always just the result of the movement which ends by abolishing the existing disharmony”).

Grossmann would have remained in the dustbin of history if, unfortunately, it had not been that a revolutionary like P. Mattick had rehabilitated him to some extent by taking up the essentials of his theories, falling at the same time to the level of vulgar economics. It is particularly important for the communist party to clearly show its specificity and thereby clearly draw the line separating it from false brothers that could mislead the proletarian movement into taking the path of the counter revolution. It is therefore usual, tactically speaking, for the communist party to come down even harder when dealing with “cousins” or “friends”, that is to say, people who seem to have conceptions that are very close, while they are the exact opposite of the cardinal positions of communism. The fact that you are surprised by this shows our fear just about the influence of Grossmann was correct and equally demonstrates that our efforts have been insufficient. We can draw the conclusion from this that we will have to repeat ourselves and redouble our efforts without worrying about it.

If Grossmann’s theory is counterrevolutionary, it is clearly the same for disproportionalist theories. You not being agreement is one thing, it is another to use the arguments. That would lead to refuting Marx’s positions on the question of which we hope to be no more than faithful interpreters. We only fear that you – and you are not alone in this since for over a century all the bourgeois scholars, the reformists and the renegades have drawn a blank - are not up to this.

We will not take up the matter here of what we stated above all in chapters 5 and 6 and elsewhere too. If our explanations of the question do not seem clear, it would be better for you to go back to Marx.

The basis of your opposition to Marx’s theories come from thinking that you have, like many before you, overturned political economy by “discovering” (you do not quote him, but in the 1930s Léon Sartre developed a theory quite close to yours) a new law which irrefutably demonstrates that the capitalist mode of production would fall under the blows of disproportion.

Our attitude to this is clearly given in “Marxism of the Stammerers”

“It would be useless and even detrimental to specify or to personalize – to search around for a bacteriological bomb thrower – rather, it is a matter of identifying the virus itself and of applying the antibiotic which we obstinately assert exists in the continuity of the line and fidelity to principles being given 999 times out of a thousand to catechistical ruminations rather than to the exploit of a



new scientific discovery, which requires the wings of eagles, but to which all too often vulgar gnats feel themselves drawn by destiny.” (Communist Left, no. 2, 1990)

We feel that, far from casting fresh light on the situation, you have burnt your wings on the flame. As for ourselves, we know the antivirus against the virus of “disproportion” and continue to use it.

Your “demonstration” on pages 85 et seq. stands on a sophism which itself really requires a demonstration. You wrote: “As we have seen, Q (the organic composition - ed.) grows more quickly over time than s' (the rate of surplus value - ed.) and therefore the ratio $1 + s'/Q$ tends to fall to zero. It can be deduced that over time and if m (the ratio between variable capital in I and the variable capital in II and more generally speaking the ratio between department I and department II - ed.) remains constant, the inequality: $(1 + s'/Q) m > 1$ cannot be verified.”

Here what is stated has still to be demonstrated. To what is the ratio equal? In the case of simple reproduction, it is equal to $Q/(1 + s')$ to adopt your annotation. In the case of extended reproduction, it is a bit more complex because it is equal to:

$$Q(Q + s'(1-x) + 1)/[Q + s'(1 + Qx) + 1]$$

(where x is the fraction of the surplus value consumed), but this does not change the fundamental tendencies since over time, taking into account the previous hypotheses, with Q rising faster than s' this ratio increases. This has certainly long since been stressed by the theoreticians of the communist movement, be they Lenin or Luxemburg.

Your explanation is rather of this type: let us think of a cyclist and suppose he remains in the saddle, sooner or later he will have to put a foot on the ground. The problem is that cyclists are there rather to pedal and the ratios between sections have a tendency to change. Can disproportions appear on this occasion, can this be denied? Not by Marx, above all, but the extrapolation of sophisms into a magic theory making disproportions appear as the basis of the collapse of the capitalist mode of production allows for saying anything and everything about many other points. It is true to say that you do not avoid this last possibility as your works are the n th attempt to reduce the communist programme to the level of vulgar economics.

It is clear, as you have been able to realize by reading our review, that we are not in agreement with you on the slightest essential point. Rather than waste our time providing details, we prefer to relegate you to the doubts which haunt us. We do not know you and your work makes us think of a manual of political economy, packed with anglicisms, aimed at students of the Faculty in Turin rather than a party work addressed to the international of communist revolutionaries. We do not know if it is a question of a grouping of revolutionaries, or a circle of university people or drawing room theoreticians for whom academism is the foremost virtue.

You quote in the same way reactionary bourgeois, imbeciles and communist theoreticians. Rather than knowing that Sweezy is still alive, you could have known that, for example, Mattick is dead. As regards some considerations such as “The possibility, the chances for today’s financial oligarchy (sic) to overcome the depression are in inverse proportion to time ”, they give rise in us to something more than a doubt, strengthened by the preface. As if the only perspective open to capital was not war. As if the alternative was not war or revolution. As far as the possibility is concerned of a righting of capital, then of a new world war, this is less probable, while the alternative is more than ever: communism or destruction of humanity.



21. Appendix 2: Where to find the working class that some say has disappeared

21.1 The decrease of the productive class

Among the secondary arguments adopted by the acolytes of the decadence of capitalism we find the most curious one which deals with the size of the working class: "To state, as the ICC does and we too do, that the exponential growth (sic) of the proletariat in proportion to the active population, which characterizes the ascendant phase of capitalism came to an end around 1914, does not rule out a considerable increase in the proportion of the working class in the population of many countries, such as Brazil, China or India after this moment." (p. 31 Perspective Internationaliste, journal of the FECCI)

If we have well understood the meaning of this unusual argument, this means that while capitalism was ascendant it was able to create many jobs for workers, to increase the working class and thereby demonstrate its vitality, while today (meaning since around 1914) this phenomenon has stopped (at least in the major countries where capitalist development is most advanced), indeed as the ICC sometimes states, there has been a fall back in absolute terms of the number of the working class with the "deindustrialization" of various countries.

Before even examining in greater detail the real basis of such assertions, it is worthwhile recalling some fundamental points of the communist programme. The aim of the capitalist mode of production is not to employ ever more workers, but to produce the maximum surplus value. Following this perspective:

"There are two tendencies which constantly cut across one another; to employ as little labour as possible, in order to produce the same or greater quantity of commodities, in order to produce the same or greater **net produce, surplus value, net revenue**; secondly, to employ the largest number of workers (although as few as possible in proportion to the quantity of commodities produced by them) because – at a given level of productive power – the mass of **surplus value** and of **surplus produce** grows with the amount of labour employed. The one tendency throws the labourers on to the streets and makes a part of the **population redundant**, the other absorbs them again and extends **wage slavery** absolutely, so that the lot of the worker is always fluctuating but he never escapes from it." (Marx, Theories of Surplus Value in Collected Works Vol. 32, p. 198)

Consequently, capital, in order to obtain the maximum surplus value from the working class for a given length of time and given intensity of labour, increases the productivity of labour through the increase in the organic composition of capital, as the share of variable capital in the mass of accumulated capital tends to fall. At the same time, the growth of the working class is slowed while the rate of relative surplus value rises. This tendency is inverted by the accumulation of surplus value which favours the increase of the working class and to an even greater extent with the greater increase in the rate and mass of this surplus value. This supplementary accumulation, which generally compensates and exceeds the preceding tendency, led Marx to write:

"The number of labourers employed by capital, hence the absolute mass of labour set in motion by it, and therefore the absolute mass of surplus labour absorbed by it, the mass of surplus value produced by it, and therefore the absolute mass of the profit produced by it, *can*, consequently, increase, and increase progressively, in spite of the progressive drop in the rate of profit. And this not only *can* be so. Aside from temporary fluctuations it *must* be so, on the basis of capitalist production." (Marx, Capital Vol. III, in Collected Works Vol. 37, p. 216)

One of the absolute limits to the capitalist mode of production would be reached here with the case of the fall in the absolute numbers of workers, not by the weakness of development, but because productivity had been thrust to the limit which bourgeois society can allow, whose bases, standing on the valorization of capital, are limited to ensure the development of the productive forces.

“At any rate, it is but a requirement of the capitalist mode of production that the number of wage workers should increase absolutely, in spite of its relative decrease. Labour power becomes redundant for it as soon as it is no longer necessary to employ it for 12 to 15 hours daily. A development of the productive forces which would diminish the absolute number of labourers, i.e., enable the entire nation to accomplish its total production in a shorter time span, would cause a revolution, because it would put the bulk of the population out of the running.” (Marx, Capital Vol. III, in Collected Works Vol. 37, p. 262)

Therefore, for Marx, the perspective of a diminution of the working class, apart from temporary fluctuations, was only an academic hypothesis whose realization would mean such a development of the productive force of labour that the limits of capitalist production would be reached and therefore that, after a short time, the bases of capitalist production would be eliminated. That after more than 70 years since the fatidic date of 1914 the capitalist mode of production produces surplus value such that the rate and mass of this surplus value have grown at a rhythm higher than that of the 19th century, the century of the so-called ascendant phase of capitalism, all fails to trouble the thoughts of those whose reasoning ends at the bottom of a half pint beer glass at the local pub. Here as elsewhere we are not surprised that revolutionary theory takes a hammering.

21.2 Theoretical consequences

But, in the end, what can the case of the stagnation or an absolute fall in the number of productive workers really mean?

We can schematically envisage several cases. Firstly, this case will come about if the surplus value is no longer accumulated and there would be, everything remaining the same, a simple reproduction of society, with the surplus value being used unproductively and therefore not accumulated. It is possible that the phantasmagorical vision of the ICC and associates of capitalist development could have something to do with such a supposition, because, according to their conception, surplus value cannot be realized within the relations of capitalist production.

On the other hand, in the inter war period, those who maintain the theory of decadence justified it by the fact that surplus value did not increase. Something which could be seen as plausible at the time. The unbounded accumulation following World War Two swept away all the sophisms underlying more or less, generally less, the well assimilated Luxemburgism. In fact, the ICC was never able to provide, for a good reason, a rational explanation which, according to its own logic, would allow for an understanding of the possibility of an accumulation of surplus value; an accumulation which presupposes a realization which had previously been decreed to be impossible to any significant extent. But the accumulation of capital, whatever the size of the rate of growth and leaving aside the years of crisis (about every six years) is a reality that can hardly be denied.

We therefore come to, still schematically speaking, a second possibility for the absence of growth in the number of workers, a case corresponding to the perspective envisaged by Marx above and which crops up when the organic composition of the freshly accumulated capital is such that the share of variable capital is zero. If these facts obtain, only the constant capital would be accumulated and the marginal organic composition would in fact be equal to infinity.

Such a case would mean that automation has been implemented to the full with the gigantic increase in the productivity of labour which would extremely likely lead to a rapid fall in the rate of profit. If the number of workers stays unchanged and all the rest remains the same, the mass of living labour would also remain the same and therefore, after subtracting the constant capital from the value of production, the latter would remain the same. Only a rise in the intensity of labour or an increase in the length of the working day could then explain the increase in the value created by living labour. As overall labour time has tended to fall under contemporary conditions, the increase in intensity must not only explain the increase in value, but also must have been enough to compensate for the fall in labour time.

Accumulation which in fact is reduced just to constant capital, a growth in the value created by living labour coming only from the increase in intensity of labour, a growth and an accumulation which besides is declared to be impossible: this is the theoretical jumble which the ICC believes overturns revolutionary theory.

21.3 The facts

Let us now turn to the facts. We have often stressed that the writings of the ICC are a feeble echo of the statements made in the bourgeois financial press which forms a total contradiction with the communist programme, and only goes to show their incoherence. That the ICC raves on after all has no more importance than a monkey's fart once the world of the sects characterizing the revolutionary milieu has assumed the dimensions of the real one, it remains to be seen, if the figures quoted are correct, given the present situation, if it is revolutionary theory that might not recover.

Let us take the case of France which has the advantage of posing the greatest number of difficulties for our work since the active population has only slightly increased during the 20th century, unlike the other countries in developed capitalism.

The population of France stood at about 28 million people in 1800. This figure rose to about 36 million in 1850, about 40 million in 1900, 42 million in 1950 and 55 million in 1985 (for the same territorial area).

At the same time, the active population estimate is about 20 million in 1900, with the same figure in 1950 and a rise to about 22 million in 1985 (we should add that the unemployed are included). According to Lesourd and Gérard (*Histoire économique XIX^{me}-XX^{me} siècle*), the active population around 1850 was close to 22 million. Census data which allowed for a more accurate picture of the size and structure of the active population only began to appear in 1851. As this is also the period when modern capitalism was established in France, that is the phase of the real submission of labour to capital, these facts are sufficient for us to have an idea of the evolution of social classes, even if the data are often imprecise.

If we accept the figures given above, the active population would have fallen rather than have increased during the second half of the 19th century, the period of the so-called ascendance of capitalism, while it has instead increased during the 20th century. Nevertheless, taking into account imprecise figures, the higher or lower level of unemployment etc., we can consider that while the total population grew by almost 20 million, the active population remained *grasso modo* stable. If we want to see the relations of exploitation and the enormous disparities this implies in an abstract way, a completely original view of the facts could declare a society decadent when it is able to maintain, and generally rather better, 20 million more people who do not have to go to work. If there are 8 million pensioners and 13 million young students compared with 6.5 million previously, these are without doubt clearly symptoms of decadence!



We can now look at the change in the numbers of producers of surplus value. Using the figures produced by Lesourd and Gérard, who in turn took them from Marchal and Lecaillon, the number of wage labourers was 11.9 million in 1851, 11.7 million in 1911 and 12.5 million in 1954. In 1982 the same category stood at 17.8 million. If we take these data as correct, knowing that the development of the capitalist mode of production also implies the creation of an unproductive salaried workforce, it would rather be the case that it was the 19th century that witnessed the fall in the number of workers!

We can state that the gigantic capitalist accumulation since the last war has gone hand in hand with a massive increase in wage labour and even if unproductive wage labour has also increased greatly, we cannot consider that it alone is responsible. From this point of view, the economic categories of the bourgeoisie, which are besides extremely rudimentary, can form a reference point for the ICC, but in no way for the communist programme (it is also rather ironical to note that the vanished proletarians of the ICC could later on be reincarnated among the middle classes when they came to swell the ranks of the “third wave of struggle” in banks, insurance, state education etc.)

The relative, if not absolute, decrease in the numbers in the sector the bourgeoisie calls “secondary” (industry) both worries and delights the bourgeois at the same time. It is worried because it fears the rise in unemployment and what this implies, and it is also worried because it remembers that it based its domination on industrial strength, but it is delighted, even if rather surprised, by the view that the spectre of revolution can be finally cancelled with the fall in the number of proletarians. If the bourgeoisie wants to reassure itself, it goes as far as stating that the secondary sector was in the final count never the majority in society, so passing from agriculture to services without an interlude where industry dominated. The bourgeoisie has found a kind soulmate in the ICC which goes on to spread the glad tidings.

The trouble is that even if the “tertiary sector” certainly covers a large part of unproductive labour, it cannot boil down to the same thing. Car repairs and that of other consumer goods are tertiary activities, but nevertheless when the activity is carried out by wage labour it is an activity that produces surplus value. This also holds true for a large part of catering and hotel management as well as transport, which is also classed as tertiary. On the level of job definitions, a part, even a growing part of productive labour is no longer described as “worker”, either due to one or other of thousands of attempts “to improve the condition of workers”, or because the workforce employed is effectively more qualified than the average.

The breakdown of the active French population following the 1982 census, which is certainly a rough and ready estimate, stated that there were 7.8 million workers described as such, and if we add on the categories in the “tertiary sector” where we can identify the largest part of productive personnel in the sector, that is 1.6 million employed in commerce and individual services out of 6.2 million employed, 1.2 million technicians, foremen and overseers out of a total of 4 million members of middle management and 0.9 million company managers out of 1.9 million higher managers and professions, we reach a grand total of 11.5 million productive workers.

This estimate is doubtlessly superficial and could be discussed more fully here and there (of course the figures contain a number of unproductive workers making up part of the middle classes), but we can however be quite sure that productive workers represent the majority of the active population and therefore are more numerous than 10 million members, and that the proletariat has increased unceasingly, both relatively and absolutely, with the development of capitalist production. Clearly classes still exist whose work produces value, but not necessarily surplus value (the mass of peasants and craftsmen consist of 3 million people).



In any case, we are far from the phantastic statements that come straight from the magazines of bourgeois economic vulgarization, like those of the ICC and the FECCI, of this type: "The phenomenon of deindustrialization in the heartland of the most advanced capitalist countries (just think of the British Midlands or the American mid-west) and the fall in the proportion of the working class in these countries is further proof of that, starting from the condition of the development of the productive forces of mankind, capitalism in its decadent phase has turned into the greatest obstacle to its own development." (Perspective internationaliste, no. 5, p. 31)

We showed above that there are workers who produce value who are not productive from the point of view of the capitalist mode of production because they do not produce surplus value. They are basically peasants and craftsmen whose importance diminished along with capitalist development. They are progressively substituted by wage labour which, as we have seen, represents a continuously increasing part of the active population. This does not stop the emergence of certain craftsmen in the pores of large-scale industry and their progressive disappearance is neither unilateral nor linear. Thereby, with a constant value producing population (proletariat + classes that are productive on the basis of commodity production) social productivity increases and with it the average intensity of labour and therefore the value created increases. Given the lower productivity and intensity of labour of labour carried out in the framework of small-scale agriculture or craftsmanship, the replacement of a peasant or craftsman by a worker, whose productivity and labour intensity are not on the same level, allows for the growth of the social value of the surplus value created.

This demonstrates the superiority of wage labour over associated labour carried out on the basis of simple commodity production which, for this reason, is replaced by wage labour. In the same way, the catastrophic course of the capitalist form of production shows that a system based on wage labour has been a major factor in allowing the development of the productive forces and since machinery has existed on a sufficiently large-scale, that is since 1948, has become an obstacle to this very development.

21.4 Untrue variations

The reader would be naïve to think that such an argument was born in the hazy minds of the decadence experts of the ICC as it would be far beyond their reach. In fact, it comes straight from F. Sternberg (statistics included) who worked them out in his book "Capitalism and socialism on Trial" (1951) while his position was already present in nuce in 1926 in his work on imperialism. As we have already said when talking about the ICC, his statistical section ends just after World War Two which means that it excludes the period of accumulation which was undoubtedly the most important in the phase of real submission of labour to capital underway in the period after the Second World War.

What the ICC does not say was that for Sternberg such a perspective destroyed the bases of Marx's theory, and here he was logical.

"Going on from the general tendency of workers to accentuate the character of the middle class, their income and living standards, and, for a large number of them, their ideology, the epoch we are speaking about will strike a further blow against Marx's forecasts: nothing shows the existence of a vigorous and permanent tendency towards a reinforcement of the numerical position of industrial workers in the overall framework of society, but just the opposite with us seeing a continuous and progressive weakening of such a tendency," (F. Sternberg, *Le conflit du siècle* [Capitalism and socialism on trial, 1951], p. 116)



Even though the argumentation of the ICC does not date back to 1950 and is not a plagiarism of the critique of Marx and the communist programme, as in Sternberg, it was still the moment to offer variations on the theme while the only excuse for its falsity was saying something stupid: “Until 1914, the population effectively integrated into the capitalist economy rose faster than the world population. That was during the ascendant phase of capitalism. The tendency has, since then, been definitively reversed” (The decadence of capitalism, p. 22)

According to the International Labour Organization, the change in the active population in millions had been as follows:

	1750	1900	1980
South Asia	106	183	523
East Asia	118	207	508
Africa	48	56	170
Latin America	7	27	117
Europe	56	134	218
USSR	20	61	135
North America	1	33	113
Oceania	1	3	10
TOTAL	357	704	1,794
World Population	740	1,540	4,490
Percentage	48%	45%	40%

Therefore, the active population has less than doubled in the 150 years of “the ascendant phase of capitalism” and has more than doubled in the 80 years of “the decadent phase of capitalism”. At the same time, there has been the rise of a relative overpopulation and, as the communist programme has shown, it has increased with the phase of the real submission of labour to capital. Consequently, the theses of the partisans of the decadence of capital are, on this question, bare faced lies.

This growing population, as could be seen at a glance above, takes on various forms. On the one hand there is a growing mass of people absolutely without reserves who have no alternative to starving to death, on the other a population, even if unemployed, benefitting from the resources of society, such as entertainment, education etc., without mentioning the unproductive active population.

With the abolition of classes, the proletariat will draw from this immense overpopulation in order to divide, improve and reconvert general productive labour time necessary for the satisfaction of human needs. Hence the slogan: generalization of manual labour, proletarianization of society as a means to abolish the proletariat.



The phantastic development of the productive forces which has produced this overpopulation shows dialectically to what extent communism is the question of the day and what potentialities are available today for the species for its full development. What is available for some people today thanks to the overexploitation of the proletariat will tomorrow be extended to all members of society.

“The *creation of an abundance of **disposable time*** apart from necessary labour time, for society in general and for each of its members (i.e., scope for the development of the full productive powers of the individual, hence also of society), this creation of not-labour-time appears under the conditions of capital, and at all earlier stages, as the creation of not-labour-time, free time, for a few. What capital adds is that it increases the surplus labour time of the masses by all the means of art and science, because its wealth consists directly in its appropriation of surplus labour time; for its *direct aim is value*, not use value.

Hence it is **instrumental**, *malgré lui*, **in creating the means of social disposable time**, of reducing labour time for the whole of society to a declining minimum, and of thus setting free the time of all labour time as the measure of wealth *create **disposable time**, and on the other to convert it into surplus labour*.

(...) on the one hand, necessary labour time will be measured by the needs of the social individual; and, on the other, society’s productive power will develop so rapidly that, although production will now be calculated to provide wealth for all, the **disposable time** of all will increase. For real wealth is the developed productive power of all individuals. Then wealth is no longer measured by labour time but by **disposable time**. *Labour time as the measure of wealth* posits wealth itself as based upon poverty, and **disposable time** only existing *in and through the opposition to surplus labour time*; or the whole time of an individual is posited as labour time (...)

Just as with the development of large-scale industry the basis on which it rests, appropriation of alien labour time ceases to constitute or to create wealth, so, as this development takes place, *immediate labour* as such ceases to be the basis of production.”

(Marx, Grundrisse in Collected Works Vol. 29, pp. 93-95)