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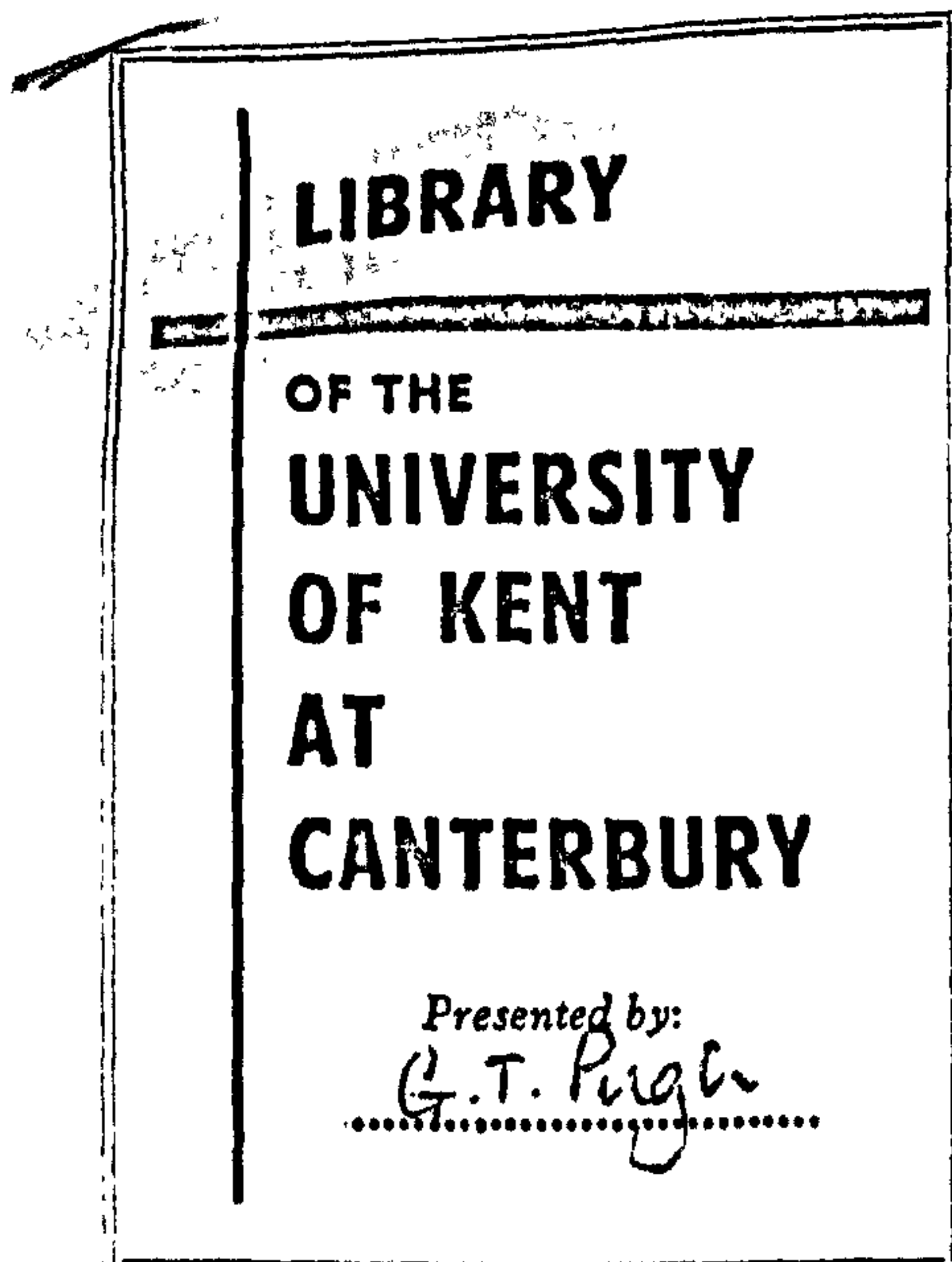
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ECONOMIC THEORY AND
POLITICAL THOUGHT IN
GERMAN SOCIAL DEMOCRACY:
an essay in the 'Rezeption'
of Marx's Capital with
particular reference to
Kautsky, Parvus,
Hilferding and Luxemburg.

G T PUGH.

"But there is the
closest connection
between the understanding
and treatment of
theoretical problems
and the practice of
political parties over
long periods."

Rosa Luxemburg



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Abstract

This thesis investigates the political import of economic theory and analysis within German social democracy. Part I (Ch.1) briefly discusses the Lassallean origins of social democracy with reference to Lassalle's economic doctrines. It continues (in Ch.2) by analysing the prime contribution of Marx's Capital to shaping the Marxism that displaced Lassalleanism, and came to be embodied in the Erfurt Programme as the SPD's official doctrine. The main results of my research, however, are presented in the four chapters of Part II. Here, I approach the political logic and influence of economic theory, by way of case studies of four politically influential social democratic economic theorists: Karl Kautsky; Parvus; Rudolf Hilferding; and Rosa Luxemburg. In addition to developing the main theme of this thesis, each of these may be taken as a contribution to the literature on these particular theorists, as well as to the historiography of German social democracy (in particular, in the period 1890-1914).

Marx's Capital was the basis of social democratic economic theory in the period under consideration. Consequently, analysing the development and political implications of social democratic economic theory contributes to the study of the appropriation, interpretation and influence - the 'Rezeption', in short - of Capital. Moreover, in so doing, I attempt to provide a theoretical critique, and to indicate the actual content as well as methodological shortcomings, misinterpretations and lacunae in the social democratic 'Rezeption' of Capital. My theoretical critique is undertaken from a 'fundamentalist' interpretation of Capital, and illuminates the theoretical limitations - together with the political implications - of the most advanced attempts to move beyond the Erfurt Programme towards a scientific guide to political action in the imperialist epoch. Finally, this thesis is also intended as a minor contribution to the political reading of Capital.

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INTRODUCTION

This thesis began as a monograph on theories of crisis and imperialism in the Second International. Subsequently, however, I narrowed the field of enquiry to German social democracy in mainly the same period but, at the same time, broadened my theme into an exploration of Marxist economic theory as an aspect of the theoretical foundations of socialist politics. This movement was dictated by two considerations. Firstly, the SPD was the leading Party of the Second International both organisationally and intellectually. Secondly, and most importantly, social democratic Marxism did not develop in a condition of political weightlessness: Marxist economic theory in the SPD was closely associated with the formation, justification, and critique of political perspectives, strategy, tactics and programme. Consequently, even considered purely as an episode in the history of ideas, the development of Marxist economic theory in this period was conditioned by political concerns and has to be analysed from this point of view.

There were also more general considerations which led me on from considering political influences on the development of Marxist economic theory, towards a focus on the influence exerted by Marxist economic theory on the development of political thought and practice within German social democracy. Above all, this shift in my interests was a consequence of a growing conviction that the penalty for the failure of the German labour movement to maintain power after the November Revolution in 1918, or to realise its potential mastery over the destiny of German Society in the course of successive possible or actual historical turning points - in 1920, 1923 and 1929-32 - was fascism in Germany and a mighty impulse to Stalinism in the Soviet Union. If the course of modern German history is central to the history of the 20th Century as a whole, therefore, the importance of understanding the history of the German labour movement, with which it is inextricably bound up, is self-evident. Of course, this thesis has no pretensions to engage directly with these grand concerns. Yet, if the German labour movement before 1933 is such an important key to understanding why the present is the way it is - and not as generations of social democrats hoped it

might be - then the main purpose of writing about Marxist 'economics' in this period is that it illuminates an important aspect of the theory that contributed towards the making of the politics of the German social democratic labour movement.

First and foremost, therefore, this thesis is an examination of the relationship between Marxist economic theory and political thinking and practice within German social democracy. And because the authors of the most important works of Marxist economic theory and analysis were politically influential as leaders or oppositionists within the SPD, this examination proceeds by way of the four case studies - on, respectively, Kautsky, Parvus, Hilferding and Luxemburg - which occupy the main Part of this thesis.

Secondly, although my primary focus is on the political impulse and implications of theory, social democratic economic theory was not intellectually self-contained, but the first phase of the post-Marx development of Marxist 'economics'. Accordingly, my original intention in this thesis is evident in my treatment of social democratic economic theory as part of the history of the appropriation, interpretation and use - in short, the 'Rezeption' - of Marx's Capital.¹

It is not possible to discuss the 'Rezeption' of Capital in the period under consideration, without confronting the method, concepts and theories of the social democratic Marxists with those of Marx upon which, in each particular case, they purported to draw. Consequently, this aspect of the thesis assumes the character of a critique of social democratic Marxist economic theory. Of course, what this amounts to is the criticism of one tradition within Marxism from the point of view of another interpretation of Marxist theory judged to be authoritative - which, in the case of this thesis, arises from the tradition most prominently represented by Hynryk Grossmann, Paul Mattick and Roman Rosdolsky.

It will serve no purpose as regards the content of this thesis to enlarge upon the general views which made it seem worthwhile to contribute to the already vast literative on the

German labour movement. However, it will help to appreciate the theme of this thesis as a study in the theory and practice of socialist politics, if some particular assumptions and judgements informing the nature of this contribution are taken into account. These concern the importance of the leadership and of its theory, and the relationship between theory and practice.

A cardinal feature of working class politics is the commitment of workers to their traditional organisations. Moreover, this commitment generally entails a high degree of loyalty to the existing leadership. Conversely, this organisational loyalty establishes a powerful precondition for the subsequent ideological and political influence of the leadership over the working class. This is so in a two-fold sense. Firstly, there is the important influence of the leadership on the political socialisation of its working class members and supporters. Secondly, there is the crucial role of leadership in determining and carrying through policies which can be decisive for the outcome of the struggles of those whom they lead. Thus, while leaders are the product of their time and of the movements they come to represent and guide, they also have a unique opportunity to exert a reciprocating influence by means of reordering the theory and practice of the labour movement and possibly, in consequence, modifying or transforming the direction of social development. It is in the light of these general reflections that I am concerned with the policies and actions of leaders and, therefore, with the ideology and theory according to which they formulate policy and act. In particular, I am concerned with four leading social democratic theorists and their understanding, attempted application, and development of Marxist economic theory. In the case of those theorists who were closely integrated into the leadership of the SPD and USPD (Kautsky and Hilferding), I try to establish the links between their theory and social democratic practice and, in particular, that these leading theorists were ultimately complicit with - indeed, contributed to - fatal political weaknesses, because they were misguided by weaknesses in their theoretical work. Similarly, in the case of Parvus and Luxemburg (who were close to but excluded from the leadership because of their oppositional stance), I

try to show how their theoretical limitations tended to render their opposition less effective than it might otherwise have been.

If leadership can exert an important and, at times, critical influence on the development and historical role of the labour movement, then it is also important to consider the ideology and theory which guide the reactions and initiatives of any particular leadership. For theory and the corresponding perspectives, programme, strategy and tactics of the leadership and organisations of the working class are not merely 'epiphenomena' of economic and social history. If the theory and practice of the labour movement are conditioned by social reality, they nonetheless do not arise from it in any mechanically determined or obvious manner. Insofar as they arise out of a particular socio-economic environment, they do so only by way of the subjective mediation of groups and individuals. And some of these, especially Marxists among the leadership of the working class movement, consciously utilise a sharply delineated body of theory to guide their analysis of social reality for the purpose of understanding and mastering its direction of development. Unravelling the methods, hypotheses and assumptions through which society is understood must, therefore, be an important part of coming to understand the political practice of any political movement, and particularly of Marxist parties proclaiming the unity of theory and practice. Indeed, if the working class is "present at its own making" (as Thompson maintains), a part of this 'presence' is the attempt by at least its active minority to mobilise the theory at its disposal, developing or modifying it as necessary, in order to understand and make the best possible practical response to its experience.² Furthermore, once adopted and popularised, theory becomes part of the collective learning process of the working class movement, helping to determine what is learnt from experience and what conclusions are drawn from it. Consequently, theory assumes the function of a guide to action, and itself influences the nature of subsequent experience as well as what is learnt from it. In this way, a reciprocal action comes into being: theory arises out of experience, yet not only does not reflect it in any simple manner, but also itself helps condition

what that experience shall be and in what form it is perceived. While social reality and corresponding experience is primary, it is possible that the same background can serve as the point of departure for a range of theoretical response. Of course, the nature of the theoretical response is conditioned by the experience and social position etc. of the theorist. Yet this is by no means simply to regress into a rigid determinacy at another level (by conceding the efficacy of theory, only to attribute an over-rigid determinacy to the influence of socio-economic factors on the choice and formulation of theory). Firstly, the experience of any two theorists will differ and, in any case, often be far removed from the immediate sphere of class interests etc. Secondly, and decisively from the point of view of rejecting any overly-determinist conclusion in this connection, the process of theorisation itself takes place in relation to previous scientific work, which has its own preconditions, as well as methods and logic of development capable of giving rise to new points of departure, unforeseen lines of enquiry and, above all, differing explanations and hypotheses themselves subject to test and debate according to scientific criteria. This is not to infer a radical separation of science and society, but rather to assert that the determinacy of the social over the scientific can operate only by way of individuals and their approach to scientific or theoretical enquiry; and only within, therefore, more or less broad parameters. Accordingly, no matter to what extent the appropriation of theory in the workers' movement is influenced by experience or the social environment, this process also - and irreducibly - involves an element of subjective judgement and choice. Consequently, while this process of theoretical choice is to be related to historical experience, it nevertheless cannot be reduced to it, but rather must be studied in its own right. For, insofar as theoretical choice is made and theory is appropriated by the workers' movement, it becomes itself a determinant of political perspective and practice.

This thesis is not about establishing a causal link one way or the other between theory and practice (that theory is either a guide to or a justification of practice). For this is only a problem should the relationship between theory and practice be analysed from the superficial point of view that

they are separate activities and thus related to one another in a merely external sense. Consequently, this thesis does not attempt to establish empirically the flow of influence between 'theorists' and 'practitioners' by way of analysing the actual decision making process within the leadership. Immediately, this is because the necessary archival basis of such an investigation is lacking because of the destruction of the records of the SPD - along with those of the KPD, SAP and other organisations of the labour movement - during the Nazi period.³ However, even if minutes of the relevant committees and other documentation were available, their significance would by no means be self-evident. If, for example, the adoption of a particular policy or 'line' could be shown to have arisen on the initiative of Party-leaders not noted for their theoretical interests, then the significance of this would be still far from obvious: even if, for example, the leadership's support for a policy was argued exclusively by reference to immediate, tactical or 'pragmatic' considerations this would not obviate the need to understand the implicit ideological and theoretical assumptions with which these arguments were consistent. Even were the documentary evidence at hand as to who- and according to what spoken criteria - was immediately responsible for deciding upon a particular course of action, this would still not furnish a basis for distinguishing a direction of causation between 'theorists' and the rest of the leadership or between theory and practice. For even to pose the problem in this manner is false. Theory and practice are not discrete activities: "They are, rather, two moments in but one process. For not only is every practice articulated with an implicit or explicit theory, so also every theory contains, explicitly or implicitly, the specification of determinate practices."⁴ Accordingly, the question addressed to the theory discussed in this thesis is not whether it simply gave rise to or simply justified political practice. My approach is rather to consider the extent to which the theory concerned simply systematised assumptions already implicit in existing practice or, on the contrary, constituted a scientifically sound analysis capable of guiding action in accordance with the aims and circumstances of the labour movement.

In the former case, I conclude, theory will tend towards the function of a legitimating ideology - because, as is argued in chapters 3 and 6 below, spontaneously arising political practice generally arises from the experience of social being in its reified form. In the latter case, however, theory arises from social being not merely in accordance with social being as it is directly experienced and perceived, but rather by way of a scientific analysis of society as a whole and its development - which is likely to point to political conclusions at variance with those arrived at spontaneously (without the intervention of scientific mediation). Furthermore, theory judged as science in relation to a particular stage of capitalist development can later degenerate into a legitimating ideology if it is incapable of self-renewal, and thus continues to support a political practice being undermined and rendered increasingly outmoded and impotent by socio-economic change. (This is what I argue in relation to Kautsky.) Similarly, theory representing a scientific advance in one period may nonetheless contain errors which, while not ruinous theoretically or immediately consequential politically, mean that the theory contains latent within itself the possibility of degenerating into mere ideology in relation to the practice of a later period. (This is the gist of what I argue in relation to Hilferding.) Finally, theory may embody considerable errors from a strictly scientific point of view, while nevertheless contradicting an increasingly irrelevant and barren practice, and offering an intellectually and politically fruitful impulse to the development of Marxism: the scientific errors, however, will more than likely curtail the possibility of such theory informing an adequate oppositional practice and so diminish its political impact. (In different ways, this is what I argue in relation to Parvus and Luxemburg.)

The organisation of this thesis into Two Parts is influenced by this view that theory can relate to practice as either a legitimating ideology or a scientific guide - or, what is most usual in Marxist sects and parties, as something of a hybrid, lying more or less close to either of these ideal types - together with my argument that what is radical and at the

forefront of Marxist science in one period, can ossify into the legitimating ideology of a later period.⁵ This thesis is structured into Two Parts, because the 'Rezeption' of Capital and the development of social democratic economic theory overlapped two different periods in the history of capitalist development and of the labour movement. In the first, pre-imperialist period - from the publication of Capital in 1867 to the 1890's - the 'Rezeption' of Capital was bound up with the displacement of Lassalleanism within the labour movement, the raising of elementary socialist consciousness within the working class, and the development of social democracy into a mass Party. In the second or imperialist period, however, social democracy could not forever remain static as a mass Party of opposition: the political problems facing a mass socialist Party in an authoritarian state, together with observable changes from about the mid-1890's in the pattern and institutional form of capitalist development, stimulated the most advanced social democratic theorists to concern themselves with problems of the national and international economy. For these were shaping a terrain on which social democracy was forced to confront the existing social and political order. Accordingly, Part I of this thesis considers the 'Rezeption' of Marxism in the first, pre-imperialist period, from the point of view of this distinction between ideology and science. Part II then considers the most important attempts to extend and deepen this initial 'Rezeption' of Capital, which were undertaken as the means of getting to grips with changes which heralded a new period of capitalist development. This is partly carried out from the point of view of assessing the extent to which social democratic theorists were able to approach the new problems of the imperialist epoch, by developing and applying Marxism as a science. For, conversely, to the extent they were unable to renew the original 'Rezeption' of Capital in accordance with the new imperialist development of capitalism, they were unable to transcend or combat adequately the tendency for the ideological aspect of the Marxism of the pre-imperialist period to outweigh its scientific content and become, thereby, part of the ideology of a non-revolutionary mass socialist Party in a revolutionary epoch.

My account of these pioneering attempts to theorise imperialism is critical from the point of view of the 'Rezeption' of Capital they derived from, and is primarily directed towards laying bare the political corollary to economic theory. Nonetheless, the main works considered at length in Part II - above all, Hilferding's Finanzkapital and Luxemburg's The Accumulation of Capital - are of continuing theoretical and not merely archival importance.

Moreover, in spite of a critical stance on both the theoretical content and the political logic of social democratic economic theory, this must be balanced against the theoretical and historical achievement of providing the groundwork and a great many substantive ideas for the Bolshevik conception of imperialism as an epoch and a system. A judgement reflected in the title of Part II of this thesis is that the development of Marxist economic theory to account for imperialism in both a theoretically and politically adequate manner was finally achieved through the works of Bukharin and Lenin. Yet the intellectual path from Capital to Imperialism and the October Revolution was not direct, but proceeded by way of social democratic Marxism - which provided conceptual inspiration and immediate points of departure (Finanzkapital was indispensable in this sense), as well as objects of critique which quickened and intensified the theoretical efforts of Bolshevism (Kautsky's theory of 'ultra imperialism' was particularly important in this respect).

This thesis is not presented as a contribution to Marxist economic theory as such. Nonetheless, while remaining within the framework of the 'fundamentalist' tradition referred to earlier, my discussion of Luxemburg's theory of accumulation (in Ch.6) involves some substantive comments on the movement of the organic composition of capital and the significance of disproportionality in relation to the tendency of the rate of profit to fall and crises of overproduction.

Apart from these minor remarks on questions of economic theory, however, my personal contribution to the theory deployed in this thesis concerns the political reading of Capital. Although I am interested in economic theory as such, my primary

focus is on the implications of economic theory for socialist politics. And this also applies reflexively, to the reading of Capital in the light of which I approach social democratic economic theory. Consequently, from time to time I extend the critique of social democratic 'economics' by discussing not only purely theoretical differences with Capital, but also the difference between the political logic of social democratic economic theory and that which I argue to be present - even if only implicitly - in Capital. In particular, at various points in Part II (especially Ch.3), I contrast what I have judged to be the political logic of Marx's theory of crisis with that of the main variants of social democratic crisis theory. Above all, however, I use my conclusions on the implicit theory of ideology in Capital to criticise social democratic conceptions of ideology, working class consciousness and, ultimately, of the party. This aspect of my political reading of Capital is not wholly derivative - particularly insofar as it is relevant to organisational questions of concern to social democratic Marxists. Accordingly, I have developed these ideas at length in Chapter 6, in relation to Luxemburg's conception of working class consciousness and party organisation. (In Ch.3, I criticise Kautsky's ideas on class consciousness and the role of the party, but without yet having delineated fully the political reading of Capital from which the critique is made.)

Because of both their enduring theoretical interest and their political significance, the four main chapters in Part II of this thesis are on Kautsky (Ch.3), Parvus (Ch.4), Hilferding (Ch.5) and Luxemburg (Ch.6). In addition, from the point of view of these major investigations, I also give shorter presentations of Lassalle (Ch.1) and the Marxism of the Erfurt Programm (Ch.2), as well as the economic theory of Tugan-Baranovsky (in Ch.3) and Heinrich Cunow (in Ch.6). In addition, at points throughout this thesis, I discuss Engels as either an influence on or a contrast with social democratic Marxism.

Chapter I on Lassalle continues the introduction of the main themes of this thesis, as well as outlining the established

theory with which the pioneer social democratic Marxists had to contend. It is based on secondary sources. Chapter 2 discusses the 'Rezeption' of Capital which was central to the official displacement of Lassallean ideology by the Marxism of the Erfurt Programm, and which constituted the 'orthodox' point of departure for the attempts to develop and apply Marxism considered in Part II. With the exception of the final section on Engels, this Chapter is largely based on secondary sources. The substance of this thesis is, of course, the four chapters comprising Part II. Chapter 3 on Kautsky links Part I and Part II, because he both pioneered the Marxism of the Erfurt Programm and later attempted to develop it. For this Chapter, I used Kautsky's important writings in the field of economic theory and analysis, while referring in large part to the many secondary works for his political thought. In the case of Chapter 4 on Parvus, and to a somewhat lesser extent in Chapter 5 on Hilferding, however, a paucity of secondary literature meant that it was necessary to undertake a more all-rounded and thus lengthy reconstruction of the whole of their thought from primary sources. Finally, although plentiful, the secondary work on Luxemburg often discussed only her 'economics' or her 'politics', or discussed her ideas from a different point of view than the one I intended. In Chapter 6 as well, therefore, critical analysis had to proceed in conjunction with a great deal of reconstruction.

For the reader interested in only a part of the ground covered in this thesis, each chapter - in particular, each of the four main chapters in Part II - can be read as an independent study based on the main German language sources. In this case, however, it must be borne in mind that supporting information or theoretical argument taken as read at one point, will often have been given in an earlier chapter. For example, the discussion of Lassalle's theory of the state in Chapter 1 is important for understanding part of my critique of Hilferding in Chapter 5, while my own limited summaries of the theory informing my critique of social democratic Marxism in relation to such recurring themes as underconsumptionist theories of economic crisis and 'long-wave' theories of capitalist economic development, are given cumulatively, from chapter to chapter.

Finally, in addition to those interested in the questions introduced above, I hope this thesis will be of use to historians of the German labour movement or of socialist theory who are not familiar with the theoretical intricacies or political ramifications of Marxist economic theory, as well as to Marxist economists who wish to become acquainted with the social democratic 'classics'. To this end, all quotations have been translated.

1. See Ch.1, note 22.
2. E.P. Thompson, The Making of the English Working Class, Harmondsworth, 1978, p9.
3. See Labour and Trade Union Archives, Munich 1980 (Vol.27 of the International Review on Archives or Archivum), p37.
4. Diana Adlam, et. al., 'Psychology, ideology and the human subject', Ideology and Consciousness, No.1 (May 1977), p49.
5. For the distinction between 'science' and 'ideology' see Ch.6, Section 3.5.2.

Abbreviations

The following works of Marx are referred to throughout in abbreviated form:

Grundrisse : Foundations of the Critique of Political Economy (Rough Draft), Harmondsworth, 1973 = Grundrisse.

Capital : A Critique of Political Economy,

Volume I : The Process of Capitalist Production, New York, 1970 = Capital I

Volume II : The Process of Circulation of Capital, Moscow, 1967 = Capital II

Volume III : The Process of Capitalist Production as a Whole, Moscow, 1971 = Capital III

Theories of Surplus Value (Volume IV of Capital),

Part I, Moscow, 1969 = TSV I

Part II, Moscow, 1968 = TSV II

Part III, Moscow, 1971 = TSV III

In addition, Marx's (Law of the) Tendency of the Rate of Profit to Fall = (L)TRPF

K. Marx, F. Engels, Werke, 39 vols., Berlin, 1956-68 = MEW

The remaining abbreviations can be listed.

ADAV = Allgemeiner Deutscher Arbeiterverein

BCSE = Bulletin of the Conference of Socialist Economists

IWK = Internationale wissenschaftliche Korrespondenz zur Geschichte der deutschen Arbeiterbewegung

IWMA = The International Working Mens' Association (The First International)

NLR = New Left Review

NZ = Die Neue Zeit

SAPD = Sozialistische Arbeiterpartei Deutschlands

SDAP = Sozialdemokratische Arbeiterpartei Deutschlands

SPD = Sozialdemokratische Partei Deutschlands

VDAD = Verband deutscher Arbeitervereine

PART I

FROM LASSALLEANISM TO MARXISM:

FROM THE FIRST TO THE SECOND PHASE OF SOCIALIST THEORY

IN THE GERMAN LABOUR MOVEMENT.

CHAPTER I: FERDINAND LASSALLE

"... one can never make a revolution; all one can ever do is to endow a revolution which has taken place in the actual conditions of a society with the outward signs of legality, and to give consistency to its course. To want to make a revolution is the foolish idea of immature people who have no conception of the laws of history."

Lassalle

1. Marx's criticism of Lassalle's opportunism

Marx paid tribute to Lassalle's work as one of the founders and first elected president of the Association of German Workers (1863), while sharply criticising his theoretical weaknesses and tendency towards opportunism, as well as his authoritarian style of leadership. Marx recognised that Lassalle's "extraordinary zeal and powers" had "re-awakened the workers' movement in Germany after its fifteen years of slumber".¹ Nonetheless, Marx considered that "he allowed himself to be governed too much by the immediate circumstances of the time".² Indeed, that: "Lassalle went astray ... because he was a 'Realpolitiker' ...".³ This seems to have been a fair criticism. For Lassalle himself claimed that politics was a matter of "immediate interests, instantaneous effectiveness".⁴ Consequently, as a 'practical politician', Lassalle engaged in ill-fated stratagems which, according to Marx, undermined the overriding social-revolutionary interests of the working class.⁵

In the aftermath of the 1848 revolutions, Marx and Engels were forced to define their politics in relation to an impatient 'leftism' that was unprepared to take into account the limits imposed upon revolutionary action by the prevailing level and, above all, the perspective of a long-term, sustained advance of capitalist economic development. In the period of the IWMA, by way of contrast, they had to fight for their ideas amongst British trade unionists, French Proudhonists and, in Germany, politically active workers influenced by Lassalle. For when the German working class movement began to revive with the easing of some of the most oppressive restrictions of the post-1848 reaction, it did not base its ideology on the Communist Manifesto but on Lassalle's Offenes Antwort-Schreiben of 1863.⁶ Consequently, the struggle against opportunism - one of the defining characteristics of reformism - had to be taken up in earnest by Marx and Engels. And in so doing, they began the struggle between reformist and revolutionary tendencies that was subsequently to dominate the development of the German labour movement.

2. Marx and Engels on the dangers of opportunism

In 1891, Engels described opportunism as: "This forgetting of the overall viewpoint for the momentary interest of the day, this searching and hunting for a momentary success without taking heed of the subsequent consequence, this sacrificing of the future of the movement for its present ..."⁷ Moreover, continued Engels, opportunism "may be 'honestly' meant, but is and remains opportunism, and 'honest' opportunism is perhaps the most dangerous of all". Opportunism meant the neglect of revolutionary perspectives and strategy informed by scientific socialism, in favour of apparently easy and short-term - but ultimately illusory - gains. Finally, warned Engels: "What can come from this except that the party suddenly, at the decisive moment, is unready, that unclarity prevails concerning the most decisive points, because these points have never been discussed."⁸

Engels' warning on the dangers of opportunism can be seen as having foretold the helplessness of the Marxist Centre during the upheavals of war and revolution during the period 1914 to 1923 in Germany. Similarly, a warning by Marx and Engels from 1879 against the extreme opportunism of the SDAP right-wing was an equally remarkable prediction of the role of the SPD leadership in that later period. An article co-authored by Bernstein congratulated Lassalle on having "summoned not only workers but all honourable democrats", and urged that this policy should be continued (against that of "a one-sided struggle for the interests of the industrial workers") by abjuring "the path of violent, bloody revolution" in order to reassure middle-class public opinion by pursuing "the path of legality, i.e. of reform".⁹ The logic of this position, complained Marx and Engels, was that in the event of an uprising: "... the Social Democrats, instead of taking part in the struggle ... must rather 'pursue the path of legality', curb the movement, clear away the barricades and, if necessary, march with the splendid army against the rough, one-sided, uneducated masses."¹⁰ "In the meantime", they continued, "one applies 'all one's strength and energy' to all sorts of petty trifles and to

patching up the capitalist social order, so that at least it looks as if something is happening and so that at the same time the bourgeoisie is not alarmed." And finally: "These are the same people ... who never see reaction and are then quite amazed to find themselves in a blind alley, where neither resistance nor flight is possible..." From this early manifestation, Marx and Engels grasped the essence and ultimate outcome of opportunism. Indeed, their prescience extended to the purblindness of the SPD leadership during the dissolution, between 1929 and 1933, of the bourgeois democratic republic for which, only a decade earlier, it had contained and 'rolled-back' a revolution.

3. The social roots of opportunism

Lassalle's political ideas may be seen as the precursor - even origin - of the SPD's later, fully-blown opportunism. Yet distinctions must be made. Lassalle's opportunism in relation to the existing state extended as far as seeking the support of the monarchy against the bourgeoisie and to equivocation over the repeal of the anti-combination laws (which would have opened the way for trade unionism).¹¹ Lassalle's policy, however, was determined (as we shall see), in the first place by his attitude to the state, but also by his 'iron law of wages'. For no matter how scathing Marx was about Lassalle, he insisted that no element of personal corruption was involved.¹² Instead, the root of Lassalle's opportunism lay in his theoretical shortcomings and a consequent inability to see beyond immediately present 'reality'. "He was in fact too ignorant of the real economic conditions": for Marx, this was tantamount to saying that Lassalle had no grasp of the key to a materialist understanding of the 'anatomy of civil society', and thus no basis from which to be "critical of himself".¹³ Plainly, Marx's reading of Lassalle's opportunism was very different from later analyses of opportunism which, while criticising opportunist ideas, nonetheless lay the greatest stress on opportunism as the result of petit-bourgeois influence within the labour movement or as the political corollary to a materially privileged labour aristocracy and bureaucracy.

Of course, Lassallean ideology had a definite social basis, as succinctly explained by Kemp: "It was in the vicinity of new industrial areas that many former artisans, or workers whose position had closely approximated to them, found themselves ousted or threatened by factory methods. At least some part of the developing working class in the second and third quarter of the nineteenth century would have been former artisans ... who, although their earnings might have been higher in the factory, felt that their skill had been degraded and suffered a sense of deprivation. This kind of former artisan resentment contributed to the foundation of a labour movement, particularly of the Lassallean sort."¹⁴ The threatened or actually proletarianised artisan was thus easily convinced to look to the state for the means of restoring his place and status in the face of a society undergoing rapid change, as industrialisation and the dominance of the cash nexus undermined the structures and norms of the pre-industrial community. As the SPD became first and foremost a Party of the city proletariat, however, the increasingly vast scale of the industrialisation allowing this, together with the repressive measures of the state against the workers' movement, undermined the credibility of a strategy based on an appeal to the state for the funding of producers' cooperatives. Moreover, an increasing intensity of the labour process unmatched by proportionally increased real wages (as industry increasingly strove to raise relative surplus value) and a chronic housing situation adding to the misery of workers herded into the cities meant that, once won to social democracy, workers had little reason to be tempted by opportunism. Similarly, the lack of an organisational apparatus on a large scale and, above all, the courage and sacrifice required by militants during the years of illegality (1878-90), precluded the labour bureaucracy as a source of opportunist tendencies.

Nevertheless, in spite of the social basis of Lassalleanism, Engels' remarks concerning 'honest opportunism' should be interpreted as recognising that to an extent ideas can arise and exert their influence autonomously and that, therefore, the battle of ideas is indispensable in the struggle of one

tendency against another in the development of a socialist party. This was especially the case with regard to the struggle waged on behalf of Marxism against Lassallean ideology: for in this case - in the period from Lassalle to the early years of the Second International - the social basis of Lassalleanism dwindled, while the increasingly proletarian nature of social democracy and the condition of the working class prepared the ground for the taking up of Marxist ideas. In this period then, the struggle on behalf of Marxism could be waged on the level of ideas with increasing success, because of the declining importance of the social interests underpinning the intrinsic opportunism of Lassallean ideology.

This helps to explain why Marx and Engels exercised enormous patience in dealing with opponents through discussion, and only very reluctantly ever moved towards an organisational split. Later on, however, when the development of mass workers' organisations in the imperialist countries had created a strata of workers, and still more of functionaries within the workers' movement, who had a definite material interest in adapting to the existing order and who came forward with opportunist politics to match, tendencies emerged which no longer were so susceptible to argument. This meant that to a much greater extent than before, opportunism was less a matter of good intentions led astray by 'honest' theoretical errors, but was now much more conditioned by particular social interests. Accordingly, while Lassalleanism had been overcome in conjunction with its dwindling social basis, the opportunism of the 1890's and its theoretical precipitation in Revisionism was not merely a matter of theoretical 'lapses' into pre-Marxian ideology (as Kautsky considered), but was rather a qualitatively new phenomenon arising in accordance with increasingly powerful and entrenched social interests. Thus while Lassalleanism was a point of connection or legitimating tradition for firstly the 'state socialism' of the 1870's and then the developing reformism of the 1890's and later, the opportunism of this later period represented a tendency

far less susceptible to theoretical argument.

At this stage, therefore, the struggle of tendencies came to involve not merely a clash of ideas, but increasingly posed the necessity of organisational separation. However, the developing social basis for opportunism - as distinct from its origins in theoretical error or ideological 'lapses' - was not sufficiently recognised by representatives of Marxist orthodoxy such as Kautsky. Accordingly, the necessary organisational conclusions were rarely drawn, and then only episodically by way of a private expression of extreme vexation rather than a political tactic dictated by the political consequences of the development of new social forces.¹⁵

4. The theoretical roots of Lassalle's opportunism

I will now turn to those ideas which not only conditioned the opportunism of Lassalle's 'Realpolitik', but which - in one form or another - outlived Lassalle to exercise a baneful influence on the entire subsequent history of the German Labour movement.

4.1. Lassalle's theory of the state

Engels referred to Lassalle as "a faithful Hegelian of the old school".¹⁶ Certainly, an unreconstructed Hegelianism was evident in his concept of the state: "The state is the unity of the individuals in an ethical whole ... Since the beginning of time the actual ethical nature of the state is the training and development of mankind towards freedom."¹⁷ Lassalle's idealist conception of the state was, of course, completely at variance with that of Marx and Engels, who insisted on the class nature of the state and located its origin and development in the context of historically developing social relations of production.

Lassalle formulated his Arbeiterprogramm in a lecture to skilled engineering workers in 1862. Although previously influenced by the Communist Manifesto and works by Marx, Lassalle lacked the internationalism of Marx and Engels as well as the knowledge and experience this led them to acquire of capitalist development and the early movements of the working class. Because of this, Lassalle's work was conditioned by

a society with scarcely the beginnings of industrialisation or a modern class structure, by a state which, as a 'capitalist apparatus', was heavily "over-determined by its feudal ancestry"¹⁸, and by the corresponding limitations of German classical philosophy.

Lassalle's philosophical idealism led him towards a reformist conception of the state. Commenting on Lassalle's uncritical reception of Hegelianism, Duncker points out that: "In Lassalle's writings we constantly encounter ... the 'spirit of the people' (Volksgeist), the 'general spirit', whose 'co-producer is every individual in the state' etc. 'All history consists of nothing other than the realisation of this spirit' (Fichtes politisches Vermächtnis, 1860)." Lassalle's derivation of the state and its role from speculative concepts rather than from concrete historical analysis, led him to treat the state as a neutral means of human progress: "The state has always served to mediate and make easier the great cultural progress of mankind." (Offenes Antwortschreiben, 1863) Accordingly, his idealist conception of the state led him to neglect the social role of the state and to mistake the consequent necessity for the state to one-sidedly promote the interests of the bourgeoisie - even if in a 'bonapartist' form. Consequently, he could proclaim: "I defend the state, the sacred fire of all civilisation ... against those modern barbarians (i.e. the liberal bourgeoisie)!" (Die Indirekte Steuer und die Lage der arbeitenden Klasse, 1863) Indeed, it was the duty of everyone "to protect the ethical foundation of the state against violence". In turn, therefore, the logic of Lassalle's idealist conception of the state led him to hope that revolution would come about within the law, peacefully, and to reject independent mass action: "The first duty of citizens is to stand against any violent overthrow of the constitution ... there may not be and should not be a wild proletarian revolution." (Arbeiterlesebuch, 1863) In Lassalle's revolution, even "legally acquired" "bourgeois property" would be "completely inviolate and lawful". (Arbeiterprogramm, 1862)

Finally, because Lassalle's lack of philosophical materialism led him to neglect the class nature of the state, he rejected the aim referred to by Marx as the 'dictatorship

of the proletariat'. He denounced as 'monstrous' "the pursuit of a class rule over the other classes". (Die Wissenschaft und die Arbeiter, 1863) Instead, he hoped to solve "the social question" through the "reconciliation of the classes": "... it would be a triumph ... of the German nation if, in Germany, the initiative on the social question came precisely from the property owners; as a product of science and love ..." (Arbeiterlesebuch, 1863)

4.2. The 'iron law of wages'

Also at the basis of Lassalle's politics was his erroneous 'iron law of wages'. When divisions developed in the Workers' Associations sponsored by the Progressive Party, the Leipzig Association turned to Lassalle for advice on consumer cooperatives, the relation between capital and labour, and universal suffrage. In his reply, Lassalle plagiarised Ricardo: "The iron economic law ... is as follows: that average pay always remains reduced to the necessary subsistence that is normally required by a people to manage to exist and reproduce."¹⁹ Lassalle argued that wage rates inevitably gravitate to this point. If they should rise above the level necessary for subsistence and reproduction, then the birth-rate will rise and with it the supply of labour which, according to the laws of supply and demand, will bring down wages to the subsistence minimum: this is the equilibrium point, for should wage rates be driven below this level then poverty will reduce the birth rate, lower the supply of labour and thereby drive up wage rates.

Lassalle's 'iron law of wages' provides further evidence as to the origin of his theoretical differences with Marx which, as we shall see, were reflected in widely diverging political strategies. Whereas Marx transcended and synthesised classical German philosophy and British political economy, Lassalle simply adopted them and brought them together in an eclectic manner. We have seen Lassalle's unreconstructed Hegelianism in relation to the state. With his own words, much the same relationship to classical political economy can be illustrated. "This law", maintained Lassalle,

"can be denied by nobody. To this end, I could quote as many sources as there are great and famous names in economic science..."²⁰ Lassalle and Lassalleanism, therefore, still moved within the limitations of bourgeois ideology. Complete intellectual and political independence were to be gained only on the basis of the critique of capitalism and capitalist ideology undertaken by Marx.

Clear political conclusions flowed from Lassalle's economics. For according to his theory, the working class could obtain only that portion of total production that accrued to them in line with 'the iron law of wages'. Consequently, trade unionism was futile, and the only way in which this portion could be increased was by means of producers' cooperatives. Through these, the differences between capitalists and workers could be eliminated - at first in their own sphere, but eventually throughout the whole of society as the cooperatives came gradually to establish their sway over the total production of society. Furthermore, according to Lassalle's 'law', the workers could never generate sufficient funds from their wages to found producers' cooperatives. Consequently, the necessary capital would have to be obtained in the form of state-funded credits. The granting of credits was conceived as a practical demand because, firstly, it corresponded to Lassalle's conception of the state as having the function of furthering culture and justice and, secondly, because it could be realised by the introduction of universal suffrage, which would allow the Prussian state to express the interests of the poor and oppressed.

5. Lassalle's strategy

Lassalle's strategy was that the state should be protected and used rather than overthrown and replaced by a workers' state, while the bourgeoisie was not to be expropriated but instead gradually overcome by the competition of state-aided cooperatives. Immediately, this programme was to be pursued by means of attempting alliances with conservatives and even the Monarchy. Plainly, it was Lassalle's idealisation of the state as existing above class interests and serving

'cultural progress', that justified this 'Realpolitik'. In the longer term, however, universal suffrage was the key: so much so, that it was "the only means of bettering the material situation of working people". (Offenes Antwortschreiben, 1863) Indeed, as a corollary of both his theory of the state and his 'iron law of wages', universal suffrage was "the most fundamental and important of the demands". (Arbeiterprogramm, 1862) For while 'the iron law of wages' ruled out trade unionism, his theory of the state rejected revolutionary mass action and favoured the belief that: "Under universal suffrage the state, in any case, would be completely different than at present." (Arbeiterlesebuch, 1863) In the longer term as well, therefore, Lassalle's unreconstructed philosophical idealism, together with his uncritical reception of classical political economy, led him to an opportunist adaptation to the existing state as well as a rejection of mass struggle (whether for trade union aims or social revolution).

Socialist opportunism is when 'practical politics' moves beyond tactical compromise and emerges fully blown as a strategic adaptation to the existing state and social order. As a political tendency, therefore, opportunism leads from socialism to reformism. Marxism, on the other hand, creates an intellectual distance from immediate circumstances as well as indicating the narrow limits within which the existing state and social order can be utilised or enduringly reformed. Politically, therefore, Marxism helps maintain immediate demands and tactics within an overall revolutionary socialist strategy. I have dealt with the main aspects of Lassalle's thought underlying his opportunism - firstly his theory of the state and, secondly, his economic theory - because precisely these questions continued to be fundamental to divisions between opportunist and Marxist tendencies and thus to strategic conflicts over reform or revolution within working class movements. And this was particularly the case in the history of the German labour movement before 1933.

The growth of opportunism and the failure of Marxists to oppose it either consistently or effectively had a baneful influence on social democratic politics during this period. In looking at opportunism and the shortcomings of its opponents, it is surely true that (as Lenin remarked), "opportunism was connected with the distortion, and even deliberate suppression of Marx's views on the state".²¹ In this thesis, I intend to supplement this judgement by examining the manifold ways in which opportunism - and the lack of an adequate opposition to opportunism - were also 'connected' with the 'distortion' and neglect of Marx's 'views' on the capitalist economy and its development.

6. Lassalle and Marx on value theory; and the later failure within social democracy to sustain Marx's advance over Lassalle

It is not my intention to pursue the critique of Lassalle as political economist in detail. Nonetheless, Lassalle's limitations in this respect were never completely transcended by later social democratic theorists: hence their persistence may serve as an index of the incomplete 'Rezeption' of the theory of value and Marx's method in Capital.²²

I will turn later to Marx's theory of wages. Here, however, it is important to emphasise that the more 'flexible' approach of Marx to the process of wage determination (as compared to Lassalle's 'iron law') was derived from his theory of surplus value, which was the first step and 'cornerstone' (Engels) of Marx's theoretical reconstruction of the process of capital accumulation (and, therefore, of capitalist development generally) from the point of view of the law of value. (It was, moreover, the means by which he settled accounts with classical political economy and, by overthrowing the Ricardian theory of profit and its ramifications for wages theory, opposed anti-trade union tendencies and narrow trade union reformism alike in the IWMA.)²³

The divergence of Lassalle from Marx on the fundamentals of value theory was a recurring question among early social democratic theorists, whose contributions on this theme were discussed at length and resumed by Tatiana Grigorovici in a study published in the same series as fundamental works like

Hilferding's Finanzkapital and Otto Bauer's Die Nationalitätenfrage und die Sozialdemokratie.²⁴ It was Mehring, however, who first revealed the essential point of divergence, in that Lassalle completely neglected "the difference between labour inasmuch as it results in use value, and labour inasmuch as it results in exchange value".²⁵ In other words, Lassalle neglected the "two-fold nature of the labour contained in commodities", which for Marx was "the pivot on which a clear comprehension of political economy turns".²⁶

As an economic theorist Lassalle was an utter eclectic: while identifiably influenced by Malthus and extensive - though unattributed - 'borrowing' from Marx, his theory of value was taken over from Ricardo. Accordingly, he conceived value only in its quantitative aspect and not as the fetishised expression of the social relations of commodity producing society. Moreover, because unable to grasp the 'two-fold' nature of the labour embodied in commodities, he was unable to see that within the most simple value relations was contained the germ of all the contradictions of developed capitalist production.

Whereas Marx had devoted enormous time and energy to studying value theory and was consequently able to apply his conclusions to the demystification of capitalist exploitation and the 'laying bare' of the laws of motion of capitalist society, Lassalle was unable to overcome the barrier which had insuperably blocked theoretical progress on the part of the earlier 'Ricardian socialists': the problem of how to account for the exploitation of labour by capital not as a departure from the law of value but as inseparably arising from it. Thus whereas Marx had solved the problem of surplus value by means of analysing the commodity-nature of 'labour-power', Lassalle did not progress beyond the Ricardian categories of 'the value of labour' and the 'commodity labour'. Accordingly, he was unable to see in the exchange between capital and labour anything other than a permanent breaking of the law of value to be condemned as immoral and unjust. Failing to understand the nature of capitalist exploitation, therefore, Lassalle was prevented from moving beyond a merely moral condemnation of capitalism -

conflating, for example, "exploitation" with "robbery".²⁷ (This theoretically dictated restriction to moralising arguments against capitalism dovetailed perfectly, of course, with his idealist conception of the 'moral' mission of the state).

Further, Lassalle's inability to penetrate the essence of capitalist exploitation denied him the key to understanding the dynamic of capitalist production in terms of the consequences of its dual nature (as a process producing surplus value in the form of producing use values). Of course, much of the analysis of the laws of motion of capitalist production discovered by Marx on the basis of the law of value and the theory of surplus value were not merely beyond the scope of Lassallean theory, but also beyond the immediate needs of the emergent workers' movement. Yet when it came to the means whereby small numbers of socialist workers could mobilise the as yet inert masses into a cohesive and conscious class, Lassalle's inability to penetrate even the nature of capitalist exploitation was a severe handicap in relation to the ADAV's immediate attitude towards trade unionism. For it is in regard to Lassalle's failure to develop and apply the theory of value to the process of capital accumulation that we can understand his 'iron law of wages', which denied any purpose to the struggle over wages and which, therefore, was of immediate relevance for political strategy.

This theory, borrowed from Ricardo and supported by Malthus' population theory, nonetheless corresponded to the workers' experience at that time. Moreover, by convincingly refuting the liberal theories of 'frugality', 'diligence' and 'delayed gratification' as to the origins of capital (and as advice to the workers), Lassalle's theory contributed to the development of class consciousness and the awakening of German labour. In drawing political conclusions directly from the law of value, Lassalle popularised the demand for the 'full product of labour' to accrue to its producers, the workers (this to be achieved by way of state-aided producers' cooperatives). While, as Marx and Engels demonstrated, a

thoroughly unscientific demand, it was nonetheless of considerable agitational value in the first beginnings of the socialist labour movement. (The attempt to draw political conclusions, even simple slogans, directly from the law of value was, of course, completely alien to Marx's procedure: Marx, in contrast, applied the law of value to the analysis of capitalist development which alone, could furnish a scientific 'guide to action'.)

Lassalle's programme had an important mobilising role in the early development of the labour movement, but eventually became an obstacle to its continued progress, however, to the extent that the economic element of the theory on which it was based proved incapable of illuminating the nature of exploitation and the consequent laws of motion of capitalist production. (This became evident first of all in relation to the inability of Lassalle and his supporters - for whom the 'iron law of wages' became a dogma - to recognise the role of class struggle in the determination of wage levels and their consequent hesitation in taking up the cause of trade unionism.) Initially playing a progressive role but increasingly becoming a fetter on the advance of the labour movement at a later stage, therefore, the need arose for a renaissance of socialist theory. This necessarily qualitative advance in theory was, of course, to be provided by Marxism. (Which, at first, was taken up at least partly because Marx's theory of surplus value and of the 'moral' element in wage determination provided theoretical support for trade union practice.)

Of course, the Marxism appropriated by the labour movement as its dominant theory was that of Capital I alone and, moreover (as we shall see), was not taken up and understood in an unambiguously revolutionary manner. Nonetheless, Capital I as a body of socialist theory was an enormous scientific advance over Lassalleanism, as was the new stage of programmatic clarity and class consciousness it facilitated. (The nature and limitations of the 1891 Erfurt Programme and the Marxism of its era is discussed in the ensuing chapter).

Yet, just as the development of capitalism towards large-scale factory production and the corresponding growth of the labour movement posed new problems which could only be dealt with on the basis of a qualitative theoretical advance (from Lassalleanism to the Marxism of Capital I and the Erfurt Programme), so the further development of capitalism into the new stage of imperialism at the same time as social democracy advanced from a 'sect to a mass Party' (Bernstein), again confronted the labour movement with problems of unprecedented seriousness and once again demanded a qualitatively enhanced theorisation.

Why this renewed theoretical advance was not to take place - or at best incompletely - will be the subject of the four chapters forming the second part of this thesis. To anticipate, and conclude my indication of the persistence (if not direct influence) of the fundamental shortcomings of Lassalle's economic thought within social democracy, it can be said that a consistent failing of later Marxists was an inability to grasp Capital as the analysis not merely of value but of the successively more developed forms in which the operation of the law of value governs the process of capitalist economic development. Hence, for example, the common methodological error of attempting to draw conclusions about capitalist reality directly from Marx's reproduction schemes: for this was a function of the failure to reconstitute Marx's analysis of value form as the basis for understanding capitalist economic development. Indeed, the attempt to draw conclusions directly from this means of analysis, rather than understanding it as an intermediate stage in the methodological progression of Marx's theory, was analogous to Lassalle's attempt to draw political conclusions directly from the labour theory of value instead of using it as the fundamental means with which first to analyse capitalism.

1. Marx - Engels, Selected Correspondence, Moscow, 1965, p112 (Feb.1, 1859) and p213 (Oct.13, 1868).
2. ibid., p213
3. ibid., p168 (Feb.23, 1868); see also p170 (Feb.23, 1865).
4. "Politik heisst aktuelle, momentane Wirksamkeit." (in a letter to the Gräfin von Hatzfeldt of 28. July 1864; quoted by Hartmut Stirner, Die Agitation und Rhetorik Ferdinand Lassalles, Marburg, 1979, p243).
5. See Marx - Engels, Selected Correspondence p165 (Feb. 18, 1865).
6. Konrad Haenisch (Prussian Minister for Culture in the Weimar period and a great admirer of Lassalle) described this work as "truly the birth certificate of German social democracy". Lassalle: Mensch und Politiker, third ed., Leipzig 1929, p9, quoted by Hans Jürgen Friederici, 'Zur Einschätzung Lassalles und des Lassalleanismus in der bürgerlichen und rechtssozialdemokratischen Geschichtsschreibung', Beiträge zur Geschichte der deutschen Arbeiterbewegung, Vol.2 (1960), p306.
7. Engels, Critique of the Erfurt Programme; issue no.1, of the East Kent Bulletin of Marxist Studies, Canterbury, 1977, p5.
8. ibid.
9. Quoted from Marx and Engels, Circular Letter to Bebel, Liebknecht, Bracke, et al.; in The First International and After, ed. David Fernbach, Harmondsworth, 1974, p370.
10. ibid.
11. See Marx - Engels, Selected Correspondence, p430 (Feb.23, 1891); also the translator's appendix to Franz Mehring, Karl Marx, London, 1966, pp553-55.
12. See ibid., p169 (Feb. 23, 1865).
13. ibid. See also Marx's criticism of Lassalle's philosophical work, ibid., pp101-2 (Feb.1, 1858).
14. Tom Kemp, Industrialisation in Nineteenth-century Europe, London, 1969. p110.
15. Thus in 1894 Kautsky wrote to Engels that he would rather "sanction a split in the Party than a rotten peace" in relation to the dispute over the agrarian programme. Indeed, he accurately foretold that if this were not done it would be necessary, "after two or three years (if not earlier), to fight out the same struggle but probably against a much stronger enemy". (Kautsky, in a letter to Engels of 23.1.1894; in Engels' Briefwechsel mit K. Kautsky; quoted here by W.Scharlau, Parvus-

- Helphand als Theoretiker in der deutschen Sozialdemokratie und seine Rolle in der ersten russischen Revolution (1867-1910), Doctoral Thesis, Münster 1964, p56). For Kautsky, however, such a threat was more an expression of how concerned he was at the threat to the proletarian character of the SPD, rather than a serious tactical proposal.
16. The Origin of the Family, Private Property and the State, London, 1972, p285.
 17. Arbeiterprogramm (1862); this and the following quotations from Lassalle on the state are from Hermann Duncker, 'Die Lassalle-Legende', Die Internationale, Vol.8, no.5 (May 1925).
 18. Perry Anderson, Lineages of the Absolutist State, London, 1974, p278.
 19. Offenes Antwortschreiben an das Zentralkomitee zur Berufung einen allgemeinen deutschen Arbeiterkongresses zu Leipzig, quoted by J. von Freyberg et al., Geschichte der deutschen Sozialdemokratie: 1863-1975, Köln, 1975, p18.
 20. ibid., p18.
 21. Lenin, Left-Wing Communism, Selected Works, Vol.III, Moscow, 1967, p348.
 22. The term 'Rezeption' is widely used in German literary theory and social science to denote the manner in which a text, for example, is taken up and understood by its readers and those influenced by it. I continue to use this term in the absence of an exact English equivalent.
 23. See, for example, Marx, Wages, Price and Profit, Moscow, 1974.
 24. Tatiana Grigorovici, 'Die Wertlehre bei Marx und Lassalle', Marx-Studien, Vol.3, Vienna, 1910.
 25. F. Mehring, Die Geschichte der deutschen Sozialdemokratie, quoted ibid., p537.
 26. Capital I, p41.
 27. Quoted by Hannes Skambraks, Das Kapital von Marx: Waffe im Klassenkampf, Berlin, 1977, p57.

CHAPTER TWO

SOCIAL DEMOCRATIC MARXISM AND THE
'REZEPTION' OF CAPITAL IN THE PRE-IMPERIALIST PERIOD

"... the steep and misty heights of the third Volume and Theories of Surplus Value ... are unfortunately hardly known to the Marxist public ... the first Volume of Capital ... has so far formed the actual economic basis of social democracy."

Luxemburg

"Bourgeois society is working so effectively towards its own downfall that we need merely wait for the moment to pick up the power dropping from its hands ... Yes, I am convinced that the realisation of our aims is so close that there are few in this hall who will not live to see the day."

Bebel

1) How Marxism was taken into the German labour movement

It is common for non-Marxist historians to deny that Marxism was of integral importance in the workers' movement, referring in particular to the often non-political nature of life in social democratic organisations (even in Party branches) and to the limited number of those who can be identified for sure as having read Capital. In attempting to illuminate the history of the 'Rezeption' of Capital in the German labour movement in the period preceding the Erfurt Programme of 1891, however, it will not do simply to estimate the number of workers who read Capital (probably impossible, anyhow) or the attention devoted to it in meetings or congresses etc. (1)

Firstly, bibliographical and local research by DDR-historians has amassed a wealth of evidence as to the influence of Capital - directly through individual study and, consequently (and mainly), indirectly through popularisation and the propagandising of aspects of its contents. Indeed, their research has not only established a number of significant factual inaccuracies on the part of their Western counterparts: it casts at least substantial doubt on the findings firstly of American social scientists for whom the notion of an alternative, scientifically supported socialist class consciousness is at most a temporary phenomenon left behind as working class parties 'modernise', and secondly of social democratic social scientists seeking to legitimise the Post-Bad Godesburg SPD by establishing the real Party tradition as that of Lassalle and Bernstein, while accordingly reducing

Marxism to the status of a transient phenomenon associated with the circumstances of the period of the Sozialistengesetz, never bearing more than an external relation to the labour movement. Of course, the open claim of DDR - historians to be 'parteilich' must alert sceptical instincts: yet this bias is at least openly proclaimed and the days of falsifying evidence - even retouching documents - are long past. (2)

Not disbelief but a critical approach to the findings of their detailed research is required : if their evidence, for example, of a widespread taking up of Capital within the emergent workers' movement can be accepted, this does not necessarily mean that it was understood and applied to the class struggle in the unambiguously revolutionary manner constantly assumed. (I will return to this point.) Secondly, and more importantly, the view that Marxism was without effect or an alien influence in the workers' movement in the last third of the nineteenth and early twentieth century, is not only, as argued above, to a very high degree tendentious, but also arises from a failure to assess the relations between class, party and leadership in the labour movement.

To dilate somewhat upon this latter question, it is clearly of importance whether the leadership of the labour movement themselves accept the prevailing ideology of capitalist society generally and of 'their' nation-state in particular, or if they rather come to reject bourgeois ideology by way of developing, or acquiring 'from outside', an alternative socialist world view. In the former case, the workers' leadership can ultimately represent working class interests only insofar as these are compatible with the stability of

the existing order: while no matter how powerful or widespread the struggle of the working class, its spontaneously arising or 'inherent' ideological resources will be inadequate to traverse the border between rebellion and revolution.⁽³⁾ (Unable to transcend the bounds of the system, the workers' movement will be contained and eventually 'rolled-back' within its confines.) The relations between leaders and the masses are not just direct, however, but also mediated by the active minority of the working class that sustains its organisations, leads struggles and advises at local or workplace level. Thus should there be a Marxist leadership, on the other hand, and given conditions under which the experience of class struggle makes the activists receptive to the propagation of socialism as both ideal and practical necessity, then a combination of leaders and activists can form a powerful combination working to combat bourgeois ideology among the organised working class and conduct the political socialisation of the masses along alternative, socialist lines.

It is such an 'ideal type' which - I hope to show - was increasingly the actual case within the emergent German labour movement after the publication of Capital in 1867: the early impact of Marxism was secured during the years of state repression to be confirmed and expressed in the Erfurt Programme. What is at stake then is not the number of workers (whether leaders or activists) who read Capital or even the intensity of political life among ordinary Party members.⁽⁴⁾ Rather it is necessary to establish the extent to which Capital was appropriated amongst the leadership, how

it was understood by them and how, consequently, it was propagated and applied as a source of political guidance. Of course, the activists were not just passive recipients of ideas imparted in speeches and articles 'from above', but read, studied and debated in their own right. Unfortunately, the concrete nature of the relations between leaders and activists on the one hand and 'the masses' on the other, remain murky. Nevertheless, given the more adequately researched social-psychological grounds for the loyalty of activists and rank and file alike to their traditional organisations and leadership, it is reasonable to assume that when activists sacrificed time and effort to attend meetings or study the social democratic press, pamphlets and programmatic declarations, they were attentive and receptive to what they heard and read.⁽⁵⁾ Similarly, those rank and file workers who normally never attended meetings or read political literature might have accepted an election leaflet and listened to an activist sufficiently to grasp, if not the detail of the argument, then at least to take note of the main point or slogan. Accordingly, it is reasonable to postulate a flow of influence from the leadership to the activists and, ultimately, on the political socialisation of the rank and file.

The power of the leadership is easily illustrated in terms of specific instructions : a political or trade union leadership can usually enforce their decisions against reluctant or even opposed activists. Flows of ideological influence, however, are not so easy to trace : for the overwhelming majority of activists and rank and file do not leave written evidence of their ideas and convictions. (Their actions are recorded,

but the ideological impulse and meaning of their actions cannot be regarded as self-evident.) Leaders, however, write memoirs (or at least letters which are often saved and studied by biographers) and the more theoretically inclined write books, articles and pamphlets according to which their ideas may be judged as to theoretical soundness and political relevance. This is what I attempt to do in the present work. To the extent that I am correct in imputing a flow of ideological influence from the leadership to the activists and working class as a whole, then these ideas - especially, in the present case, those arising from Marx's Capital - are important for understanding the consciousness and politics of the social democratic workers' movement. (6)

Broadly speaking, a small number of significant workers' leaders were sufficiently impressed by Marx's reputation to either directly study Capital upon its publication or at least to be influenced by reviews. (7) While only a small number of leaders were to make a fundamental study of Capital as a theoretical system and explore its implications in detail, (8) the main aspects of its content (if not its method) became known and relied upon in political debate and propaganda - above all, the labour theory of value; the theory of surplus value; the chapters on the regulation of wages and the length of the working day (factual material being extensively drawn upon as well as the theory); the law of capital accumulation and the corresponding 'historical tendency' of capitalist production. Themselves convinced,

such leaders were able to propagandise these ideas, as well as furnish the most favourable circumstances for polemic against alien - liberal and then Lassallean - ideas, in the meetings, pamphlets and papers supported and relied upon by the activists.⁽⁹⁾ (This was particularly the case in a period when further education was closed to even the most talented workers and the modern mass media as yet undeveloped.⁽¹⁰⁾) Increasingly, from the late 1860's onwards, these ideas were to a greater or lesser extent taken up by the activists, who were able to relay some of them to the working class as a whole - above all, the programmatic call for the socialisation of the means of production which, concluding all the ideas and implicit in every aspect of Capital, came to be a popular demand amongst German workers.

The propagation of Marxism by a significant number of workers' leaders began at a particularly important time in the development of the German working class. This is highlighted by way of contrast with the development of the English working class: the period of the 'making' of the working class embraced the emergence of various organisational forms of industrial and political struggle and, beginning in the 1830's, of class consciousness. Yet with the mid-century defeat of Chartism, these beginnings of militant class organisation and consciousness gave way to a contrapuntal movement of integration. And although the first British Marxists were able to win some support during the crises of the 1880's, the radicalisation and growing receptiveness of the working class towards

Marxist ideas was cut short as bourgeois hegemony came to be secured on the basis of a successful transition by British capital from industrial to imperial supremacy. In Germany, however, there was not an equivalent basis for integrating the working class, while ideologically bourgeois hegemony was challenged from within the developing working class by Lassalleanism and then, more completely, Marxism. Almost from the beginning, therefore, Marxism was part of the 'making' of the German working class. Because of the increasing propaganda efforts of leading social democrats during the growth and maturing of the German working class from the 1860's, the organisations of that class - so to speak - 'grew up' with Marxism. (Indeed, this political socialisation of the workers' movement from its earliest and formative years was to be overcome only under the combined impact of fascism and the post-1948 boom, together with the association of 'Marxism' with the regime of the DDR.) It was in this situation, in which the power of the state was sufficient to inhibit immediate (and therefore concrete) revolutionary aspirations among the working class, while the working class was able to resist the hegemonic pretensions of the existing order, that gave rise to that peculiar relationship of the working class movement to bourgeois society often characterised as 'negative integration'. This was also the historical context, moreover, which conditioned the determinist twist undergone by Capital in the process of its appropriation and application within the emergent labour movement.

2. The 'Rezeption' of Capital and the development of the social democratic labour movement

"Sword and armour" with which to challenge the "old world in its entirety", was how J. P. Becker judged Capital upon its publication in 1867. (11) This admiration for Marx's main work was widely seconded within all sections of the labour movement. Soon coming to be understood as a scientific exposure of capitalist exploitation, and explanation of capitalist development and its eventual replacement by socialism in terms of a unitary, law-governed process, Capital also began to be regarded as the theoretical starting point for the programme, strategy and tactics of the working class movement. (While not originating the strategic principle of proletarian independence or aim of conquering political power in order to realise the programme of expropriation and socialisation of the means of production, it was above all Capital that lent the authority of 'science' to these fundamental tenets of Marxist politics.) And when the SPD finally adopted a Marxist programme in 1891, its analysis of social development - as well as the long-term aims and immediate demands it underpinned - was largely paraphrased from Capital. From the late 1860's, therefore, the growth of social democracy into a mass movement and a Party occupying first place in the ranks of the International, was accompanied by a generally advancing support for Marxism centering upon the 'Rezeption' of Capital. Capital then, was at once the culmination of Marx's long movement from philosophy to political economy, and the means of fulfilling his original communist project of 1844: "Just as philosophy finds its

material weapons in the proletariat, so the proletariat finds its intellectual weapons in philosophy." (12)

To a limited extent the 'Rezeption' of Capital had been prepared by the memory of Marx from the 1848 period, a small circulation of a few of his works from this time (such as The Class Struggles in France) and the publication in 1859 of his A Contribution to the Critique of Political Economy. In particular, the founding of the IWMA and the spread of its influence to Germany occasioned the republication of works by Marx and Engels - including the Communist Manifesto - and enabled younger militants of the post-1848 generation such as Bebel to gain their first acquaintance with Marxism through the Inaugural Address. Furthermore, despite the theoretical and political incompatibility of Marxism with Lassalle's teachings, the latter drew extensively - if unacknowledged - from Marx, and thereby helped prepare the way for Marxism and the eventual displacement of Lassalleanism. (13) Nevertheless, in spite of a limited knowledge of Marxism on the part of a small number of leading personalities in the re-emergent labour movement of the 1860's, (14) the influence of Marxism was severely circumscribed. In the field of economic thought in particular, first of all bourgeois liberal theories were prevalent amongst organised artisans and workers and then, increasingly after 1863, these were displaced by Lassalle's teachings. (15)

The 'Rezeption' of Capital cannot, therefore, be seen as a

simple continuation - albeit at a higher level - of an already established Marxist influence in Germany. This may be gauged by contrasting the attention paid to Capital and its increasing influence, with the lack of interest in Marx's Critique published eight years previously. Yet while the abstract nature and terminological difficulties of the earlier work undoubtedly go a long way towards explaining its lack of success, the different response elicited by the more immediately 'political' and concretely illustrated Capital was fundamentally prepared by the historical situation : the labour movement was confronted by problems for which Capital was seen to offer guidance or even immediate solutions.

The economic crisis of 1866/67 and the going over to Bismarck of decisive parts of the bourgeoisie in the wake of the war with Austria in 1866, greatly facilitated the growth of class consciousness amongst the workers : the election of Bebel as Vice-President of the VDA, the first doubts in relation to Lassalleanism in the ADAV, and the growing reputation of the IWMA were all symptomatic. Moreover, they all provided more favourable circumstances for the 'Rezeption' of Capital. If the potential influence of Capital was a function of the historical context, it nonetheless had to be realised by the subjective efforts of Marx's supporters. Of particular importance in this respect was the propaganda campaign on behalf of Capital masterminded by Engels. Not in the first instance aimed at the mass of workers, it had an increasing impact upon a number of workers' leaders. Above all, Capital began to be taken up by Liebknecht and Bebel, as the theoretical means of combatting bourgeois 'national economy'

in the struggle to reorientate the originally Liberal VDAV along socialist lines.⁽¹⁶⁾

During the culmination of the struggle against bourgeois tendencies before and at the 1868 VDAV Conference, Liebknecht's Demokratischen Wochenblatt published excerpts from Capital, together with reviews by Engels and Dietzgen, which concentrated on the politically powerful concept of labour power and theory of surplus value.⁽¹⁷⁾ Benefitting from the prestige of natural science among socialists and their opponents alike, Capital contributed significantly to reorientating the VDA along socialist lines and thus to the founding of the SDAP in 1869.⁽¹⁸⁾ In the crucial debate, after which a majority voted for the programme of the IWMA, both Robert Schweichel in his report and Liebknecht in his reply made use of Capital - in particular, the theory of surplus value was used to establish the irreconcilability of the class antagonism between bourgeoisie and proletariat, and the consequent need for political independence and a socialist programme. Yet if Capital was partly instrumental in convincing the VDAV it was no less important in winning over a vital leavening of ADAV militants to the cause of a new social democratic party: Bracke, together with other leading members who had made a study of Capital such as August Geib and Carl Hirsch, was soon able to lead the significant anti-Schweitzer opposition into cooperating with Bebel and Liebknecht's project of completing the transformation of the VDAV into a new socialist party.⁽¹⁹⁾

While far from being possessed of an unalloyed Marxist

programme, the nature of the SDAP as a political formation arising from and continuing a process of change and development meant that it had far greater potential as a force for renewal in the labour movement than the ADAV. For the latter, while in many ways more militantly socialist and proletarian, was so in the name of an ideology increasingly revealing its negative aspect as a dogma incapable of internal development and, therefore, threatening the Party with sectarian stagnation. Indeed, because those leading socialists who were the most active in propagating Capital were among the founders of the SDAP, its formation furnished a new basis for a greatly expanded influence of Marxism.

By the beginning of the 1870's, at least ten of the main SDAP leaders had undertaken some study of Capital in conjunction with the problems of the time, ^(20) while Marx himself was becoming known to the activists as the founder of the International and author of Capital. An expression of this was that whereas Capital had initially been propagandised by way of extracts and reviews, it increasingly came to be made use of in pamphlets dealing with the practical tasks and programme of the SDAP. The first and most decisive was Bebel's programmatic polemic Unsere Ziele published in 1870. This work arose out of an attack in the organ of the bourgeois People's Party on firstly a resolution of the 1869 IWMA congress calling for the socialisation of land, and secondly a speech in which Bebel had outlined the socialist aims of the SDAP. It was an important step towards confirming the organisational and political independence of the Party by driving forward the theoretical break with the still not fully overcome

liberal democratic ideology of the People's Party: at first a series of theoretical articles in the Volksstaat, its defence of land nationalisation coupled with a detailed socialist critique of the People's Party laissez-faire liberalism signified a decisive break "between 'proletarian and bourgeois democracy' in Germany".⁽²¹⁾ Bebel drew extensively upon Capital to establish the main aim of the workers' movement as the abolition of capitalist private property.⁽²²⁾ He emphasised that capitalist society was not eternal but rather a historically transient mode of production and that, accordingly, the socialist aims of the working class were not an arbitrary or pious wish but arose of necessity from the laws of social development. Indeed, the driving force of capitalist development was the contradiction between the forces of production and the social relations of production, and the class struggle to which this gave rise. Drawing upon Capital directly, he analysed the commodity character of labour power and thereupon proceeded not merely to utilise the theory of surplus value to expose capitalist exploitation, but also related Marx's categories of absolute and relative surplus value to, respectively, the struggle over the working day and the introduction of machinery. Clearly identifying the source of exploitation in capitalist private property, he concluded that private property in the means of production must be abolished. The way to socialism, however, was not that of Lassalle: it was illusory, argued Bebel, to imagine that the bourgeoisie or the class state would act against their own interests and finance producers' cooperatives. Rather, it was necessary to conquer power. Once possessed of political power, moreover, Bebel posed the possibility of

"the forceful expropriation at one blow ... of the capitalists", expressly referring to Capital and quoting in support the passage in which Marx refers to force as the 'midwife' of the social order. (23) Thus in spite of many remaining Lasallean and 'pure democratic' formulations, Bebel's Unsere Ziele argued clearly for the Marxist strategic aim of conquering political power in order to socialise the means of production, and marked the first attempt to interpret the world view and programme of social democracy on the basis of Capital.

The 'Rezeption' of Capital was thus no longer taking place on the basis of its general reputation as a work establishing the proletarian standpoint in science and in advance of specific understanding of its content, but was increasingly appropriated from the early 1870's as an indispensable guide to problems posed by the development of objective circumstances. On the one hand, the war against France and the Paris Commune made the Party more receptive to Marxism as nationalist fervour and repression occasioned the departure of many of the more vacillating members, while the experience of an internationalist opposition to war and support for the Parisian workers radicalised those that stood firm. On the other hand, however, the same events helped consolidate the Bismarckian 'settlement' and thereby lay the political basis of the 1870's boom. This further undermined any tendency towards class collaboration, while accelerating investment and the associated intensification of the labour process gave an enormous impetus to an upsurge of trade unionism.

Capital proved the best means of freeing social democratic attitudes towards trade unionism from the baneful influence of Lassalle's 'iron law of wages' doctrine. Supported by Marx's theory of wages as the price of labour power and the theory of surplus value, together with the hitherto unknown struggles of the English working class described in Capital, the SDAP supported trade union demands on wages and conditions and attempted to promote the legal limitation of the working day by Parliamentary means. As we will see, the theoretical congruance of Capital with the practical needs of trade unionism at this time, gave a powerful additional impetus to the wider 'Rezeption' of Marx's work. Trade Unionism gave greater opportunity for mass agitation - such as the 18,000 strong demonstration in 1871 at Chemnitz for the legal regulation of the working day (at that time the biggest ever demonstration in German labour history) - and for propaganda amongst the activists : conference speeches on questions of trade unionism at this time as well as pamphlets by Geib, Hirsch, Most and Yorck drew upon Capital for much of their argument. (Particularly emphasised was the necessity for trade union struggle to force employers to pay wages equivalent to the value of labour power and as the basic means of uniting and organising the working class. (24)

The influence of Marxism was promoted more generally by a new edition of the Communist Manifesto in 1872 and, in the same year, a second edition of Capital. Compared to the first edition of 1,000 five years earlier, this was three times as large and different in that its price was now intended to be within the range of politically active workers, while the SDAP

actively supported its sale and distribution.⁽²⁵⁾ Furthermore, in 1872 Bebel and Liebknecht effectively used their treason trial as a platform for the socialist aims and perspectives of their Party. Declaring themselves for Marx and the International, they propagated the theory and world view of Marxism - Liebknecht not only specifically drawing attention to Capital but even causing sections of it to be read into the court record as 'evidence'! The trial was used to raise the consciousness of the activists in particular, and played an important role through the reports of Volksstaat in propagating Marxist ideas (circulation rising 25% to over 6,000 at this time).

The appropriation of Capital was advanced as practical problems came to be associated with the clarification of theoretical questions. This, in turn, gave rise to an increasing weight of criticism directed at Capital by academic opponents of socialism (who were coming to recognise Marx rather than Lassalle as the theoretical inspirator of social democracy).⁽²⁶⁾ This, in turn stimulated the defence and hence furthered the understanding of Capital at a more general level than this or that aspect of its contents, on the part of a number of prominent Party members (including notable polemics by Dietzgen and Schramm in 1872). Together with Most's popularisation, these polemics demonstrated that the 'Rezeption' of Capital as a system of economic thought had begun. Yet they also illustrated the prevailing deficiencies of the understanding and systematic application of Marxist theory in the early 1870's. Schramme's work in particular was still typical of an appropriation of Marxism in too

narrow an 'economic' manner and in which, consequently, ideas from Capital were mixed up together with Lassallean and other notions: he treated Marxian economic theory in isolation from Marx's system and method as a whole, and saw the workers' interests as capable of being served by the existing state in the manner of Lassalle. (27)

In this context of prevailing weaknesses in the systematic 'Rezeption' of Capital, it was still trade unionism that provided the main point of departure for the theoretical assault on Lassallean influence within the SDAP; the 'iron law of wages' being singled out for attack by Most, for example. It was a pamphlet by Bracke in 1873 (Der Lassallesche Vorschlag), however, that provided the first systematic polemic against the demand of the SDAP programme for 'state credit for free producers' cooperatives'. Bracke had left the ADAV to become a founding member of the SDAP after becoming acquainted with the works of Marx. In progressively breaking with his residual Lassalleanism of this time, the acknowledged influence of Capital on his polemic against the main pillar of Lassallean strategy was especially clear: utilising the theory of surplus value to emphasise the irreconcilability of capital and labour, he argued that the way to socialism lay through the expropriation of capitalist private property and that the working class had to rely on its own strength and on nothing else for its emancipation. (28)

The propagation and influence of Marxism was not confined to

the SDAP - where it proceeded openly and increasingly on more than equal terms with a persistent Lassallean influence.

Marxism also made headway within the ADAV - but in a form dictated by the still official status of Lassallean doctrine.

Marx's work appeared to have an honourable status yet lacked impact upon the theory and practice of the ADAV. Indeed, when it came to unification at Gotha in 1875, the most important Lassallean slogans and catchphrases were unyieldingly defended - the 'iron law of wages', in particular. Nonetheless, the rapid development of industrial capitalism since the early 1860's posed problems to which unreconstructed Lassalleanism was incapable of providing solutions - in relation to trade unionism, in particular. Economic development and the corresponding maturing of the labour movement thereby prepared the way for the displacement of Lassalleanism by Marxism. While Lassalleanism lost its original mobilising function and increasingly became a fetter on the development of the labour movement, the memory of Lassalle and the traditions and institutional interests of the Party based on his teachings, nonetheless ensured that the ideology would outlive its time. The situation in the ADAV then (and to a limited extent in the SDAP), was that of an established but increasingly outmoded ideology inexorably confronted with an idea whose time had arrived. Accordingly, because Marxism could not immediately supplant Lassalleanism in its ADAV stronghold, it gained ground in the initial form of an increasingly modified Lassalleanism. For example, von Schweitzer

(as editor of Social-Demokrat) responded to the surge of trade union struggle and the competition of the SDAP by publishing a series of articles, which supported the argument for changed tactics in relation to trade unionism with theoretical conclusions and empirical examples taken from Marx's work. In effect he appropriated elements of Marxism (in this case, the influence of class struggle on the determination of real wages), while looking to preserve the form of orthodox Lassalleanism (the 'iron law of wages' remained unchallenged). (29)

The understanding of Capital in the ADAV remained, however, piecemeal: particular elements were 'borrowed' and integrated into the forms of Lassallean ideology without any attempt to supplant it. Neither, of course, were the political conclusions of Marx's theory derived in a systematic manner - the political conclusion of Capital, the necessity of socialising the means of production, not being fully accepted by the ADAV or its individual leaders. (30) (While in the SDAP, by way of contrast, efforts were being made to systematically appropriate and popularise Capital, as well as to propagate its political conclusions.) Although the initial response in 1868 was not followed by any attempt to promote Marx or Marxism (none of his works, for example, appeared on the ADAV's official literature list), Lassallean theorists increasingly used - albeit unacknowledged - Marx's theory of surplus value, together with empirical material from Capital to expose capitalist exploitation in their polemics with apologists for the existing order. (31) Thus while at first sight the ADAV held firmly to its traditional slogans and dogmas, the

internal consistency of 'orthodox' Lassalleanism was undermined by the introduction of key aspects of Marxist theory⁽³²⁾ and, to an extent thereby, the way prepared for a later, more systematic appropriation of Marxism. It was only after the onset of state repression in 1878, however, that Marxism was eventually able officially and systematically^{to} displace Lassalleanism within social democracy (and even then, as we will see, by no means completely).

The compromise over the Gotha Programme - which along with Marx and Engels also appalled Bebel and Bracke⁽³³⁾ - was, therefore, not only a considerable regression from the point of view of the Marxist positions already becoming current within the SDAP: the call for a 'just' division of the product of labour and the renewed proclamation of the 'iron law of wages' was even a regression from the point of view of those elements of Capital - above all the theory of surplus value - already taken on board within the ADAV. The overwhelming desire for unity, however, together with the possibility of interpreting the programme in a more or less Marxian manner - given, above all, by the demand for the socialisation of the means of production - meant that the many resolutions at the Unity Congress seeking to amend the programme in a Marxian direction failed to win a majority.

Despite this regression on the programmatic level, however, unification enabled the many SDAP leaders who became functionaries of the new party to popularise Marxism amongst social democrats as a whole for the first time, while applying the teachings of Capital more widely through mass agitation

(above all, in relation to trade unionism and the socialisation of the means of production). Indeed, a concerted effort was made by the Marxists and soon, in spite of a strong tendency towards eclecticism within the SDAP generally and in Vorwärts in particular, the use of Lassalleian slogans receded or came to be filled with a new content. (So that, for example, the 'iron law of wages' continued to be referred to but came to indicate no more than the economic dependency of labour upon capital.⁽³⁴⁾) Particularly important in this regard was a second edition of Most's popularisation of Capital (revised with the help of Marx and Engels and widely read among party activists⁽³⁵⁾), a new popularisation by Schramm and, above all, works by Bracke and Dietzgen, who used the increasing number of bourgeois attacks on Marxian economic theory as an occasion to defend and popularise Capital, but also to relate its teachings to the strategical and tactical problems facing the labour movement.⁽³⁶⁾ Whereas Dietzgen published his work in a series of 28 articles for Volksstaat and Vorwärts and was thus able to address much of the Party membership, Bracke concentrated on pamphlets and leaflets. In one such agitational piece, Nieder mit den Sozialdemokraten! he exposed poverty as the consequence of capitalist exploitation, arguing that in the face of the process of capital concentration the only solution was the expropriation of the means of production. Furthermore, not only was his whole argument guided by Capital, but he was in accord with Marx on the question of the state: should the capitalist class resist, he argued, "supported by the means of power at their disposal.. then they will be defeated in struggle by the newly formed state power".⁽³⁷⁾ Finally, Bracke concluded that in spite

of the lawful character of this development, there was still a considerable time before socialism would be won. In the meantime, therefore, the struggle for socialism must be linked with the struggle to improve the present condition of the working class; the struggle for shorter working hours and to "sell labour power as dear as possible", being of particular importance.⁽³⁸⁾ This and other works by Bracke were not just important for their content (although very revealing as to what was understood and propagated as Marxism in this period), or merely as evidence on the Capital 'Rezeption' of isolated individuals. Indeed, this particular work was of unprecedented importance for the understanding and appropriation of the fundamentals of Marxist theory and politics amongst social democratic activists and beyond, into wider sections of the working class. A measure of its importance - and of the ideas it popularised and applied - was that it acquired a greater circulation than any other agitational pamphlet in the previous history of the German labour movement: 100,000 copies were sold during the election campaign of 1876/77 and almost as many more printed after the first edition.

The Marxist influence - and that meant above all the influence of Capital - was thus strong enough to ensure that, in spite of the Gotha Programme, it was a Marxist analysis and the key Marxist programmatic demand for the socialisation of the means of production that became predominant in SDAP propaganda and agitation. It is important to emphasise, however, that vital though the subjective efforts in propagating Marxism were, it was the objective development of capitalism and of the class

struggle that ultimately undermined Lassalleanism and prepared the way for Marxism. After unification, the Party made its impressive gains mainly among the burgeoning industrial working class. As the Party accordingly assumed less of an artisanal and more of a proletarian character (or, at least, as an increasing proportion of its supporters were drawn from large factories rather than small workshops), so the vision of a socialist future based on cooperatives receded in favour of the expropriation and ownership of the means of production by a socialist state (the position of Marx and Engels in the Communist Manifesto.)

Trade unionism continued to be of great importance and was supported by the Party with, for example, comprehensive proposals for workers' protection in the 1877 election campaign. Both within the Party and the unions themselves, the Marxist position gained ground at the expense of Lassallean dogma; the direct influence of Capital evidenced by, for example, direct quotation in Carl Hillman's influential pamphlet, Die Organisation der Massen. Published immediately after the unification congress, Hillman's work was not only of especially great importance for the 'Rezeption' of Capital in relation to questions of trade unionism, but also particularly indicative of the manner in which Marxism was beginning to displace Lassalleanism. For while the author mentions Lassalle on several occasions and appeared to be a devotee of his 'iron law of wages', he nonetheless applied Marx's concept of the value of labour power in such a way as to incorporate the form of Lassalle's 'law' into the context of Marxian theory: arguing that the 'iron law' was only

operative when workers were unorganised and atomised, he concluded that trade union organisation, far from being worthless, was necessary precisely in order to suspend the operation of the 'iron law' by way of allowing the workers to take part in the "determination of the magnitude of wages and regulation of working hours". (39)

More generally indicative of the advancing 'Rezeption' of Capital was the increasing currency of Marx's theory of surplus value in social democratic propaganda and the widespread propagation of its laws of capitalist development through the pages of Vorwärts and even in Reichstag speeches. (In 1877, speaking in a debate on the reform of industrial practice, Bebel described the process of capital concentration as the inexorable cause of poverty: and while improvements in the lot of the working class were to be sought within the existing order, the contradictory nature of capitalist development could only be solved through socialism. Afterwards, Vorwärts commented that social ills "have their roots in the essence of the present relations of labour and cannot be removed without also removing these roots". (40))

Nonetheless, the 'Rezeption' of Capital was still far from complete. No fundamental critique of the Gotha Programme was made during the late 1870's (and Marx's Critique of the Gotha Programme was not published until 1891), while Lassalle's ideas remained influential. Indeed, such Marxist ideas as were becoming widespread were often hopelessly mixed up with Lassallean ideas and not, therefore, grasped in a systematic manner (as was shown in the polemic on value theory conducted

in the pages of Vorwärts in 1878 - see below).⁽⁴¹⁾

I have argued that an understanding of at least the content of Capital and, to an extent, an increasing appropriation of Marxism was well underway in the decade before 1878.⁽⁴²⁾

The incomplete nature of the appropriation of Marxism at this time, however, was revealed not only in a persistent tendency to mix Marxian with alien and, in particular, Lassallean ideas, but also in the support gained in the mid to late 1870's by the writings of Eugen Dühring, the emergence of a state socialist tendency and a certain vogue for avoiding the scientific analysis of capitalism in favour of speculation on the nature of future socialist society.

The increasing penetration of these variants of bourgeois ideology into social democracy, however, forced the supporters of Marx into a counter-offensive. The single most important work in this respect was the article series that Liebkecht and Bracke persuade Engels to direct against Dühring in the pages of Vorwärts during 1877: successfully defended by Liebkecht against attacks at that year's Party Congress, Anti-Dühring (as the work came to be known) greatly enhanced the understanding of Marxism within social democracy and inaugurated a new stage in the appropriation of Capital in particular. It helped systematise various aspects of Capital that were becoming current in the labour movement, while simultaneously relating the economic theory to historical materialism and the dialectical method on the one hand and

to the class struggle on the other. (Because of its consequent importance during this first period of the 'Rezeption' of Marxism, but also because of its role in consolidating the truncated Marxism of this period into a system effectively incapable of the qualitative internal development increasingly necessary in the period after 1891, I will deal with Anti-Dühring separately; see below, pp. 88-93)

Engels also played an important role in the struggle against state socialism, but in this case as an advisor to those leaders - notably Liebknecht, Bracke and Bebel - who launched an energetic campaign along Marxist lines against the state socialist strategy of reconciliation with the existing state as the way to improve the lot of the working class.

Liebknecht wrote in Vorwärts to expose the class character of state socialism and defend the key programmatic demand for the expropriation of capitalist private property, and Bracke propounded the case for opposition to the protectionist schemes of Bismarck in a report to the 1878 Congress. Bebel's contribution was particularly vehement in condemning the notion that a 'socialist' government could be installed "under the German Kaiser" and dismissing the whole scenario of "a transformation of the present mode of production proceeding.... gradually... and in the deepest peace".⁽⁴³⁾ As for the social democratic attitude to nationalisation within the existing system, it was above all necessary to determine whether such measures contributed to "economic development assuming a course which eases or makes more difficult for us the conquest of political power".⁽⁴⁴⁾ An enterprise directed by the capitalist state, moreover, could in no sense be "an example

for socialist management", because such "state management" rested on "exploitation and oppression in the same manner as bourgeois business management".⁽⁴⁵⁾ Bebel's polemic was particularly significant, because it recognised the attitude to the state common to both state socialism and the Lassallean tradition on which it drew. It thereby opened the way for a definitive settling of accounts with Lassalle's heritage and an eventual revision of the SDAP's programme along Marxist lines: "...our Party programme", concluded Bebel, "is in need of a very fundamental revision and reformulation."⁽⁴⁶⁾

A favourable response throughout the labour movement to the efforts of the widening circle of Marxist leaders and activists, however, continued to be prepared by changes in the objective conditions of the class struggle. Thus it was during the period of the 'Sozialistengesetz' that the supremacy of Marxism was established. Under the impact of state repression from 1878-90, Marxism entered and shaped the world view of social democracy, assumed a close relationship with practice, and was eventually precipitated as the demand for programmatic revision along Marxist lines. Repression not only failed to prevent social democracy completing the transition to a mass Party, but also hardened its cadre and encouraged a process of theoretical maturing in which the content of Capital played a foremost role. Initially, of course, there was a certain confusion: on the one hand, opportunists sought refuge in an accommodation to the Bismarckian order while, on the other, there was the growth of an adventurist semi-anarchist tendency. Bebel, however - supported by Marx and Engels - stood out for a combined

strategy of illegal organisation coordinated with the use of all legal opportunities for Party work - above all, electoral activity, which remained an avenue to the masses throughout this period.

Initially, of course, the popularisation of Marxism was disrupted. Nevertheless, in the early years of the 'Sozialistengesetz' while the Party was still learning how to organise illegally, Marxist teachings on the irreconcilability of proletariat and bourgeoisie and the necessity of socialising the means of production, continued to be propagated against the state socialists in the non-Party Jahrbuch für Sozialwissenschaft und Sozialpolitik. (In the absence of a Party journal, the Jahrbuch reports and articles were of particular importance for leading activists and revealed, moreover, the appropriation and application of Capital among a number of new social democratic theorists.⁽⁴⁷⁾).

Increasingly, however, the growing demand for Marxist ideas was met by the Party's own efforts.⁽⁴⁸⁾ While Der Sozialdemokrat (illegally distributed since 1879) undertook the mass propagation of Marxism, the new theoretical journal, Die Neue Zeit, propagandised, systematised and applied Marxism - and Capital, in particular - to a whole range of contemporary problems. Their respective editors, moreover, Bernstein and Kautsky, were the most prominent of a new generation of theorists and popularisers whose activity complemented an expanding flow of Marxist pamphlets and books - particularly concentrating on works illuminating or expanding on the content of Capital itself. (Apart from Socialism: Utopian and Scientific

published by Engels in 1883 and a new edition of Capital in the same year - which, in spite of illegality, the Party helped sell at a faster rate than the previous edition of ten years earlier - there was a new edition of Wage Labour and Capital and The Poverty of Philosophy - for the first time in German - in 1884. Volume II of Capital was published by Engels in 1885, but although reviewed by Kautsky made little difference to the prevailing understanding of Capital based on Volume I alone.)

The 'Rezeption' of Marxism continued to benefit from the experience of repression. In particular, it became ever less tenable for Adolph Wagner and other 'state socialist' followers of Rodbertus (who died in 1875) to criticise this or that aspect of capitalism while continuing to maintain that the 'social problem' could be solved by way of the existing state (which was presented as a neutral agency standing above class interests). Moreover, the struggle against 'state socialism' also had the significance of a long-delayed reckoning with Lassalleanism: for it was the heritage of Lassalle, particularly in relation to the state, onto which the state socialists coupled their ideology. Accordingly, Der Sozialdemokrat took up the criticism of Lassalle's strategical demand for state-aided producers' cooperatives as 'illusory' and 'damaging',⁽⁴⁹⁾ while reiterating the Marxian strategy of revolutionary class struggle as the only means of proletarian emancipation. The basic elements of Marx's perspective and programme as embodied in Capital were further propagated and elaborated in a series of pamphlets published from 1885 as the 'Social Democratic library': the first, Gesellschaftliches

und Privateigentum by Bernstein, concluded with the need for the working class to obtain political power in order to expropriate the means of production, having argued that the ever sharpening nature of the inherent contradiction within capitalism between social production and private appropriation, finally made the socialisation of the means of production both necessary and possible. (50)

Taking advantage of a certain loosening of repression after 1881, the Party took a positive attitude to the upsurge of trade union activity. Previously, the spontaneous drive towards trade unionism among increasingly wide sections of the working class had often met with reserve or even hostility on the part of socialist workers, for whom it was a diversion from the political struggle and, in any case, futile when judged in the light of Lassalle's 'iron law of wages'. Thus while social democratic militants were nonetheless drawn into trade union activity - through instinctive class solidarity, even if ideologically ill at ease - Lassalleanism and its consequent hesitancy in relation to trade unionism not only failed to offer intellectual support but even tended to deny validity to trade unionism at all.

It is well known that the influence of the trade union bureaucracy was later to be one of the main sources of reformism within the SPD. Yet this should not obscure the significance of trade unionism for the 'Rezeption' of Marxism by the labour movement during the 1870's and 1880's. For social

democratic militants thrust into positions of leadership in trade unions and strikes, Capital provided an explanation of the necessity of trade union action which was, at once, a 'scientific' legitimation of trade unionism and a guide to trade union action. The theory of surplus value, above all, was indispensable for a revolutionary understanding of trade unionism: for, on the one hand, it demonstrated that capitalist exploitation as such was impervious to reformist trade unionism while, on the other, demonstrating that the actual rate of exploitation was 'negotiable' through a process of unremitting struggle between labour and capital over wage rates, the length of the working day and for control over the labour process.

Marxist theory then, accorded perfectly with the needs of a socialist movement undergoing the transition to a mass party, whereas Lassalle's heritage was proving a fetter on the movement at a time when trade unionism offered unrivalled possibilities of linking social democracy with the immediate and sectional needs of the working class masses. In 1885, for example, the Party followed up its electoral success of 1884 with a mass campaign in conjunction with the trade unions for comprehensive workers' protection legislation proposed by social democratic Reichstag deputies. Simultaneously, social democratic propaganda not only constantly reiterated that improvements in living standards could only be won through class struggle, but explicitly drew upon Marx, quoting from his works and mentioning him by name.⁽⁵¹⁾ Liebknecht, for example, drew upon Capital in the course of an article series demonstrating the significance of shortening working hours in

the face of the intensification of the labour process, arising from the introduction of new machinery. (52) On the other hand, however, social democrats also drew upon Capital to refute the opportunist perspective of capitalist exploitation being overcome by way of wage increases and the lowering of working hours: exploitation persists, it was argued, so long as the means of production remain privately owned and workers have to sell their labour power. Accordingly, it was the task of the trade unions to arouse and organise the working class against the capitalist system as a whole. (53)

Indicative of the importance of trade unionism for the 'Rezeption' of Capital, was the growing number of trade union journals carrying articles and reporting meetings in which Capital and other of Marx's works were knowledgeably quoted and propagated. (54) Trade union struggle contributed to the awakening of class consciousness, thereby enhancing the influence and organisational strength of social democracy, and eventually undermining the 'Sozialistengesetz'. And whereas the 'iron law of wages' dogma and the class collaborationist ideology of state socialism stood in contradiction to the instincts of social democratic militants (and increasingly so as social democracy gained the allegiance of the industrial proletariat and its artisanal characteristics became less pronounced), Marxism provided 'scientific' legitimation and a fund of practical guidance. While the appropriation of Marxism and of Capital in particular was necessarily partial insofar as being occasioned by the needs of emergent trade unionism, it nonetheless gave enormous impetus to the settling of accounts with Lassalleanism, the displacement of Lassallean

elements from social democratic ideology, and generally prepared the way for a more systematic 'Rezeption' of Marxism.

Amongst the militants and even leading functionaries of the SPD, however, Marxism generally - and Capital in particular - was not taken up directly as a system but rather by way of popular introductions. And it was in this respect that Kautsky played an outstanding role. Four years after having helped to found Die Neue Zeit for the purpose of systematically propagating Marxism, Kautsky published The Economic Doctrines of Karl Marx. This gave a comprehensive introduction into the content of Capital - which, in spite of its methodological errors, is still one of the best available - and replaced Most's work both as to scientific worth and popularity (the first edition of 5,000 being sold-out within a year and new editions continuing to be published every two years). Kautsky's work of 1887 established him as a leading theoretician: together with other popular economic pamphlets by social democrats, moreover, not to mention Conrad Schmidt's more specialist book of 1889 on Die Durchschnittsprofitrate auf Grundlage des Marxschen Wertgesetzes,⁽⁵⁵⁾ it marked a great step forward in the understanding of Capital when compared with, for example, the 1878 debate on value theory conducted in Vorwärts.

Kautsky, moreover, was only the foremost of a new generation of theoreticians and theoretically educated leaders whose articles in Neue Zeit, as well as their speeches and agitational

writings, reinforced and carried further the efforts of the older generation represented by Bebel and Liebknecht.⁽⁵⁶⁾ In particular, the new generation was encouraged by Engels and found in his works - above all, Anti-Dühring and Ludwig Feuerbach and the End of German Classical Philosophy - the point of departure for systematising and popularising Marx's Capital within the broader framework of historical materialism, with the purpose of demonstrating the inevitability of class struggle and of the supercession of capitalism by socialism. Capital, therefore, was taken as providing the particular proof in relation to capitalism of the general postulates of historical materialism concerning the dialectic of forces and relations of production, while providing a firm foundation for the programme of socialising the means of production. Accordingly, the aim of social democratic political activity was to organise the working class for political power as the means of carrying this out: "Political and economic expropriation of the capitalist class; socialisation of the means of production!", were not only slogans on a prominently displayed banner at the founding Congress of the Second International, but formed the constantly reiterated message of the Marxist leaders of the SPD. Hence by 1890, Der Sozialdemokrat could claim on behalf of Capital that: "This book makes up the quintessence of all the demands of present day social democracy."⁽⁵⁷⁾

Against the background of the greatest strike-wave in German history in 1889, the SPD's stunning electoral success in 1890 (becoming, with 1.5 million votes, the largest Party in the Reichstag) and the collapse of the Sozialistengesetz, the

advancing Marxist world view based mainly on Capital enhanced even further the prevailing confidence and optimism of social democracy: "We have a weapon", proclaimed Der Sozialdemokrat, "stronger than the whole arsenal of the means of statecraft.. our basic tenets based on....the iron foundation of knowledge of the laws of development of modern society, make us invincible."(58)

Accordingly, there was general agreement among the delegates to the 1890 Halle Congress with Liebknecht's demand that the new programme must be such as to enable the Party to justifiably characterise itself as the "Party of Scientific Socialism".(59) The influence of Marxism and clear evidence for the influence of Capital amongst the leadership and activists, can be seen in the publication immediately after the abrogation of the Sozialistengesetz of unprecedentedly large editions of important works by Marx and Engels (including the fourth edition of Capital and 10,000 copies of Wage Labour and Capital). The context within which these writings of Marx and Engels and various popularisations were being circulated was, of course, that of the discussion and working out of the new Party Programme: far from being a matter for Party theorists or the leadership alone, different drafts were discussed in over 400 meetings (some with over 1,000 present) between July and October 1890. And this "general debate in the plenum of the whole Party", as Liebknecht put it, overwhelmingly endorsed basic Marxist positions.(60)

The influence of Capital was particularly clear. Commenting on the draft that eventually served as the basis of the

Erfurt Programme, Kautsky wrote in Neue Zeit that with Capital the world view of the working class had obtained a "worked out scientific basis".⁽⁶¹⁾ The new programme itself was strongly marked by the direct influence of Capital :

1) The programme found its point of departure in the objective, lawful nature of social development, which was seen as determined, above all, by the relationship between the social relations of production and the level of development of the forces of production. On this basis, the role of the working class and the aim of its struggle were defined and, accordingly, the tasks of social democracy as the class conscious Vanguard of the working class established. 2) The nature of these laws of development was outlined in terms of the separation of the working class from the means of production monopolised by the capitalist class and big landowners. From the development of the forces of production (expressed in rising productivity) within this relationship - the social foundation of bourgeois society - was derived the tendency of capitalist development towards class polarisation. Firstly, because of the tendency towards capital concentration and the expropriation of the middle classes. And, secondly: "The chasm between the propertied and propertyless is still further widened by crises rooted in the essence of the capitalist mode of production..."⁽⁶²⁾ From this, moreover, the programme concluded that "insecurity" and the impoverishment of the working class become the normal social condition under capitalism, proving that "private property in the means of production has become incompatible with their purposeful application and full development".⁽⁶³⁾ 3) It was the historical mission of the working class to socialise the means of production and there-

upon proceed to transform commodity production into socialist production. Accordingly, the working class had first to gain political power, and the main task of social democracy was thus to unify and make conscious the struggle of the working class - above all, "to make clear its naturally necessary aim (naturnotwendiges Ziel)" (the conquest of political power in order to socialise the means of production).⁽⁶⁴⁾ 4) The minimum programme of workers' protection was not only in accord with the theory of surplus value but, to a large extent, was influenced by Marx's description of the struggle and demands of the English working class in this regard.⁽⁶⁵⁾

Of course, the imputation to social development and political intervention of 'natural necessity' was, as we shall see, bound up with a political perspective in which the concrete manner of taking political and then social power was never more than even vaguely recognised as a problem. Nonetheless, as a whole the Erfurt Programme must be defined as Marxist: in both its content and lacunae it was the consummation of the Marxism of the first period of the social democratic labour movement's development.

Without a doubt the leadership had fulfilled the first and bounden duty of communists to, as Marx put it, unceasingly "to instil into the working class the clearest possible recognition of the hostile antagonism between bourgeoisie and proletariat".⁽⁶⁶⁾ (Indeed, but for the success of social democracy in mobilising increasing numbers of workers in

opposition to the existing order, its attempted repression under the Sozialistengesetz is scarcely to be understood.) To establish that Marxism was far from a marginal phenomenon within social democracy from the late 1860s, however, is not necessarily to establish the revolutionary nature of the workers' movement in this period (as is assumed without further argument by DDR-historians). Indeed, it has been argued that Capital was appropriated in such a way as to lessen the fighting spirit of the early socialist movement by referring the fulfilment of demands for revolutionary action to the action of the laws of capitalist development themselves.⁽⁶⁷⁾ To the extent that this was the case, therefore, Capital was appropriated in the form of a rationalisation of the later widely observed political impotence of social democracy in Germany.⁽⁶⁸⁾

3. The 'Rezeption' of Capital and economic determinism: the character of social democratic Marxism

One problem with the prevailing emphasis on objective laws of economic development was that in the hands of some amongst the younger theorists (exemplified by C. A. Schramm) Capital became subject to an increasingly one-sided 'economic' interpretation. The consequence was to drain Marxism of its revolutionary content. For the immediate implication of this truncated 'economic' Marxism was - to the dismay of those of the older generation, such as Bebel, whose socialism was born of the struggle for democracy - that any measures contributing to the development of capitalism brought the accomplishment of socialism that much closer. Politically, therefore, the prevailing 'Rezeption' of Capital helped prepare the support of many social democrats for systematising the idea of reform measures carried out by the existing state into a theory of state socialism. In particular, the tendency to defend the practicality of socialism by referring to the nationalisation plans of the state, brought social

democracy into close proximity with the state-socialist perspective (of solving the 'social problem' by means of incremental state intervention).⁶⁹ Indeed, the near obsession that gripped sections of social democracy for demonstrating the viability of socialism by way of blue-prints for the 'state of the future', illustrated a tendency towards a vision of socialism somewhat similar to a militarised nation-state but without uniforms and barracks.⁷⁰

Partially disarmed by the prevailing 'Rezeption' of Capital, however, the only argument left to the opponents of state socialism was the political critique of the state.⁷¹ Once having based their strategic hopes on objective laws of capitalist development, working independently of conscious working class action, it was not such a large step to welcome any measures - irrespective of the nature of the agent - that facilitated the realisation of such laws. Accordingly, many social democrats had great difficulty in justifying the need for social revolution and thus in differentiating themselves from state socialism.⁷² Indeed, ultimately it was only the discrediting of the state amongst socialists in the wake of the 'Sozialistengesetz' that was responsible for the ousting of state socialism. (Although because it was not overcome thoroughly, either theoretically or organisationally, tendencies appeared in much the same tradition from the mid-1890's.)

As striking as the appropriation of Capital is the neglect of those political works of Marx and Engels in which agrarian, democratic and national struggles - the tasks of bourgeois revolution - were taken as the point of departure for proletarian revolution.⁷³ This was, of course, conditioned by the political development of Germany contingent upon the events of 1866 and 1870/71: Bismarck's solution of the national question 'from above' simultaneously created the conditions for a political 'settlement', according to which the existing order secured the social interests of the bourgeoisie in return for its political support (or, at

least, quiescence). After 1866, therefore, national unity was no longer bound up with a revolutionary struggle against the old order, while the demise of democratic-liberal sentiment in the 1870's - as the bourgeoisie accepted political subordination to bonapartism - likewise ensured the absence of sufficient impetus among the bourgeoisie to begin a process of political revolution capable of being driven further by the working class. Accordingly, the working class alone had an interest in carrying through the democratic tasks of the bourgeois revolution, yet was too socially isolated and, at this stage of capitalist development, insufficiently developed and organised to carry through these tasks as part of its own social revolutionary programme.

National and even democratic questions, however, were of secondary importance when compared to the possibility of the working class utilising agrarian unrest as the lever with which to move society towards social revolution. Yet this strategic possibility was also precluded by the end of the 1870's. The consolidation of an alliance of the decisive sector of the bourgeoisie (that of heavy industry) with the dominant class of the old order (the great landowners) around a programme of protectionism in 1877,⁷⁴ not only served their mutual economic interests but furnished the programmatic means with which to secure a basis of social support amongst the small and medium peasantry.⁷⁵ Thus while social democracy was becoming a mass movement amongst the working class of the big industrial cities, it was simultaneously becoming more and more socially isolated and thereby forced into a social revolutionary strategy based exclusively on proletarian class interests. The working class was denied the strategic support of bourgeois-revolutionary struggles, or even serious tactical alliances with progressive bourgeois or radical peasant groups, while in the immediate future the dynamic of its own socially isolated class struggle could not be expected to be sufficiently powerful to overthrow the newly restructured state and class alliances of the existing order. A reformist strategy, moreover, was precluded by the bonapartist nature of the state and the

employers' drive to protect the home market while maximising the rate of exploitation to secure competitiveness on the world market. At a time, therefore, when neither a strategy of accommodation nor of revolutionary overthrow corresponded to the possibilities offered by the immediately given facts of the situation, social democracy could not fail to be receptive to theory capable of supporting an alternative lending relevance to present if limited activity (especially trade unionism), while supporting the necessity and possibility of the 'ultimate aim' of socialism. (The absence of empirically 'presented' alternatives perhaps helps explain the relatively greater currency of theory in the German labour movement: in Britain, by way of contrast, a limited accommodation with the existing order was an immediately given possibility.)

It was in this situation then, that Capital compensated for social democracy's strategic deficit; by providing a body of theory demonstrating that the inner-laws of capitalist development themselves - producing class polarisation and devastating crises - could be relied upon eventually to connect the dynamic of class struggle with the social revolution. Yet this was a perspective for revolution in the indefinite future: meanwhile revolution was not an actuality and so lost any immediate strategical relation to the existing situation. Accordingly, the strategic articulation of class struggle within the existing system with the coming of the social revolution (as derived from Capital) could not be translated into practice, but was rather maintained in and through theory. Hence arose that well known separation of social democratic strategy from day-to-day practice which, while imposed by the situation confronting social democracy in the early period of its development, was to be its permanent characteristic. By the time of the imperialist development of capitalism, however - which meant the gathering of the concrete preconditions for the unification of class struggle and social revolution anticipated in a merely abstract form by social democratic Marxism - this separation had petrified so as to

preclude the tactical reorientations necessary to translate strategy into practice.

In this connection, it is even problematic to characterise simply as 'revolutionary' the role of Capital in making social democracy more receptive to trade unionism. Confronted from the late 1860's by a strike movement and trade union organisation, the initially wary response of both social democratic tendencies was at least partly conditioned by the prevailing conception of social democracy as a movement representing the interests of society as a whole rather than of particular groups.⁷⁶ With the giving up of a strategy based on producers' cooperatives, however, the SDAP and ADAV alike reorientated towards immediate needs arising from the relation between labour and capital - and, to an extent, did so on the basis of a long-term perspective derived from Marx's theory of accumulation, according to which class polarisation raises the working class from the status of a special interest to that of representing the social whole.⁷⁷ Yet whereas social-revolution was immanent to the old cooperative programme, the new emphasis on trade unionism brought with it a separation of immediate and long-term aims eventually embodied in the 'minimum' and 'maximum' parts of the Erfurt Programme. (Trade unionism became the immediate, practical context of the social struggle while, in the long-term, the tendency of capital accumulation and concentration created large factories suitable for eventual socialisation by the politically victorious working class.)

This had serious consequences in relation to revolutionary strategy. Firstly, the articulation of trade unionism with the social revolutionary demand of the maximum programme was never satisfactorily undertaken within the SPD (in spite of the efforts of, in particular, Parvus). Secondly, moreover, the winning of allies from other oppressed groups, so as to articulate their demands with those of the proletariat, tended to disappear altogether as a strategical problem in the light of the overall - but long-term - tendency of capitalist accumulation. (The consequent class polarisation itself would create revolutionary unity by progressively

proletarianising the middle classes so that, for example, winning over the small and medium peasantry could scarcely be considered seriously.⁷⁸⁾ In this case too, therefore, the appropriation of Capital took place in such a way as to furnish scientific support for a social revolutionary perspective, while simultaneously legitimising its separation from the reality of immediate concerns and making its fulfilment dependent upon the culmination of objective developments in the indefinite future - when class polarisation would be so advanced that capital would be socially isolated in the face of the working class.

This is not, of course, to say that Capital was responsible for the separation of social revolution from present reality and partial struggles within the existing order: it was rather that the particular 'Rezeption' of Capital corresponded to historical conditions foreclosing both the integration of the social democratic labour movement into the existing order and social revolution (at least in the short-term). Accordingly, the social democratic leadership had recourse to Capital as a work of science not only teaching the most radical opposition to the existing order, but capable of being understood as counselling patience until such time as the laws of capitalist development themselves brought the system into a state of collapse and placed socialism on the historical agenda. Yet precisely because this 'Rezeption' of Capital was so strongly conditioned by the constraints of a period when social democracy confronted a system overwhelmingly stronger than itself, it corresponded increasingly less to the possibilities - and dangers - of the later period when the balance of forces changed in favour of the organised working class: because the 'Rezeption' of Capital defining social democratic Marxism in the period up to 1891 tended to limit the active role of the working class to organisation, electoral and trade union work in preparation for social revolution, it increasingly became a fetter on the workers' movement when the development of imperialism created crisis situations in which the heaviest losses were always entailed by the failure to act decisively. The 'economic determinism' of social democratic Marxism was, therefore, to a great extent born of the initial 'Rezeption'

of Capital - which, as we have seen, was a function of weakness and social isolation. Once having entered into the world view of social democracy, however, and unchallenged by a renewed 'Rezeption' of Marxist theory, the same determinism effectively served to deny social democracy its own potential strength as the mainspring of political development in a period of crisis.

In the earlier period, Capital was indispensable for furnishing social democracy with a scientifically supported programme which, although only obtainable in the long-term, would be inevitably realised in accord with objective laws of development already working in that direction. Accordingly, the strategic aims of social democracy were, in effect, reduced to preparing the working class to play the role of 'midwife' to social revolution - ⁷⁹ the coming of which, however, was due neither to the initiative of the Party nor to the action of the working class, but arose in accord with the inner-laws of capitalist development.⁸⁰ In the imperialist epoch, however, the working class movement not only needed a theory from which the ultimate necessity of victory could be abstractly derived, but also a concrete strategic assessment of the possibilities and means for intervening in the course of events to carry through the revolution. Nevertheless, the formulation of an adequate strategy could not be carried out by a theoretically 'innocent' departure from theory - the prevailing 'Rezeption' of Capital - but rather presupposed a more adequate theorisation of the new stage of capitalist development. This, in turn, presupposed a more dialectical Marxism hand in hand with a qualitative advance in the understanding and application of Capital. Above all, it was a matter of moving beyond the popularisation and programmatic application of the content of Volume I towards the appropriation and strategical application of Volumes II and III and hence of the system of Marxian economic theory: the mode of the initial appropriation of Capital - more or less as a fund of arguments superior to those of Lassalle in supporting trade union practice and socialist aims - had to be transcended in order to appropriate and apply not only the content but also the method of Capital in a theoretically guided analysis of concrete developments. (The main attempts at undertaking this task are considered in

the four chapters of Part II of this thesis.)

4. Social democratic Marxism: socialist world-view of the pre-imperialist period or scientific method?

The influence of Marxism - above all of Capital - on prominent local and national figures in the emergent labour movement, and its subsequent penetration amongst the increasing ranks of politically active workers, was of enormous importance for overcoming the 'class-harmonist' message of liberal economists and the reformist implications of Lassalleanism: a world-view was popularised which upheld the irreconcilably antagonistic nature of relations between capital and labour, the value of day-to-day trade union struggle and the progressive polarisation of capitalist society through the accumulation process, leading to the necessity - on that basis - of the working class pursuing the social-revolutionary aim of socialising the means of production by way of capturing political power. In the period of formation of the working class movement in the pre-imperialist period, therefore, basic elements of scientific socialism supported and entered into an increasingly socialist class consciousness.

Yet precisely the consummation of the Marxism of this period in the Erfurt Programme, coincided with the earliest developments in the transformation of world capitalism - including, in the vanguard, German capitalism - into imperialism. Increasingly, therefore, these developments came to signify the end of continual (if irregular) development of the productive forces and the coming of a new period of crises, wars, revolution and counter-revolution. Consequently, the organised working class had to make the transition from organisation and propaganda towards preparing to take power, if it was not to risk being destroyed as an organised social force. Paradoxically then, even in 1891 the conditions were coming into being which would eventually confront social democracy with problems beyond the scope of a programme relating to the pre-imperialist period: while still embodying the elements of socialist class consciousness and

basic principles of political strategy, the Erfurt Programme was not, however, a guide to action in the imperialist epoch. In this new stage of capitalist development, working class consciousness of independent interests - as a 'class for itself' - was no longer sufficient to ensure the continual advance of social democracy: confronted by a capitalist order increasingly impelled towards unity in the struggle against the labour movement at home and for domination abroad - and thus a perspective of escalating class and national struggles, international turmoil and war - the working class could ultimately escape subordination to these imperatives only by itself becoming the ruling class and taking charge of the destiny of social development. For this undertaking, however, class consciousness was necessary but not sufficient. Indispensable in the imperialist epoch was also that the party of the working class should be capable of guiding and responding to the class struggle according to a strategy aimed at fighting for state power.

At this stage, however, the Marxism of the pre-imperialist period proved as much an obstacle as a point of departure in relation to the strategical needs of the imperialist epoch. Most obviously, the 'Rezeption' of Marxism as a system of economic determinism was at odds with the theoretical requirements of revolutionary strategy. More generally, however, Marxism as it had been appropriated by the leadership and assimilated into the world view or consciousness of the socialist working class in the pre-imperialist epoch, was not necessarily capable of the internal development demanded of Marxism as a science or method if it was to become the means of theorising the imperialist stage of capitalist development and so offer appropriate political guidance.

Marxism as a world-view, or 'derived' source of socialist class consciousness, is different from Marxism as scientific socialism or method of social enquiry.⁸¹ Yet in the pre-imperialist period, when the task in hand was to organise and raise the consciousness of the working class, this difference was not so apparent. This was particularly the case given that much of the content of Capital - even if

taken up only in the form of catchphrases such as 'exploitation' and 'surplus-value', without any understanding of the underlying analysis - corresponded to the immediate experience and perceptions of the working class. In the imperialist epoch, however, it became necessary to prepare the working class for power, which placed additional and different theoretical responsibilities upon the leadership. No longer was it sufficient to restate and embellish the content of the Erfurt Programme or Capital: rather, it was necessary to undertake a qualitative advance in the appropriation of Marxism as a science - as the means, therefore, of coming to understand the forms and political consequences of the laws of motion of capitalist society in its imperialist stage of development. For as the labour movement assumed the potential to become no longer merely the object but now the creative subject of historical development, so the modification of both domestic and international political relations according to the socio-economic transformations of the imperialist epoch created both threats and possibilities. Accordingly, social democracy had need of Marxism not merely as an appropriate world view but as a scientific guide to action: in what circumstances and with what means the working class could achieve mastery over the course of social development could only be determined in relation to an analysis of the changing socio-economic phenomena of the last quarter of the 19th Century and early 20th Century.

The means of undertaking this analysis, moreover, were shortly to be at hand in Marx's completed system: for it was in Capital II and, above all, III that Marx finished 'laying bare the economic law of motion' of capitalist society on the basis of the law of value. Whereas Volume I revealed the mechanism of capitalist exploitation, its origins in the social relations of capitalist production and the historical tendency of capital accumulation, it was only in the later volumes that Marx furnished the means of understanding the consequences of the exploitation of wage labour for the actual dynamic of accumulation - thereby furnishing the key to understanding the opportunities and dangers of the latest stage of capitalist development. It

needs to be explained, therefore, why Volumes II and III were all but ignored, and certainly never entered into the consciousness of active militants in the manner of Volume I.

5. Social and methodological determinates of the neglect of Volumes II and III of Capital: the one-sided 'historical' 'Rezeption' of Capital.

The main reason for this neglect was explained by Rosa Luxemburg in 1903: "The third volume of Capital ... did not appear till 1894. But ... agitation had been carried on with the aid of the unfinished material in the first volume; the Marxist doctrine had been popularised and had found acceptance upon the basis of this first volume alone; the success of the incomplete Marxist theory had been phenomenal; and no one had been aware that there was any gap in the teaching. Furthermore, when the third volume finally saw the light, whilst to begin with it attracted some attention from the experts ... as far as the socialist movement as a whole was concerned, the new volume made practically no impression in the wide regions where the ideas expounded in the original book had become dominant. The theoretical conclusions of volume 3 have not hitherto evoked any attempt at popularisation, nor have they secured any wide diffusion ... From the scientific standpoint, the third volume of Capital must, no doubt, be regarded as the completion of Marx's critique of capitalism ... But, and this is the main point, all these problems, however important from the outlook of pure theory, are comparatively unimportant from the practical outlook of the class war. As far as the class war is concerned, the fundamental theoretical problem is the origin of surplus value, that is, the scientific explanation of exploitation; together with the elucidation of the tendency towards the socialisation of the process of production, that is, the scientific explanation of the objective groundwork of the socialist revolution. Both these problems are solved in the first volume of Capital, which deduces the 'expropriation

of the expropriators' as the inevitable and ultimate result of the production of surplus value and of the progressive concentration of capital. Therewith, as far as theory is concerned, the essential need of the labour movement is satisfied ... That is why, for socialists in general, the third volume of Capital remains an unread book."⁸² This is particularly revealing about the 'Rezeption' of Capital III, because Luxemburg herself shared the opinion that, along with many other aspects of Marxist theory, it went beyond the present needs of the Party and "greatly transcends the needs of the working class in the matter of weapons for the daily struggle".⁸³

It is striking that while Luxemburg recognised in Capital III the solution to "the basic problem of Marxist economics ... the actually dominant rate of profit",⁸⁴ she remained at one with the most influential Marxist theorists of the time in neglecting the scientific importance of Marx's analysis as the key to understanding capitalist crises and the dynamic of imperialism. This neglect is the more astonishing given that Marx had already indicated the importance of the composition of capital - the fundamental variable underlying the rate of profit and its tendency - in Capital I. In Chapter 25 - 'The General Law of Capitalist Accumulation' - Marx considered the influence of capital accumulation "on the lot of the labouring class", and: "The most important factor in this enquiry, is the composition of capital and the changes it undergoes in the course of the process of accumulation."⁸⁵ Although completing Part VII on 'The Accumulation of Capital', however, this chapter was far from the end of what Marx had to say on the subject. It rather began his analysis of the accumulation process continued in Volumes II and III, culminating in the discovery that accumulation gives rise to a falling rate of profit "inasmuch as it implies ... a higher composition of capital".⁸⁶ Yet not only did Luxemburg and her contemporaries neglect the importance of Marx's concept of the composition of capital, their various theories of crisis and imperialism also invariably ignored Marx's explicit statement (following the above remark) that it is a fall in the rate of profit which "breeds over-production, speculation, crises, and surplus capital alongside surplus population".⁸⁷

It is worth considering at this point, that the following was probably the most famous passage from Capital: "The monopoly of capital becomes a fetter upon the mode of production ... Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst assunder. The knell of capitalist private property sounds. The expropriators are expropriated."⁸⁸ Yet at this stage, this conclusion is merely stated as the culmination of historical tendencies of capitalist accumulation towards internationalisation and monopolisation, and the growing organisation and revolt of the working class: Marx had not yet explained why the "monopoly of capital becomes a fetter upon the mode of production", any more than he fulfilled - within the confines of Volume I - his ultimate aim of laying bare "the economic law of motion of modern society".⁸⁹ Indeed, it was only after laying the methodological preconditions in Volume II for the analysis of the formation and movement of the rate of profit in Volume III, that Marx was able to provide theoretical proof of the thesis presented in the penultimate chapter of Volume I (no.32: 'The Historical Tendency of Capitalist Accumulation'); i.e., by following through his analysis of value-form to explain the overriding 'law of motion' of capitalism - its development through crises - in terms of an accumulation process giving rise to changes in the underlying movement in the rate of profit by which it is governed.

Taken in isolation then, Marx's 'historical tendency' lent itself to being understood as anticipating the eventual 'breakdown' of capitalism as an inevitable historical event. ("But capitalism production begets, with the inexorability of a law of nature, its own negation."⁹⁰) Accordingly, by the time Capital III appeared, the 'expropriation of the expropriators' had already come to be understood in the sense of an historical prediction rather than as a practical task. Yet it was only with his analysis of the LTRPF that Marx furnished the particular logical proof of what had previously been simply a general historical perspective: that private ownership of the means of production becomes a fetter on the development of the productive forces. In Capital III,

therefore, Marx considered that he proved capitalism to be historically transitory, in that the TRPF and the crises to which it gave rise were merely a developed expression of the regulation of social production through the law of value. Moreover, both the content and the implications of Marx's completed theory were quite the opposite of social democratic 'breakdown' theory.

Marx's theory of crisis - had it been taken seriously - should have indicated to the theoretically more aware part of the labour leadership, that if the labour movement cannot resolve a period of crisis by the overthrow of capitalism, then it will turn out to be functional for the system (as the means of restoring lost equilibrium to the accumulation process at the expense of the working class). Politically, therefore, the implications of Marx's theory of crisis were not only more specific but also quite the opposite of those to be derived from the prevailing interpretation of the general historical tendencies outlined in Capital I. And in the imperialist epoch, moreover, this was even more the case. Firstly, because (as we will see), the analysis of Capital III enabled imperialism to be understood as a range of inter-related phenomena counteracting the LTRPF, the operation of which - if politically unchallenged - would eventually lead to war and 'barbarism' as the alternative to socialism: thus under imperialism, revolution was increasingly a practical urgency. Secondly, Marx's theory excluded any notion of 'breakdown', and the implication that this historical stage had only to be passively awaited in order for the working class to inherit: capitalist development through recurrent crises meant that revolution had to be prepared, and actively engineered, if the opportunity were not to be lost and the working class resubordinated to the requirements of capital.

I have dwelt on the potential significance of Volumes II and III of Capital - above all, Marx theory of crisis - for the theory and practice of the imperialist epoch, in order to indicate how mistaken was even Luxemburg - the most radical and among the most talented of the intellectual leaders of social democracy - in dissociating the political

needs of the working class from Capital as a completed scientific system.

Of course, the general neglect of Marx's completed analysis of the economic 'law of motion' of capitalist society is readily related to the chronology and historical conditions in which the 'Rezeption' of Marx's system proceeded. Appearing nearly 30 years after Volume I, the lessons of Volume III had been pre-empted by the already established 'Rezeption' of Capital (as a work providing assurances of historical inevitability, rather than the key to understanding the conditions under which history would have to be made). Its publication in 1894, moreover, coincided with the eve of a prolonged period of rapid economic expansion from c.1895 to 1913. This led firstly to an unprecedentedly extended rise in living standards, which helped secure a mass basis for reformism amongst the working class, while confirming the conservative horizons born of bureaucratic concerns and routines on the part of the burgeoning labour bureaucracy. Secondly, whatever the social basis of the inadequate 'Rezeption' of Capital, it was also encouraged by the very unexpectedness of the boom - given the prevailing notions of 'breakdown' which continued to blinker social democrats. Their 'Marxist' expectations empirically refuted and lacking theoretical foundation, it is ironic - if hardly surprising - that the period in which Marx's system was completed and available, witnessed not a deepening 'Rezeption' but a move away from Marxism; firstly in the form of Revisionism, and then in the more subtle form of 'neo-harmonist' interpretations of Capital. The latter, however, was based on an erroneous methodological interpretation of Capital rather than an open rejection of Marxism: consequently, it is the 'neo-harmonist' tendency within Marxism rather than Revisionism that is a major concern in this thesis.

Nonetheless, the historical background also does not provide a sufficient explanation for the eventually erroneous 'Rezeption' of Capital: for the determinacy of economic and sociological developments on the ideas of German social democracy could only operate in this particular

manner, because the existing 'Rezeption' of Capital contained such serious shortcomings as to have already prepared the preconditions for a slide towards 'neo-harmonism' on the intellectual plane. (Which eventually was so complete that Luxemburg, although politically opposed to the historically conditioned tendency of 'neo-harmonism', nonetheless conducted her theoretical critique from the same methodological basis; see below, Ch.6.)

The theoretical shortcomings preparing this later slide into 'neo-harmonism' were bound up with the 'Rezeption' of an incomplete Marxism in the pre-imperialist period. In particular, Volume I had been appropriated because of its scientific reputation and the practical relevance of its contents, but with little grasp or even discussion of its underlying method. This is particularly evident, for example, from the wide-ranging discussion on value theory which flared up in Vorwärts in March 1878.⁹¹ The most common shortcoming was the habit, following in Lassalle's footsteps, of attempting to derive concrete knowledge and political conclusions directly from the theory of value.⁹² This Lassallean approach to value theory remained firmly lodged within social democratic Marxism, because the method according to which Marx developed his theory of value was not understood. Thus while Schramm, for example, was aware that Marx used simplifying assumptions in working out the theory of value, the methodological significance of Marx's procedure escaped him: consequently, he attempted to solve 'problems' such as the role of use value and demand in the determination of value, by incorporating them directly into the labour theory of value. In so doing, he betrayed no awareness that the way to account for use value and demand was not to contrive their direct accommodation into Marx's theory as simple co-determinates of value; but rather to identify their appropriate level of abstraction in the construction of the labour theory of value, and the conceptual links (such as market value) which Marx deploys to mediate more and less abstract levels of analysis.

The methodological shortcomings of social democratic Marxism were thus exemplified in a 'Lassallean' way of

wanting the labour theory of value to be an immediate source of serviceable arguments and direct statements about capitalist reality, rather than the means of its analysis. Methodologically, as we shall see in Part II of this thesis, this opened the way for the eventually characteristic 'neo-harmonist' misinterpretation of the reproduction schemes by social democratic Marxists in the imperialist epoch. In the pre-imperialist period under consideration, however, insofar as the neglect of the logical construction of Capital was characteristic of social democratic Marxism, this facilitated the particularly important error of regarding Capital as a purely historical work. This was important because it further obscured the underlying method of Marx's analysis of value-form. Consequently, before turning to the consequences of the failure of social democratic Marxists in the imperialist epoch to transcend these methodological limitations (in Part II of this thesis), I will end Part I by considering Engels' Anti-Dühring: firstly, as to its culpability in confirming the deflection of interest away from Marx's logical method (of which the later 'neo-harmonism' was partly a consequence) and, secondly, insofar as it thereby contributed to consolidating the notion of 'capitalist breakdown' within social democratic Marxism (against which 'neo-harmonism' was, at least in part, a reaction).

6. Engels' Anti-Dühring and the 'historical' understanding of Capital: the deflection of interest away from Marx's method in Capital

The Marxism that inspired the convictions of leading thinkers of the Second International, and entered into the theoretical foundations of the European labour movement, was more often mediated, encouraged and understood in the light of Anti-Dühring than drawn directly from Capital.⁹³ The relation between later theorists and Marx, therefore, is immediately problematised insofar as Engels can be seen to have modified or misinterpreted the work of Marx in the process of popularisation and defence.

Although the theoretical clarity of Anti-Dühring was appreciated, Engels' work was welcomed not merely because it laid to rest Dühring's confusions but, in particular, for its stress on the primacy of economic factors in social development in opposition to Dühring's championing of the primacy of politics and consequent stress on revolutionary activism.⁹⁴ Given then, that Engels' work was liable to be subjected to a determinist reading (induced by the strategic situation of German social democracy discussed above), how did Anti-Dühring help set the mould of social democratic Marxism with regard to the 'Rezeption' of Capital?

Towards the end of Anti-Dühring, Engels affirmed the fundamental status of value in the analysis of capitalist economy.⁹⁵ Consequently, he insisted that the appearances and processes of the capitalist mode of production correspond to more or less developed forms of value.⁹⁶ In spite of this insight, however, whereas Marx reconstructed the appearances and processes of capitalism by means of the logical development of value-form, Engels tended to interpret Marx's political economy one-sidedly as simply a 'reflection' of the historical process. Indeed, Engels' definition of political economy as "essentially a historical science" was to become prevalent among social democratic theorists.⁹⁷

In his 1859 review of Marx's A Contribution to the Critique of Political Economy, Engels maintained that Marx's "logical method of procedure" was "nothing other than historical". Accordingly, concluded Engels: "With what history begins, with that must the chain of reasoning equally begin: and its further steps are no more than the mirror image - in abstract and theoretically consistent form - of the historical process."⁹⁸ At about the same time, however, Marx had revealed quite another emphasis in his Introduction to the (long unpublished) Grundrisse: "It would therefore be unfeasible and wrong to let the economic categories follow one another in the same sequence as that in which they are historically decisive. Their sequence is determined, rather, by their relation to one another in modern bourgeois society, which is precisely the opposite

of that which ... corresponds to historical development."⁹⁹

One consequence of this divergence as to understanding the method and sequence of Marx's argument, was that whereas Marx identified the commodity as - simultaneously - the precondition and result of capitalist production, Engels separated out the "simple production of commodities" as an independent mode of production which, having existed alongside the various pre-capitalist modes of production, was the "historical premise" of capitalism.¹⁰⁰ Accordingly, in defending Capital against misunderstandings in relation to the status of the law of value and the logical consistency of its first and third Volumes - the 'transformation problem' - Engels did not expound and clarify the system of categories and relations comprising Marx's method. Instead he reduced the problem to one of successive historical stages, while neglecting the methodological procedure whereby Marx accounts for the formation of an average rate of profit on the basis of the law of value.¹⁰¹ Consequently, Engels regarded Marx's modification of value in Capital III - whereby the price of production "takes the place of market value"¹⁰² - as merely expressing the historical transition from the stage of simple commodity production to that of capitalist commodity production.¹⁰³

As we shall see in Chapter 3, Kautsky took over his 'historical' interpretation of Capital in entirety. Parvus, in contrast, criticised the credibility of the idea of the law of value operating alongside pre-capitalist modes of production, concluding that, in any case: "Whether or not the law of value was ever valid in such a manner historically, is irrelevant for its validity in capitalist society..."¹⁰⁴ Nevertheless, in spite of Parvus - as the example of Kautsky demonstrates - the legacy of Engels in this respect was to shift attention away from the methodological structure of Capital and towards an understanding of Marx's political economy in terms of stages of historical development.¹⁰⁵

This was particularly important for the subsequent Capital - 'Rezeption' of the Second International. Firstly, because Engels was wholly identified with Marx.¹⁰⁶ But secondly, moreover, because the lack of interest in Hegel

and methodological problems generally at that time meant the lack of an independent basis from which to reconstruct the method underlying Marx's value analysis, or to assess any possible divergence between Marx and Engels in this respect. Yet Engels' knowledge of Hegel, together with his life-long collaboration with Marx and his indispensable contribution to the complete publication of Capital, meant that it was his unique task to acquaint the first generation of European Marxists with the method and content of Capital. Consequently, his failure to integrate Marx's brief historical comments with the dialectical structure of Marx's methodology - indeed, his subsumption of the logical beneath a one-sidedly developed historical interpretation - meant that from the start, a methodologically misleading interpretation of Capital was presented to younger theorists who themselves lacked the necessary training in the dialectical method to undertake a 'Rezeption' of Capital independently of Engels or to think their way back through Anti-Dühring to Capital. And the result of this, as Lenin was to remark in the course of his own reconstruction of the methodological foundations of Marxism, was that "half a century later none of the Marxists understood Marx!".¹⁰⁷

Engels left the impression that, as Paul puts it, "the unfolding of the contradictions of capitalism corresponded to the historical process of development of the capitalist mode of production".¹⁰⁸ I will now complete this discussion of the somewhat less than perfect mediation of Capital by Engels, by looking at the influence of his 'historical' interpretation on his perspective for capitalist economic development.

Engels believed that as the fundamental contradiction of capitalist production - between social production and private appropriation - developed into an antagonism between "modern industry and the opening of the world market", so capitalism would enter a stage which he described as "the Darwinian struggle of the individual for existence transferred from nature to society with intensified violence".¹⁰⁹ This

antagonism, moreover, meant that "the movement becomes more and more a spiral, and must come to an end".¹¹⁰ The drift of this passage is to treat the collapse of capitalism as simply the culminating stage of a unilinear historical process. Indeed, there are passages throughout Anti-Dühring which variously describe capitalism as driving "towards the point at which it makes itself impossible" and "racing to ruin", or which talk of the "final" or "approaching collapse".¹¹¹

It is true that Engels did refer to the cyclical nature of capitalist crises. Nevertheless, because he confined his remarks on the motivating factor of crisis to the sphere of circulation, he explained them in such a way as to provide theoretical underpinning for notions of a historical, preordained 'collapse' of capitalism. Crises arise, according to Engels, as the "enormous expansive force of modern industry" comes up against the "resistance ... offered by consumption, by sales, by the markets for the products of modern industry".¹¹² Engels, however, merely asserted the necessity of such an antagonism between production and consumption being periodically manifested in crises. He merely stated, for example that: "The extension of the markets cannot keep pace with the extension of production. The collision becomes inevitable, and as this cannot produce any real solution so long as it does not break in pieces the capitalist mode of production, the collisions become periodic."¹¹³ This statement was simply supported by an empirical description of the course of the trade cycle, without any theoretical explanation as to why there should be such an antagonism between production and consumption, and without any indication that the crises of which this antagonism is merely the immediate cause are the very precondition of continued capitalist reproduction. Consequently, there was nothing in this discussion of the cyclical nature of crises - as there is in Capital III - that could have curbed the popular notion that this pattern of economic development presaged its conclusion in a general 'breakdown' of the capitalist economy - a crisis severe enough to 'break in pieces the capitalist mode of production'.

Engels can scarcely be held responsible for not anticipating

the argument of Capital III on the development of capitalism through contradictions expressed in cyclical crises. Yet the impression Engels left - of the economic development of capitalism as a historical process culminating in a great and final collapse - was misleading in terms of what Marx had already achieved (but not published). In this respect, therefore, Engels' slant on Capital was to hinder rather than facilitate the understanding of its third Volume when he finally published it in 1894. Instead, he inaugurated what was to become, with variations, the standard treatment of economic crises by social democratic Marxists. And this was readily - and often - associated with an eventual 'breakdown' of the capitalist economy.¹¹⁴

1. There were only 1,000 copies of the first edition of Capital in 1867 which, besides being beyond the educational attainment of most workers, cost the equivalent of a week's wages; see Hannes Skambraks, Das Kapital von Marx - Waffe im Klassenkampf: Aufnahme und Anwendung der Lehren des Hauptwerkes von Karl Marx durch die deutsche Arbeiterbewegung (1867 bis 1878), Berlin, 1977, p65. It is also interesting to note that most of this first edition were sold in Russia; see Anna W. Urojewa, 'Das Kapital eroberte sich den Erdball. Zur internationalen Verbreitung des Marxschen Hauptwerkes bis 1895', in R. Nietzold, H. Skambraks and G. Wermusch ed., ... unserer Partei einen Sieg erringen: Studien zur Entstehungs - und Wirkungsgeschichte des Kapitals von Karl Marx, Berlin, 1978, p182. This collection of essays together with the work by Skambraks (cited above) and a long essay by Rolf Dlubek ('Das Kapital von Karl Marx in der deutschen Arbeiterbewegung 1867-1895', in I. Knoth and O. Finger ed., Lebendiger Marxismus, Teil I: Entstehung und Entwicklung der Marxschen politischen Ökonomie, Berlin, 1972) provide my main source of facts, quotations and, above all, summaries of long neglected pamphlets and articles from the early history of social democracy used in the next section of this chapter. My later assessment of the character and political significance of the Marxism preceding and embodied in the Erfurt Programme, however, is considerably at variance with the conclusions of these authors: the main influence on this chapter in this connection is the work of Cora Stephan, "Genossen, wir dürfen uns nicht von der Geduld hinreißen lassen!" Aus der Urgeschichte der Sozialdemokratie, Frankfurt/M., 1977. Other useful works were: Cora Stephan, 'Kampf der Klassiker', in IWK, 1978, Vol.2, pp156-70; and Lothar Machtan, review of Skambraks, op. cit., and Stephan, op. cit., in IWK, 1978, Vol.3, pp392-95.
2. This question is discussed by Hermann Weber in his introduction to Ossip K. Flechtheim, Die KPD in der Weimarer Republik, Frankfurt/M., 1969, pp13-19; see pp15/16 in particular.
3. When I use the terms 'inherent' and 'derived' in relation to consciousness, they are taken from George Rudé: "... one is the peculiar property of the 'popular' classes and the other is superimposed by a process of transmission and adoption from outside." Ideology and Popular Protest, London, 1980, p30; for an expansion of this theme, see pp27-30.
4. My 'guestimate' is that in the period before 1914 more social democrats would have read Capital than, for example, the number of Labour Party members who have read Keynes' General Theory since its publication in 1936. Yet in however a mediated form, the influence of Keynes' theory is all pervasive - rarely read (economics graduates excepted), never quoted and usually not a conscious source of influence at all, there is nonetheless no policy document, research paper, conference or branch

discussion on questions of economic policy, in which his ideas on 'demand management' are entirely absent.

5. In his obituary of Bebel, Robert Michels discussed the importance of orators in the early stages of the labour movement, as well as the nature of Bebel's particular hold over working class audiences. 'August Bebel', in Archiv für Sozialwissenschaft und Sozialpolitik, Vol.37 (1913), pp677/78 and p695.
6. Thus in 1905 Werner Sombart, a contemporary commentator on the labour movement and socialist theory, considered one of the chief characteristics of German social democracy to be its "pervasion with Marxist ideas to the point of saturation". Quoted by R. Michels, 'Die deutsche Sozialdemokratie im internationalen Verbande', in Archiv für Sozialwissenschaft und Sozialpolitik, Vol.25 (1907) pp157/58.
7. Those of Engels were particularly important - for, immediately after publication, he was literally alone in being capable of this task. The interesting story of how Engels prevented Capital from succumbing to the 'conspiracy of silence' that had greeted Marx's A Contribution to the Critique of Political Economy in 1859 (using methods such as attacks on Capital written from a bourgeois point of view to elicit interest in Marx's work, for example) is told by Skambraks (op.cit., pp66-74). For the role of sympathisers such as Kugelmann in placing reviews and, in particular, of various sympathisers in the labour movement in securing reviews in the workers' press, see p67, pp74-77 and pp77-78. Further details on the imaginative propaganda effort undertaken on behalf of Capital, may be found in Nietzold et al., op. cit., p180 and p239.
8. Hans-Joseph Steinberg maintains that in 1878: "According to the sources only five leading Party members can be identified for certain as having had a solid knowledge of the economic theories of Karl Marx." (Sozialismus und die deutsche Sozialdemokratie: Zur Ideologie der Partei vor dem I. Weltkrieg, Hannover, 1967, p16.) Yet without engaging in fruitless arguments as to what properly constitutes a 'solid knowledge' of Capital, it may be seen that Steinberg overstates his case. Drawing on the more recent work of DDR - historians (especially those referred to above), as well as her own work on this question, Cora Stephan details no less than 16 leaders of both Lassalleian and Eisenacher tendencies (in the period before 1875, therefore) "for whom it can be established that they had read at least parts of Capital before the appearance of the second edition." Aus der Urgeschichte der Sozialdemokratie 1862-1878, p202.

9. Thus in the course of a dispute surrounding the development of the flourishing Party press in 1873, Bracke argued that the SDAP must be open to scientific developments and that its organs had the duty not only to appeal to the passions of their readers but also to "educate" them. See Cora Stephan, *ibid.*, p225.
10. In 1868, for example, 6,000 workers gathered to hear a lecture by Bracke, on 'The Work of Karl Marx'; see *ibid.*, pp202/3.
11. Quoted by Rolf Dlubek, *op. cit.*, p58. For Becker's neglected role as the first and most effective pioneer of the IWMA in Germany, see R.P. Morgan, The German Social Democrats and the First International: 1864-1872, Cambridge, 1965, pp62-68, and 175-80. By Capital is, of course, meant only its first volume. During the period covered by this chapter, however, Volume I was treated as a complete work. Accordingly, I will continue to talk of Capital until the context demands a distinction between its component volumes.
12. Introduction to the Critique of Hegel's Philosophy of Right, quoted in Karl Marx, Selected Writings in Sociology and Social Philosophy, ed., T.B. Bottomore and M. Rubel, Harmondsworth, 1973.
13. In his autobiography, Bebel recalled that "like almost everyone who became a socialist at that time", he had "come to Marx by way of Lassalle". Quoted by Skambraks, *op. cit.*, p35.
14. For details, see *ibid.*, pp32-5.
15. For the class-conciliationist teachings of bourgeois 'national-economy', and its influence on the earliest workers' associations (which were often sponsored by the Liberals), see *ibid.*, pp35-46; and on their displacement by Lassalle's teachings, *ibid.*, pp61-64.
16. Although Bebel had originally been influenced towards the IWMA and Marxism by Liebknecht, it was Bebel rather than Liebknecht who "had been responsible for the increasing radicalisation and structural reorganisation" of the VDAV. Morgan, *op. cit.*, p131. The VDAV had originally been founded by Liberals as a non-political (but anti-socialist) federation of workers' clubs in answer to the ADAV.
17. In 1868, Dietzgen was the first representative of the labour movement to publish an independently worked out assessment of Capital, and later utilised the main social democratic papers to defend its teachings against bourgeois criticism in a form accessible to working class readers. For details and a discussion of Dietzgen's at this time unrivalled understanding of Capital - and especially of its underlying method - see Rainer Bauer, 'Joseph Dietzgen - ein streitbarer Revolutionär in der Wirkungsgeschichte des Kapitals', in R. Nietzold et al., *op. cit.*, pp206-210.

18. The political importance of the scientific 'victory' achieved by Capital for the workers' movement was widely recognised. Liebknecht greeted Capital as "the first work to provide a scientific foundation for social democracy". (Quoted by Dlubek, op. cit., p62) At the 1868 Congress of the IWMA, Friedrich Lessner moved a resolution on behalf of the German delegation recommending Capital to all workers and urging its translation into other languages: Lessner had previously greeted the publication of Capital as "one of the greatest and most certain victories for our party". (See Skambraks, op.cit., p88).
19. One of the two appeals to 'all the social-democratic workers of Germany' to send delegates to the Eisenach Congress in August 1869 was signed by 66 leading members of the ADAV and 114 of the VDAV. (Morgan, op.cit., pp28/29) These ADAV oppositionists were to be particularly important in overcoming the bourgeois democratic and S. German anti-Prussian attitudes which continued to inspire the radicalism of the new Party at the expense of the more specifically socialist parts of its programme. The new influence of Marx and the old Lassalleian ideals alike, made them sensitive to the ADAV charge that they had abandoned a socialist for a non-socialist party, and thus opposed to persistent inclinations (on the part of Liebknecht in particular) to prevaricate on social questions in order to maintain relations with the People's Party. (See *ibid.*, pp192-96).
20. See Dlubek, op.cit., p63.
21. Morgan, op.cit., p199.
22. Bebel wrote Unsere Ziele while imprisoned in December 1869, during which time he also took the opportunity to "read thoroughly" Capital for the first time (as he recalled in his autobiography). Quoted by Skambraks, op. cit., p273.
23. Quoted by *ibid.*, p113.
24. See *ibid.*, pp123/24 and pp126/27.
25. *ibid.*, p135.
26. This is established in detail by Eike Kopf, 'Zur Wirkungsgeschichte des Kapitals im ideologischen Kampf während des letzten Drittels des 19. Jahrhunderts', in R. Nietzold et al., op. cit., pp240/41. This article goes on to demonstrate that after 1867, the opponents of social democracy rapidly came to recognise Marx as its premier theorist: by 1897, Capital alone had been subject to at least 450 attempted refutations. It is to be noted, moreover, that the frequency of such polemics was closely related to the development of social democracy as a political mass movement -

- intensifying in the wake of notable successes while slackening during the years 1879-1883 when the labour movement was thrown on the defensive. See *ibid.*, pp241-54.
27. See Skambraks, *op. cit.*, pp139-41.
 28. Wilhelm Bracke (rightly assessed by Morgan as "one of Germany's outstanding socialist leaders and publicists in the 1860's and '70's", *op. cit.*, p26), testified to the importance of Capital and its 'Rezeption' for the political development of the labour movement in this period: "Earlier, as a member of the ADAV, I was a keen Lassallean thoroughly convinced of the feasibility of the Lassallean proposal. Later, after becoming acquainted with the works of Karl Marx and joining the 'Eisenacher' Party, I became increasingly convinced that striving for the realisation of that proposal was not only worthless but positively harmful." (From the foreword to Der Lassallesche Vorschlag, quoted by Skambraks, *op. cit.*, p145) Publishing this pamphlet in the name of the Braunschweig social democrats, Bracke added that this conviction was already widespread within the SDAP.
 29. See *ibid.* (Skambraks), pp161/62.
 30. See *ibid.*, p181.
 31. See *ibid.*, pp170-73.
 32. This was indicated by, for example, increasingly convoluted attempts to reconcile the Marxist position on trade unionism with Lassalle's 'iron law of wages'. See *ibid.*, pp178-80.
 33. See *ibid.*, p188.
 34. See *ibid.*, pp194-95.
 35. See *ibid.*, p195.
 36. See *ibid.*, pp199-201.
 37. Quoted *ibid.*, p210.
 38. *ibid.*
 39. Quoted *ibid.*, p216.
 40. Quoted *ibid.*, pp219/20.
 41. See *ibid.*, pp142/43.
 42. The state socialist critic of Marx, Schäffle, referred to his opponent in 1877 as the "most authoritative leader and theoretician of the working class". Quoted *ibid.*, pp222/23.
 43. Quoted *ibid.*, p225.

44. Quoted *ibid.*
45. Quoted *ibid.*, p226; see also Woman Under Socialism, New York, 1971, p299.
46. Quoted *ibid.*
47. See Peter Diehl, 'Das Kapital und die deutsche Arbeiterbewegung in den ersten Jahren des Sozialistengesetz', in R. Nietzold et al., *op. cit.*, pp192-96.
48. "Never before", wrote Kautsky to Engels in 1882, "was the demand for 'Marx' and his writings ... greater than at present." Quoted Dlubek, *op. cit.*, p68.
49. Quoted *ibid.*, p70.
50. *ibid.*, pp70/71.
51. In 1885, for example, Der Sozialdemokrat commented that in Capital was to be found "useful material against our adversaries; the book is a genuine arsenal of decisive weapons". (Quoted *ibid.*, pp71-72).
52. See *ibid.*, p72.
53. See *ibid.*
54. See *ibid.*, and Skambraks, *op. cit.*, pp127-28. As early as the late 1860's, trade union functionaries had ordered copies of Capital direct from Marx; see *ibid.*, p107.
55. In his 'Preface' to Capital III, Engels criticised Schmidt's answer to the problem of how an average rate of profit comes about not in violation but on the basis of the law of value, while paying tribute to his independent prefiguring of Marx's results in relation to the LTRPF and the derivation of commercial profit from industrial surplus value. (See pp10-13).
56. For details, see Dlubek, *op. cit.*, p74.
57. Quoted *ibid.*
58. Quoted *ibid.*, p76.
59. See *ibid.*
60. Quoted *ibid.*, p77.
61. Quoted *ibid.*

62. The Erfurt Programm in Hermann Weber, Das Prinzip Links: Eine Dokumentation, Ulm, 1973, p39.
63. *ibid.*
64. *ibid.*, p40.
65. *ibid.*, pp64/65.
66. The Communist Manifesto in The Revolutions of 1848, ed. D. Fernbach, Harmondsworth, 1973, p98.
67. Thus while confirming the findings of DDR - historians such as Skambraks and Dlubek that the 'Rezeption' of Capital was far wider than the merely marginal influence allowed by social democratic historians, Cora Stephan reverses their conclusions as to the significance of this for the political character of social democracy, by covering much the same ground to conclude: "... exaggeratedly formulated, that the more Marxist the Party became, the less revolutionary it was." "Genossen wir dürfen uns nicht von der Geduld hinreißen lassen!" Aus der Urgeschichte der Sozialdemokratie 1862-1878, p14. The quotation with which Stephan titles her book ("Comrades, we must not let ourselves be carried away by impatience!") is from a rank and file delegate to the Party's 1880 Congress: as a typical admonition to patience, it is seen as an example of an increasingly unrevolutionary spirit which engulfed social democracy and found legitimation by reference to the eventual and inevitable outcome of objective laws of social development.
68. During the first decade of this Century, a scornful attitude towards the SPD's insistence on 'patience' and a recognition of its merely 'verbal radicalism' became widespread amongst all political tendencies and many of the other Parties of the Second International. See Michels (1907) *op. cit.*, p167, pp170-76, p219 and p228.
69. For details, see Stephan, *op. cit.*, pp245-47 and p252.
70. See *ibid.*, pp249-50.
71. Thus writing in Vorwärts in 1878 against the state-socialist Adolf Wagner, Liebknecht lamely concluded: "In principle we find ourselves in antagonism to Herr Professor Wagner only in the political/practical area, not in the area of economics." Quoted *ibid.*, p250.
72. See *ibid.*, p259.
73. Their perspective in the Communist Manifesto was that "the bourgeois revolution in Germany will be but the prelude to an immediately following proletarian revolution". (*op. cit.*, p98) In the light of the experience of the revolutionary years 1848-49, Marx and Engels elaborated this perspective into a strategy of 'permanent revolution'. (See their Address of the Central Committee to the Communist League, March 1850, in Fernbach ed., *op. cit.*, pp319-330) For Marx and

Engels it was still a possibility that the liberal bourgeoisie and, in particular, the democratic petit-bourgeoisie could inaugurate struggles against the old order in which the working class should at first cooperate while, nonetheless, preserving its independence and preparing to break with its erstwhile allies in the process of struggling to make the revolution permanent to secure its own, socialist, class interests. It was thus in the light of these strategic considerations that, as late as 1865, Engels could argue (against the Lassallean strategy of cooperating with Bismarck's campaign against Liberal politicians in return for universal suffrage), that any 'progressive' moves on the part of the Liberals against the government were to be supported from the point of view of preparing to use the struggle of the bourgeoisie as the point of departure for the eventual overthrow of the bourgeoisie itself. (See Morgan, op. cit., p39; see also p8 and pp38-39).

74. See Stephan, op. cit., p238; see also Arthur Rosenberg, The Birth of the German Republic, London, 1931, pp14/15.
75. See *ibid.*, pp242/43.
76. See *ibid.*, p164.
77. See *ibid.*, p165.
78. See *ibid.*, p216/17, for examples of this line of argument from the Gotha unification conference.
79. This was the explicit position of one of the most important Marxist works of the early period - Bracke's polemic against Lassalle, Die Lassallesche Vorschlag (1873). See *ibid.*, p217.
80. Dietzgen, for example, referred to the tendency of capital accumulation and concentration, to argue that: "The conditions of the approaching eternal peace, universal harmony, the great human cooperative, come into being of themselves, without knowledge or premeditated will." Quoted *ibid.*, p217.
81. Otto Bauer considered that, "the simplification and vulgarisation of a new doctrine is nothing but a stage of its victorious advance". (Quoted by Guenthar Roth, The Social Democrats in Imperial Germany, Totowa, New Jersey, 1963, p200). While Marxism as the world view of the socialist working class and Marxism as a scientific method are closely related, however, the existence of one does not necessarily entail or lead to the other.
82. 'Stagnation and Progress of Marxism', in M.A. Waters ed., Rosa Luxemburg Speaks, New York, 1970, pp108/9.
83. *ibid.*, p111.
84. *ibid.*, p108 and p109.



85. Capital I, p612.
86. Capital III, p241.
87. ibid., p242.
88. Capital I, p763.
89. ibid., p10.
90. ibid., p763.
91. This was the most detailed discussion on value-theory ever undertaken up to this time in the workers' press: it was broken off towards the end of July when the Party was thrown on the defensive in the wake of an assassination attempt on the Kaiser. For the content and course of this polemic, see Skambraks, op. cit., p224 and pp226-32; and Stephan, op. cit., pp260-272.
92. The anonymous H.L., for example, concluded that such great weight was layed on value theory, "because in the result of this investigation at the same time lies the answer to the question to whom ... this value is due as of right". (Quoted by Skambraks, op. cit., p230).
93. Even Kautsky, the leading theoretician of pre-1914 Marxist orthodoxy, is remembered as having - like so many aspiring Marxists since then - put aside Capital at his first attempted reading. (Karl Kautsky, Erinnerungen und Erörterungen, Benedikt Kautsky, ed., The Hague, 1960, p367) Upon the reading of Anti-Dühring, however, his enthusiasm and gratitude were complete: "From that moment, all the remnants of eclecticism fell from me and I became a convinced and consistent Marxist." ibid., p437.
94. See Roth, op. cit., pp173-77.
95. See Engels, Anti-Dühring, London, 1969, p368.
96. See ibid.; cf. Engels, Law of Value and Rate of Profit, 'Supplement' to Capital III, p894.
97. ibid., pp178/79.
98. MEW, Vol.13, p475.
99. Grundrisse, p107.
100. Engels, 'Preface' to Capital III, p14.
101. This is dealt with in an exemplary manner by David Yaffe, 'Value and Price in Marx's Capital', Revolutionary Communist, No.1 (Jan.1975), pp31-49.

102. Capital III, p179.
103. See Engels, Law of Value and Rate of Profit, pp899/900.
104. Parvus, 'Die Weltmarkt und die Agrarkrise', NZ, Vol.14, pt.1 (1895-96), pp753-55, note 2; here p755.
105. This perhaps explains the (to my knowledge) total lack of interest in the mathematical solution to the 'transformation problem' advanced by Ladislau von Bortkiewicz in 1907; see On the Correction of Marx's Fundamental Theoretical Construction, in Sweezy ed., Karl Marx and the Close of his System, London, 1975, pp199-221.
106. See, for example, Kautsky, Bernstein und das sozialdemokratische Programm, Stuttgart, 1899, pp47/48.
107. Lenin, Collected Works, Vol.38, Moscow, 1972, p180.
108. H.H. Paul, Marx, Engels und die Imperialismustheorie der II. Internationale, Hamburg, 1978, p52.
109. Anti-Dühring, p324.
110. *ibid.*
111. *ibid.*, p181, p189, p198 and p315.
112. *ibid.*, p326.
113. *ibid.* (my emphasis).
114. With respect to capitalist economic development, Engels' views in Anti-Dühring did not so much introduce his readers to Marx's latest achievements (the content and analysis of Capital II and III were already largely worked out), as restate his own views developed as early as 1850. For example. Commenting on the opening up of new markets at this time, the young Engels insisted that "there are no more new markets to open up" to match capitalism's constant compulsion to expand production, and that "in the face of the impossibility of further extending the market", the system "has reached its end". (Quoted by Gustav Mayer, 'Friedrich Engels und die Grosse Weltkrise von 1857', Die Gesellschaft, 1932, Vol.I, p123) On the other hand, of course, by way of Anti-Dühring, the prevailing social democratic theories of crisis and 'breakdown' in effect by-passed Marx's achievements in this respect, by connecting directly with Engels' conceptions of half a century earlier!

PART II

FROM THE ERFURT PROGRAMME

TO THE MARXISM OF THE

IMPERIALIST EPOCH :

FOUR PIONEERS

CHAPTER 3: KARL KAUTSKY

"The future historian of the German Social-Democrats, in tracing the roots of their shameful bankruptcy in 1914, will find a fair amount of interesting material on this question, beginning with... the articles of the party's ideological leader, Kautsky..."

Lenin

"Whoever writes on the crisis and considers it more than a collection of facts, must at the same time lay his cards on the table vis-à-vis capitalism."

Conrad Schmidt

"And precisely theories of crisis have caused us a good many headaches."

Kautsky

1. Introduction: Kautsky the consummate Marxist of the pre-imperialist period.

From the early 1880's until the 1914-18 war, Kautsky was the 'official' theorist of German Social Democracy and, as such, the leading authority on theoretical questions in the International.¹ It is not my intention to discuss the enormous quantity and range of Kautsky's work. Instead, my purpose is restricted to discussing the political significance of Kautsky's 'Rezeption' of Marx's Capital, with particular reference to his corresponding theories of economic crisis and imperialism. The one-sidedly determinist system of Kautsky's political thought is already well known: my aim is restricted to analysing the influence of his economic theory in its make-up.

It was above all through Kautsky's efforts that the potent influence of Lassalle was displaced (if not altogether dispelled) by the permeation of basic Marxist ideas. On Kautsky's suggestion, Die Neue Zeit was founded in 1883 to popularise as well as to deal with contemporary political and scientific issues within the framework of scientific socialism: under his editorship it became established internationally as the most authoritative journal of Marxist theory. In 1885 and 1886, with the support of Engels and the appreciation of

Bebel, Kautsky made political use of his recently acquired knowledge of Capital in the struggle against state socialism (in particular, polemicising against Rodbertus and Schramm in Neue Zeit).² Likewise with the assistance of Engels, in 1887 he published his popular introduction to The Economic Doctrines of Karl Marx.³

The importance of and widespread response to this work has been noted: particularly noteworthy, however, was Kautsky's insistence that the individual teachings and parts of Marxism can be understood only in the context of Marxism as a coherent system. It was in this spirit that Kautsky authored both the theoretical part of the Erfurt Programm and its official amplification The Class Struggle (1892).⁴ By the early 1890's, therefore, Kautsky had systematised, popularised and begun to embellish the social democratic 'Rezeption' of Marxism.

Capital, in particular, provided Kautsky with the foundations of his political thought. From the theory of surplus value he deduced the irreconcilability of class antagonism, while the impoverishment (or at least increasing exploitation) of the working class, crises and industrial concentration bound up with capital accumulation, at once increased class polarisation and continually heightened class antagonism.⁵ Capital concentration, moreover, also furnished the material basis of socialism and 'prepared the way' for social revolution.⁶ These elements of the now official 'Marxist' doctrine, of course, supported established social democratic strategy by

putting an optimistic face on the impasse induced by the limited possibilities of the SPD's real situation and limited social base. It combined the utmost hostility to the existing order with the assurance that organization and propaganda, combined with consistent parliamentary work, was the best way to accelerate and take advantage of a revolution being prepared by the historical process itself. "Evolutionary law", according to Kautsky, prescribed the "breakdown" of capitalism and downplayed the role of revolutionary activism: the ultimate triumph of socialism was ensured by the process of class polarisation, which increased the size as well as the solidarity and socialist consciousness of the working class.⁷ For, in this case, the working class would surely become the overwhelming majority of the population, so that adhering to the strategic principle of 'proletarian isolationism' could be confidently expected eventually to bring forth a socialist majority in parliament and hence a peaceful revolution.

The official social democratic programme and creed was expressed through, and thus partly created by, Kautsky. In the words of Grossmann: "For decades, Kautsky was the source from which one learnt the first elements of Marxism... The whole world viewed Marx's system through the Kautskyan optic... Thus a doctrine arose, which can be characterised as Kautskyan much rather than Marxism."⁸ Consequently, when Marxism came under attack - whether from within or outside the

labour movement - Kautsky was centrally concerned. Accordingly, in the face of the South German social democrats' tactically motivated attack on the applicability of the thesis of increasing class polarisation to the countryside, Kautsky replied with a series of articles in Neue Zeit and his mammoth Die Agrarfrage (1899). Here, he went beyond commentary and popularisation in deploying his considerable analytical powers to the concrete analysis of the tendency of development of rural social relations - concentrating particularly on the manifold forms in which the decline of the peasantry was taking place - under the impact of the transformation of agriculture by capitalism.

It is well known that, urged on by Bebel, Kautsky published the official reply to Bernstein's 'revisionism', Bernstein und das Sozialdemokratische Programm (1899). Initially, of course, Bernstein's break with the then 'Marxist' orthodoxy was sustained by the apparently exceptional development of agrarian relations. Yet Kautsky's reply, although notable for its detailed concrete refutation of Bernstein, also revealed his limitations as a strategist and tactician. For, if Kautsky correctly analysed the essential tendency - if not the time scale - of agrarian development under capitalism, he was nonetheless wrong to support a political strategy virtually neglecting the rural population, on the basis of the ultimate result of this long term tendency. Kautsky concluded that the concentration of capital in agriculture

proceeded in the same direction as industry "even if in a roundabout way", yet without appreciating that precisely the form and special features of this process and not its ultimate, long term result had to be the political point of departure.⁹ His work on agriculture, therefore, established his scholarly credentials but also demonstrates that Kautskyan Marxism was essentially contemplative rather than a 'guide to action'. Engels' political approach, by way of contrast, was firmly based on a careful differentiation of the position of the various rural strata in the process of the decline of the peasantry. Above all, he called upon the SPD to learn (for a change) from French and Danish social democrats how to intervene energetically in the countryside so as to influence the political response of the small peasantry to the mounting pressure of their threatened extinction. Social democracy, argued Engels, could not afford passively to await, let alone base its strategy upon, the complete proletarianisation of the peasantry and the eventually revolutionary outcome of social polarization.¹⁰

Kautsky was the ideologue and his Marxism the consummate theoretical expression of social democratic ideology in its early, pre-imperialist development. Yet insofar as the dominant characteristic of his thought was ideological, this impaired his ability to develop Marxism as a science. Consequently, and in spite of many powerful insights, Kautsky was unable to approach systematically the changing forms and appearances of capitalist development

in the manner of later theorists of imperialism, or - therefore - to appreciate the new strategic and tactical problems confronting social democracy. Accordingly, my concern in this chapter is not with Kautsky's qualities as populariser, commentator or defender of the programme, but with his limitations as an innovator and theorist of imperialism.

Kautsky's failure to develop social democratic Marxism was - as we shall see - bound up with a foreshortened 'Rezeption' of Capital. There were, of course, compelling historical determinates of his understanding of Marx's work. Kautsky's Marxism was consolidated even before the appearance of Volumes II and III and according to the peculiar situation of social democracy in the Second Reich (and, more generally, in the absence of revolutionary class struggles throughout the last decades of the 19th century). Consequently, Kautsky lacked both the means and the stimulus to appropriate Capital as a system, and thus tended to neglect its methodological structure. And this meant that Kautsky failed to grasp its theoretical potential - not merely for exposing exploitation and revealing the economic demiurge of class polarisation, but for illuminating the conditions under which the Marxist leadership of the working class can - indeed must - seize the initiative. Moreover, not only did Kautsky's Marxism both express and consolidate the Marxist 'ideology' adopted by social democracy in the course of its development to a mass party during the pre-imperialist period,

but there were additional reasons hindering Kautsky from reconstructing the theoretical system and revolutionary implications of Capital - even when Engels had published the final Volumes and the dawning of imperialism made imperative a corresponding 'leap' in theory. For Kautsky's 'Rezeption' of Capital also proceeded in accordance with powerful intellectual currents of the time - particularly those associated with Darwinism and positivism.¹¹ And to the extent that he fell under the influence of non-Marxist thought, Kautsky was effectively precluded from understanding the Hegelian sources of Marxism, and thus could not understand or utilize Marx's dialectical method according to which Capital had been researched and constructed (and which, therefore, was the sole means of its reconstruction).

Excursus: Kautsky, Engels and Marx's method

Referring to Marx and Engels, Kautsky himself commented that whereas "they had started from Hegel, I started from Darwin".¹² With this in mind, Jones' comment is pertinent: "It is an elementary failure of historical interpretation not to make any distinction between the constituents of Engel's own outlook, and the way he was read by a generation of intellectuals nurtured on Buckle and Comte."¹³ At this point, then, the relevance of my earlier criticism of Engels is that elements of his work too readily lent themselves to a

'positivistic' interpretation, and that Engels did not combat the pervasive influence of an intellectual environment radically changed since his younger days, by instilling into the rising generation the content and underlying method of Capital. Of course, Engels was not unaware of this barrier to the understanding of Capital. In a letter to Conrad Schmidt in 1895, Engels associated Schmidt's tendency to 'degrade' the law of value and become "sidetracked as regards the rate of profit", with his having become "absorbed in details, without always ... paying attention to the interconnection of the whole": consequently, Engels objected, Schmidt misconceived the law of value as "a necessary fiction".¹⁴ The methodological weakness underlying these errors, moreover, involved (emphasised Engels) a failure to grasp concepts as developed through a process of abstraction which, by definition, does not reproduce reality in all its immediate complexity, but in its "essential nature and tendency". And this, in turn, was consequent upon a philosophical regression from Hegel into a Kantian or increasingly widespread "eclectic method of philosophising ... which loses all general perspective and only too often winds up in ... fruitless speculation about particular points".¹⁵ Yet Engels' efforts to guide his acolytes were insufficient insofar as he allowed Anti-Dühring to stand unrevised as the authoritative standard of Marxist orthodoxy, while relying on individual prompting to overcome weaknesses in their understanding of the method and hence even the content of Capital. For, at the time of his letter to Schmidt, it was more than a decade since Engels has cause to chide Kautsky over his "weak spots" in relation to the nature and place of "abstraction" in Marx's method.¹⁶

If - as is commonly accepted - Kautskyanism was not just an interpretation of Marxism but an ideology functioning to reconcile radical aspirations with limited capability - and, therefore, as a means of inner - party 'integration' - then it must be understood as a true product of its time.¹⁷ To the extent that Kautskyanism was an ideology, however, it was rendered unable to develop as a science.¹⁸

Because Kautsky's Marxism was too rooted in the conditions and needs of social democracy as it underwent the transition to a mass party in the pre-imperialist epoch, it lacked the possibilities of internal development characteristic of science: it was thus incapable of adequately encompassing the problems of the imperialist epoch, in which the labour movement faced the challenge of establishing its sway over society as a whole. Further, because Kautsky's Marxism bore too firmly the imprint of ideology, it was doomed to collapse just so soon as the conditions giving rise to and sustaining it gave way to a radically different pattern of development. It is for this reason that consequent upon the first general crisis of imperialism after 1914, Kautsky became a figure of great historical importance but little lasting theoretical interest: apart from his excellent historical works, Kautsky is reprinted by way of historical documentation rather than theoretical inspiration.

2. Kautsky and Marx's Capital

Kautsky began his Economic Doctrines of Karl Marx by stressing the historical nature of value as "a social relation":¹⁹ he criticised Ricardo for failing to "perceive the social character of the value that is concealed in the value-form of the commodity, that is, the fetishism of the commodity".²⁰ He showed that the labour of commodity production, although private, is nonetheless carried on "in a social connection", by means of the social but unconscious reduction of all kinds of labour to the "equal character" of abstract labour.²¹ Thus Kautsky understood the origin of the commodity form in the lack of direct social relations amongst producers and the consequent expression of these relations in the form of value which, in turn, is manifested only through the exchange of things. Starting with this "fetishistic character of commodities", he proceeded to stress that: "... until its importance has been properly appreciated, it is impossible to reach a clear understanding of commodity-value."²²

Kautsky correctly stressed the importance of commodity and capital fetishism and indicated the neglect of Marx's discovery among contemporary Marxists. For commodity fetishism is the key to understanding why labour is necessarily reduced to the 'abstract-reified form of social labour' or value.²³ It is fundamental to the understanding of the first chapter of Capital. Firstly, it is the starting point which enabled Marx to trace the development of value form from the 'cell-form' of the commodity through production and circulation and, eventually, to the level of capital accumulation and crisis (the visible expression of a society in which man has lost control over his relations of production). Secondly, in the course of this procedure, Marx not only 'lays bare' the 'economic laws of motion' which determine the appearances of capitalist society, but also - and simultaneously - thereby reveals that these forms of appearance conceal or even invert the real social relations and determinates of capitalist society. Thus every stage of analysis in Capital not only leads us towards an increasingly complete and concrete understanding of the economic structure and motion of capitalist society,

but also presents the basic elements of Marx's theory of the 'prevailing ideology' in capitalist society: for each stage of analysis also presents a compounding of commodity fetishism and hence a further element in the construction of the appearances which, as Marx puts it, enter into "the ordinary consciousness of the agents of production themselves".²⁴

In spite of his initial perceptions, however, Kautsky was unable to reconstruct Capital; either as a systematic theorisation of the laws of motion of capitalist economy through the development of value-form, or - therefore - as simultaneously the key to understanding the elements and prevalence of bourgeois ideology. And this failing was related to Kautsky's neglect of Marx's method.

2.1. 'Simple commodity circulation';

Kautsky's 'historical' interpretation of Marx's method

For Kautsky the task of popularising Capital involved not only simplifying Marx's style and explaining his concepts but also "acquainting readers with the facts upon which the theoretical exposition is based".²⁵ This was especially necessary for the presentation of the first chapter which, insisted Kautsky, unlike later sections did not combine "theoretical exposition" with "extended historical discussion".²⁶ In this case, however, Kautsky's fixation on 'the facts' ran counter to the logical method of Capital. For Marx's procedure was precisely to abstract from immediate appearances ('facts') in order to grasp the inner-relations of commodity producing society. Indeed, clearly under the influence of Engel's 'historicising' presentation of Capital, Kautsky exaggerated its one-sidedness and characterised Capital as "essentially a historical work".²⁷ Thus perplexed by the lack of historical 'facts' supporting the first chapter, Kautsky proceeded to overcome this 'problem' by constructing a model of 'simple commodity production' as the historically specific mode of production upon which, he believed, Marx had based his analysis of simple commodity circulation. This was to have been a stage coming between the form of society based on natural economy and capitalism.²⁸ According to Kautsky, therefore, simple and capitalist commodity producing societies represented historically distinct modes of production.

Kautsky noted correctly that: "We cannot understand the present mode of production unless we have a clear idea of the character of commodities."²⁹ He became confused, however, in having to follow the presentation of the first chapter of Capital, and so discuss the determination and consequences of the commodity form when Marx had not yet expressed the specific character of the capitalist mode of production. And in so doing, his methodological departure from Marx began to register in his 'Rezeption' of Capital and hence, as we shall see, in his perspective as a whole. At first, it meant that Kautsky was unable to

understand Marx's conception of the unity of production and circulation, whereby commodity circulation is simultaneously the precondition and continuous result of the process of production. Instead, Kautsky sundered this dialectical unity with his historical model of simple commodity circulation as synonymous with a once really-existing mode of simple commodity production. Accordingly, he failed to grasp that in the methodological design of Capital, simple commodity circulation is merely an abstract moment in the theoretical reconstruction of the capitalist mode of production.

Kautsky's tendency towards historicism allowed him to be deceived by the apparent independence of circulation from production. In the following section I will discuss further Kautsky's separation of the phases of capitalist reproduction into historical stages as an index of his failure to abstract sufficiently from forms of appearance, and of his departure from Marx's method generally.

Although for Kautsky Capital was the most "mature and magnificent product of Marx's method", his limp defence of the dialectical method against Bernstein culminated in an undialectical separation of 'philosophy' from 'economics': "After the philosophy, the economics."³⁰ Under the general heading 'Method', Kautsky dealt with the 'materialist conception of history', 'dialectic' and 'value'. Yet, instead of historical materialism and value theory being (as for Marx) the results of dialectically guided research and, on this basis, the assured foundation of further investigation, Kautsky simply ranged them alongside of the dialectic as components of Marx's method. He thereby confused the fundamental method of Marxism with the guiding principles of Marxist analysis. Furthermore, according to Kautsky, historical materialism and the dialectic were integrated into a 'dialectical-materialist conception of history', which as one of its main teachings upholds the importance of 'the economy' - "the key to which is the theory of value".³¹

Yet because he separated the dialectic, historical materialism and value theory into parallel components of Marx's method, Kautsky obscured their actual hierarchy and thus was unable to connect them in the manner required to progress from this insight towards consistently scientific socialist analysis. Kautsky did not fully appreciate that, on the one hand, it was the dialectical logic derived from Hegel which guided the concrete investigations bringing Marx to the general theoretical conclusions precipitated as historical materialism and, in relation to capitalism, value theory, Or, on the other hand, that once these theoretical results were established they assumed the status of principles, or hypotheses, while the underlying method according to which they had been worked out was no longer visible. Henceforth, these principles no longer had to be established on every occasion, but were available as the point of departure for further investigation and analysis. Yet even so, historical materialism and value theory do not supercede the dialectical method. Rather, they must themselves be applied and developed in a dialectical manner. However, far from presenting and applying value theory in a dialectical manner, Kautsky simply recorded the priority attributed to the economy and stated that the key to understanding it was value. These were, of course, correct statements from the point of view of Capital. Nevertheless, because Kautsky had separated 'dialectic' from 'value' - so that once having arrived at the theory of value the dialectical method was left behind - he failed to appreciate that the theory of value was only the 'key' to capitalist economy when itself developed according to the dialectical method. Consequently, because he did not grasp the dialectical development of Marx's value theory, Kautsky could not fully reconstitute Marx's analysis of the forms and movement of objectified social labour, through which he 'laid bare' the economic laws of motion of capitalism together with the objective content of bourgeois ideology.

The neglect of Marx's method by Kautsky is all the more striking when we consider the decisive importance attributed by Marx to the application of the dialectical method in the realm of economic theory. This is particularly evident in the course of numerous critical remarks concerning Ricardo's methodology made in Marx's Theories of Surplus Value - which was first edited and published by Kautsky!³²

Marx criticised classical political economy on the grounds that it made capitalism appear 'eternal' and 'natural', and because of the underlying method involved. Among the categories constantly deployed in Marx's critique of political economy and central to the methodology of Capital, are the associated terms distinguishing form from content and essence from appearance. In particular, it is within this conceptual framework that the reason for beginning Capital with an analysis of the commodity becomes clear. As Yaffe explains: "What Marx did in beginning his analysis with the commodity - the simple social form in which the product of capitalist society presents itself - was to abstract what is essential to all commodity exchange, and show the underlying social relationships expressed in fetishistic form by the exchange of commodities. Marx examines the contradictory forms of appearance of value and their development to newer, more concrete forms."³³ Marx's method is to abstract from empirical reality to investigate its essential or inner-relations and, subsequently, to reveal the conditions of existence and determinates of surface appearances by returning to the empirical level through a process of step by step concretisation. Such a method is necessary not merely because the appearance of capitalist society is infinitely complex, but because these forms of appearance veil and even invert the social essence of capitalism. The commodity, because it is the most simple and universal form of appearance, is also the elementary fetish of capitalist society. Capital begins, therefore, by penetrating this particular appearance.

Furthermore, Marx begins with the commodity because it is capital in its immediate aspect; as it appears on the surface of society in circulation. For Marx's

methodological procedure at this stage is to move from the commodity to capital through, as Banaji explains, "an initial phase of analysis which takes us from the individual commodity to the concept of value, and a subsequent stage of synthesis which, starting from value, derives the concept of capital through the process Hegel called 'the development of form'".³⁴ "Capital then", concludes Banaji (quoting Ilyankow), "emerges through this movement as 'nothing else but a value form of the organisation of productive forces'." Later, upon returning to the sphere of circulation, the commodity is identified as a form of appearance of capital, and the circulation of commodities as a circulation of capital.³⁵

Analysed in the form in which it appears, the commodity is seen to be an object of use and a bearer of exchange value. Further analysis shows that exchange value (a relation among things) is only the fetishised form of appearance of an inner or essential relation between people. It is because individual producers are isolated, subject to no social plan, that their products take the form of commodities. This means that particular concrete labours become part of the greater whole of total social labour by undergoing, through exchange, a process of real abstraction or reduction to quantities of one uniform, and hence, social abstract human labour or value. Marx proceeds to demonstrate however, that it is only in the form of money; or in the transformation of the commodity into money in the act of exchange, that individual labour is posited directly as social labour. In other words, the contradiction between private and social labour is resolved by the form of development of the contradiction between use value and exchange value, or the duplication of the commodity into commodity and money. Finally, the capital form of value (or value that generates surplus value) is likewise latent within the commodity and similarly realised only under definite historical conditions. Methodologically, therefore, Marx proceeds from the commodity to its social content, i.e. value, but then shows that value only has an empirical presence through representation in successively more developed forms: just as value is a form of social

labour, so capital is revealed as a form of value. It is in this manner, moreover, that Marx constitutes the level of abstraction 'capital in general': this is the dialectical reconstruction of the concept of capital from an analysis of the commodity, which enabled Marx to analyse capitalism at the essential level and thereby furnished the conceptual basis from which to theorise the concrete forms of appearance of capitalist development. 'Capital in general', therefore, denotes the level of abstraction and hence the status of the analysis of Volumes I and II of Capital: as such it is a major conceptual reference point from which to assess the work of later Marxists in connection with Capital.

Having derived the concept of 'capital in general' from the commodity and its 'simple circulation', Marx was able to investigate the 'internal structure of production'. This task occupied the major part of Capital I. At the beginning of Volume II, however, Marx returns to the commodity and the process of circulation. "But now", emphasises Banaji, "he can investigate the circulation of commodities directly as a circulation of capital. The formal determinations of simple circulation (commodity and money as means of circulation) are now posited as 'aspects', or forms of appearance, of the relations of production which initially they presupposed. Moreover, they are themselves posited as presupposed by capital, as forms essential to the process of realisation. In this spiral return to the point of departure the commodity is treated explicitly as a 'depository of capital', as one of its 'forms of existence' within the process of circulation."³⁶ And finally, Banaji quotes from Marx's Grundrisse in formulating a conclusion of great - if unintended - relevance to the entire tradition of Marxian economics in the Second International: "'The independence or circulation', the aspect in which the commodity initially presented itself to us, 'is here reduced to a mere semblance', that is, an illusory appearance."³⁷

For Kautsky, however, and the whole tradition of Marxian 'economics' he represents, the commodity and its

circulation was considered independently, in isolation from the total context of capital and the inner-relations of capitalist production. I will now attempt to illuminate the theoretical and political significance of this; firstly, for his ideas on class consciousness and the corresponding relation of party and class and, secondly, for his ideas on economic crisis, capitalist 'breakdown' and imperialism.

2.2. The development of class consciousness and the relation of class and party

Analysed according to Marx's method, the apparent independence of simple commodity circulation is reduced to the introductory moment of the process of production. This, as Marx proceeded to demonstrate, consists essentially of the alienation of the use value of labour power and the consequent appropriation of unpaid labour, but appears in the form of an equal exchange between worker and capitalist as free and independent commodity owners.

Kautsky, however, did not conceptualise this contrast by way of distinguishing the essential, exploitative social relations of capitalist production from their form of appearance in the sphere of circulation. Instead of logically distinguishing the essence and appearance of capitalist social relations, Kautsky associated capitalist production and commodity circulation with two historically distinct modes of production. Consequently, he erected on this basis a historical contradiction between a mode of appropriation based on the identity of labour and means of production and capitalism based on their separation. Capitalism, insisted Kautsky, was "a contradiction of the principles of commodity exchange!".³⁸

Kautsky conceptualised the basis of simple commodity circulation as a historically separate mode of production rather than grasping it logically as a moment of capitalist reproduction. Consequently, while Kautsky understood the production of surplus value and the increasing domination over the working class by capital that this entailed, his understanding of capitalist exploitation was one-sided. His 'historical' interpretation of Marx's method made him unable to understand that the exploitation and subordination of the working class in the process of production is inseparable from, and necessarily includes, the phase of circulation, in which the relation between capital and labour appears as one of free and equal exchange. Indeed, as a recent work on Kautsky explains: "He held these inverted forms produced by the capitalist mode of production to be historically superseded and without foundation in the capitalist mode of production itself."³⁹ Accordingly,

Kautsky did not consider the form of appearance of the wage labour/capital relation in circulation as necessarily and continuously reproduced by the social relations of capitalist society, but rather as a relic of a past mode of production. And this was important for Kautsky's political strategy, because it hindered him from taking into account the importance of both aspects of capitalist reality - the appearance as well as its exploitative essence - for the movement and consciousness of the working class.⁴⁰

Kautsky saw commodity and capital fetishism as an obstacle to the correct understanding of capitalist economy but, for the reason just advanced, not as the material basis of bourgeois ideology and thus an obstacle to proletarian class consciousness.⁴¹ This neglect is visible in his scenario for social revolution.

Against the Bolsheviks, Kautsky repeated his view that the working class could come to power only when economic development was sufficiently advanced and it had attained sufficient "maturity".⁴² And the measure of this 'maturity', according to Kautsky, was class consciousness which, in turn, develops apace with the concentration of capital.⁴³ The following - a distillation of Kautsky's Marxism - was directed at Bernstein: "This theory views the capitalist mode of production as the factor driving the proletariat into a class struggle against the capitalist class, which makes it grow ever more in numbers, solidarity, intelligence, self consciousness and political maturity, which increasingly raises its economic importance and its organisation into a political party as well as making its victory inevitable - as inevitable in fact as the coming of socialist production in consequence of this victory."⁴⁴ The 'inevitable' victory of the working class and, therefore, of socialism - this is familiar. Here I want to dwell on the key link in Kautsky's strategic chain; the notion of class consciousness 'being made to grow' by the 'capitalist mode of production'.

For Kautsky, the key tendency in capitalist development - and, therefore, in impelling the growth of class consciousness was the concentration of capital. Kautsky was far from conceiving of a vanguard able to gain and exercise political leadership through its role in organising and guiding the action of a working class roused up by the pressure of economic crisis. Rather: "The theory of periodic economic crisis is only of secondary importance compared with the theory of capital concentration and the sharpening of social antagonisms."⁴⁵ Economic crises were thus downplayed in the 'heightening of social tensions'. Indeed, they merely "worked in the direction of socialism by accelerating the concentration of capital" and increasing the 'insecurity' of the proletariat.⁴⁶

I will return to the matter of Kautsky's strategic reduction of economic crises to a contributory cause of capital concentration. It was the concentration of capital which made it ever more impossible for the worker to free himself by becoming an independent producer. And because of this, argued Kautsky, "socialist tendencies arise of natural necessity with the proletariat; amongst the proletariat itself as well as amongst those who place themselves on the standpoint of the proletariat".⁴⁷ Moreover, if the concentration of capital explained how 'the struggle for socialism arose', it likewise ensured ever more favourable 'prospects' for this struggle and eventual victory.⁴⁸ The concentration of capital created the material preconditions for socialism and, in the proletariat, the subjective agent to bring it about, but - emphasised Kautsky - by no means 'automatically' solved the historic tasks involved. Indeed: "consciousness, will & struggle of the proletariat."⁴⁹ But how, according to Kautsky, was the proletariat to develop the requisite consciousness of its historic interests and tasks?

Kautsky described how industrial workers advanced from outbreaks of rioting born of despair and were forced into trade union and political combination to resist the pressures arising from capital accumulation.⁵⁰ Eventually, insisted

Kautsky, antagonisms inseparable from the increasing exploitation of labour power, "give rise of natural necessity to conflicts between the capitalist class and the workers, conflicts which arouse the latter to class consciousness, impel them to engage in political activity".⁵¹ Trade union struggle tended to overflow sectional demarcation and become political, because politics was simply its more developed or generalised form.⁵² Yet Kautsky was still unable to identify those conditions under which the working class would pursue socialist aims.

Kautsky maintained that class consciousness arose out of antagonisms induced by capital accumulation, but was unable to indicate how, even potentially, his own predictions could be fulfilled by the development of socialist class consciousness. This was because of two interlocking characteristics of Kautsky's Marxism. Firstly, he never understood that Capital outlined the basis of a materialist theory of bourgeois ideology indicating, at once, the material solidity of the barriers to socialist consciousness, but also that it is possible to create the potential to overcome this ideological barrier to the extent that the self-transforming struggle (or 'praxis') of the working class is intensified and generalised.⁵³ Secondly, this may be understood in the context of, and as partially informing, Kautsky's lack of orientation towards revolutionary activism, and of his belittling of economic crises as potentially radicalising the working class and preparing the ground for social revolution. ("There is as little prospect of a revolution from a financial crisis", commented Kautsky in 1902, "as from an armed insurrection."⁵⁴)

Kautsky failed to appropriate Capital as a guide to the decisive question of socialist consciousness. Instead, Kautsky's conception of class consciousness advancing in parallel and thanks to economic development rested on his "law" that "the same causes continuously call forth the same effects, that the same occurrences make the same impression on all normal people living under the same conditions and must call forth the same thoughts, feelings and wants".⁵⁵ This model of stimulus - response amounts to

a crude 'reflection theory' of knowledge: it is undialectical in that its mechanical schema of 'occurrences' and 'impressions' excludes subjective mediation according to previously acquired knowledge and purpose. Moreover, Kautsky's model could take him from the 'stimulus' of capital accumulation to the organisational response and correspondingly advancing class consciousness of the working class. Beyond this point, however, Kautsky's reasoning broke down and could proceed only via unconnected and arbitrarily introduced assertions. This was because Kautsky did not grasp the 'occurrences' of capitalism as fetishised forms of appearance, inverting - therefore - the essential social relations of capitalism and giving rise to 'impressions', which not only failed to impel workers automatically towards socialist conclusions but were such as to constitute a barrier to socialist consciousness. Indeed, far from socialist consciousness developing apace with the economy, it is rather the increasingly complex structure of reified appearances which is generalised and solidified with the advance of capital accumulation. And this enters ever more deeply into consciousness and raises an ideological barrier tending to restrict class consciousness to the level corresponding to trade union and reformist political action.⁵⁶

Kautsky failed to consider the way in which capitalism automatically secures the ideological conditions of its continued reproduction, because his 'Rezeption' of Capital was such as to exclude Marx's theorisation of the structural origins and power of bourgeois ideology. He was thus unable to understand why, according to Marx, the relation of authority and subservience implied by the capital/wage labour relation comes to be an accepted 'norm' and, to that extent, accepted even by the working class. Marx argued that during the stage of 'primitive accumulation' capital had to coerce the nascent proletariat and rely heavily on "the power of the state".⁵⁷ Beyond this stage, however, the need for directly physical coercion decreased to the degree that: "The organisation of the capitalist mode of production, once fully developed, breaks down all resistance."⁵⁸ At this stage, the exploitation and subordination of the working class comes to be more or less automatically safeguarded by ideology (as reinforced by the coercive impact of the impersonal market): "The advance of

capitalist production develops a working class, which by education, tradition, habit, looks upon the conditions of that mode of production as self-evident laws of nature."⁵⁹

Kautsky's 'Rezeption' of Capital, then, did not encompass the significance of fetishism and the illusions of circulation as the objective foundation of bourgeois ideology and its sway over all classes. And because of this - quite apart from other reasons such as his 'parliamentarism' - Kautsky was predisposed to underestimate active struggle as a necessary (if not sufficient) condition of a working class praxis capable of surmounting the ideological barriers to socialist consciousness. Indeed, Kautsky's understanding of class consciousness and its development contributed to the making generally of the politics of 'passive radicalism'.

Finally, because Kautsky neglected the ideological obstacles to socialist consciousness and correspondingly underestimated the role of mass action, his general perspective overestimated the ease with which the working class would come to socialism. Consequently, when Kautsky had to confront socialist consciousness as a practical or strategic problem rather than as an abstract question of historical evolution, he was driven to abandon his 'organic' notion of how it arises. Indeed, one-sided objectivism (class consciousness as a function of economic development) collapsed into one-sided subjectivism (class consciousness as a function of party propaganda). When offering concrete advice for party practice, Kautsky was forced to recognise that the working class did not automatically evolve socialist consciousness in accordance with his historical schema. Instead, he was driven to conceive the party as attempting to instil into the working class, from outside, a socialist consciousness which was not present even in potential among the working class. In commenting on the revised SPÖ programme, for example, he condemned as "absolutely untrue" the belief that "economic development and the class struggle create, not only the conditions for socialist production, but also, and directly, the consciousness of its necessity".⁶⁰

Consequently, Kautsky adopted a particularly one-sided view of the relation between class and party. Kautsky saw only the separateness or opposition of party and class and not their unity. He conceived a rigid division between the working class engaged in class struggle and the party concerned with socialism and its propagation. For, according to Kautsky, "socialism and the class struggle arise side by side and not one out of the other; each arises under different conditions".⁶¹ Moreover, according to this conception, the party escaped responsibility for the class struggle: "We are first and foremost still a party of propaganda", insisted Kautsky in 1903.⁶² Party and class were not different parts of a whole: rather they were separate entities, related to each other only externally. Kautsky thus broke Marx's inner-relationship between the socialist potential of working class solidarity and action, and the role of the party. Instead of the party defining its programme, strategy and tactics in relation to the working class and its practice in the course of a struggle to realise this potential, for Kautsky the party had a significance parallel to or even quite apart from the class struggle. Kautsky's party, in other words, was to teach but not to learn from the working class. The relationship of party to class was thus one-sided and fixed; a relationship of subject to object.

2.3 Capitalist economic development and the theory of 'breakdown'

In The Economic Doctrines of Karl Marx, Kautsky noted the regularity of the economic cycle. After 1873, however, a "new phase" of long term depression supervened into this cyclical pattern of economic development, only to give way to a new period of prosperity after 1895.⁶³ Yet even in the revised edition of 1903, Kautsky offered no explanation of either the cycle or the apparently longer term economic movement onto which it was superimposed, beyond pointing to the observable development of the world market and technology. It was in The Class Struggle (1892) that Kautsky had first undertaken to clarify the development and underlying laws of motion of capitalism. Of course, given that Capital III was to be published only in 1896, Kautsky's presentation fell short of what could have been achieved on the basis of Marx's completed system. Even so, it is revealing in relation to the 'Rezeption' of Marx's political economy within social democracy that the completion of Capital made so little impact upon Kautsky's subsequent understanding of capitalist development. For his later work in the field of economic theory - with the exception of Die Agrarfrage - was to be little more than an elaboration of his 1892 popularisation. Ultimately - and not without political import - Kautsky failed to raise the theoretical level of social democratic economic theory and analysis on the basis of Capital III.

I have argued that because Kautsky was theoretically blinkered by his 'historical' misinterpretation of Marx's method, he did not understand the abstract sphere of simple commodity circulation as a moment of the capitalist reproduction process or, therefore, the real subordination of commodity circulation to the process of capitalist commodity production. Kautsky correctly stated that "as the capitalist system of production develops", the forms of capital associated with circulation are 'overshadowed' by

"the industrial form of capital" which "forces them into its service".⁶⁴ Yet such insights simply coexist with Kautsky's general overemphasis on the role of circulation and were never central to his understanding of capitalist economic development. In spite of understanding that, for example, "the surplus produced by the proletarians becomes more and more the only source from which the whole capitalist class draws its income", Kautsky's theory of crisis was not an exposition of the factors tending towards the loss of the conditions necessary for profitable production, but was restricted to problems confronting realisation in the sphere of circulation.⁶⁵ Indeed, Kautsky's insights as to the primacy of production and profit making as the motor of capitalist development were devalued by his crude under-consumptionist theory of, on the one hand, the tendency towards capitalist breakdown and, on the other hand, of economic crisis.

Firstly, the concentration of industry was reducing independent producers to proletarians unable to purchase the goods they produced. Consequently: "The private ownership of the means of production leads, under the capitalist system, to its own destruction! Its development takes the ground from under itself. The moment the wage-workers constitute the bulk of the consumers, the products in which the surplus lies locked up becomes unsalable, that is, valueless."⁶⁶ From irreversible industrial concentration, therefore, Kautsky derived a linear process which, at a certain stage, would render capitalist production impossible. In its earliest form this was the theory of breakdown developed successively - and increasingly sophisticatedly - by Cunow, Parvus and Luxemburg.⁶⁷ And just like Luxemburg over 20 years later, Kautsky qualified the implications of his 'breakdown' theory, so that: "The mere approach to such conditions would increase to such an extent the sufferings, antagonisms and contradictions in society, that they would become unbearable and society would fall to pieces..."⁶⁸ Thus while Kautsky did not always use the term 'breakdown' to mean a purely economic process, the later imputation of such a theory to Marxist orthodoxy by

Bernstein was not unfounded.⁶⁹

Secondly, and separate from this long term historical tendency, was the phenomenon of periodic crises. These, according to Kautsky, "arise from overproduction, which, in its turn, arises from the planlessness that inevitably characterises our system of commodity production".⁷⁰ Like Hilferding later, Kautsky saw in the 'planlessness' of capitalism what Marx referred to as the "general abstract possibility of crisis".⁷¹ Kautsky, however, remained on the level of what Marx went on to denote as "no more than the most abstract form of crisis, without content, without a compelling motivating factor". Later, in Capital, Marx adduced such a 'factor' by demonstrating that from capitalist planlessness arose the value form of social labour which, in its more developed form of capital, entailed the contradiction expressed in the course of accumulation as a fall in the rate of profit and resolved in a crisis of overproduction. Kautsky, however, because he had not been able to appropriate Marx's method, was unable to reconstruct Marx's development of value form into a theory of crisis. Consequently, he proceeded to posit the 'compelling motivating factor' at the level of appearance, explaining crisis in much the same way as it appears from the viewpoint of the individual capitalist, as arising from lack of demand.⁷² Accordingly, while Kautsky was able to delineate the external appearances of the transition from prosperity to crisis and 'general collapse' in the course of the cycle, he neglected the inner relations which the crisis ultimately expresses.

Kautsky sought the explanation for the alternation of slump and boom in the expansion and stagnation of the market. Consequently, because "there is a limit to the extension of the markets", there was "a permanent pressure ... inherent in the capitalist mode of production" in the direction of "chronic overproduction".⁷³ This was particularly the case, he argued, because, firstly: "Today there are hardly any other markets to be opened."⁷⁴

And, secondly, because the competition of capitalist industry was proletarianising independent producers, "it lowers the purchasing power of the population and thereby counteracts the effect of the extension of the market".⁷⁵ In addition, by creating a proletariat wherever it sought markets, capitalism was creating the "foundation" for further centres of capitalist production and additional competitors for already limited markets: "Thus capitalist large scale production digs its own grave."⁷⁶ Moreover, with "the extension of the market" failing to "keep pace with the requirements of capitalist production", the form of the trade cycle was distorted, so that: "The intervals of prosperity become ever shorter; the length of the crises ever longer."⁷⁷

On the basis of Kautsky's underconsumptionist theory, and given that - as he argued - the extension of the market was reaching its outer limit, it is not clear why he should have envisaged any periods of prosperity. Nonetheless, in spite of being inadequately theorised, this conclusion, was to become a staple element of subsequent 'orthodox' Marxian analyses of major capitalist crises. In addition, Kautsky also provided - without further development at this stage - what was to become, for a time, the prevailing theory of imperialism within German social democracy (and which reached its apogee, and remained a lasting influence through, the work of Luxemburg, even after Kautsky and the majority of the Marxist centre had abandoned it). This theory derived from the notion that capitalism must secure a 'Third Market' if it was not to "suffocate in its own surplus": this could be either in the form of colonial markets or state expenditure (especially for military purposes).⁷⁸ According to Marx, of course, capitalist accumulation creates its own market by way of accelerating investment in capital goods, so long as the underlying conditions for continued capital valorisation remain unimpaired: a crisis of overproduction sets in as soon as insufficient surplus value is produced to valorise existing capital. From his underconsumptionist point of view,

however, Kautsky was able to claim that: "... ever greater quantities of products (must) be wasted, if it (the capitalist system) is not to go to pieces altogether."⁷⁹

Later theorists either developed and gave a more sophisticated content to Kautsky's framework of 1892, or else rejected it to move in the direction of a neo-harmonist interpretation of Capital. This indicates how little impact was made upon social democratic theorists by the third Volume of Capital. The same point is especially clear, moreover, in relation to the treatment by Kautsky and later theorists of Marx's LTRPF.

Kautsky devoted a whole section of The Class Struggle to the rate of profit and the implications of its tendency to fall. He explained this, however, without differentiating the organic from the technical composition of capital.⁸⁰ Apart from this then common error, Kautsky also failed to distinguish systematically between capital in its constant and variable forms, or to identify the motor of crises in the contradictory development of these forms. According to Marx, capital as self-expanding value is a social relation: the fundamental social relation of capitalist society - between wage labourers and capitalists - takes the form within production of a contradictory relation between variable and constant capital. And the analysis of this relation enabled Marx to explore the significance of this fundamental social relation for the development of the capitalist form of economy through crises. Because Kautsky lacked Marx's dialectical method, however, he missed the import of Marx's distinctions between the technical and organic composition of capital and constant and variable capital, and tended to conflate capital with its constant form. Consequently, Kautsky's tendency was to reduce Marx's value analysis - his interpretation of economic laws of motion in terms of the essential social relations of capitalist production - to a technical matter of secondary importance. Having done this, however, Kautsky was unable to explain economic crisis by means of conceptualising capital accumulation as value-in-process

or, therefore, to grasp the significance of Marx's LTRPF. Because of this, his theory of crisis neglected the fundamental contradiction within production and - instead - was based directly upon the secondary and derivative contradiction between the spheres of capitalist production and commodity circulation (thereby following the logic of their earlier undialectical separation).

Kautsky noted that "while the exploitation of the working man tends to rise, the rate of capitalist profit has a tendency to sink".⁸¹ He missed the point of this tendency, however, in merely noting it as "one of the most remarkable contradictions of the capitalist system of production".⁸² For Kautsky discussed it neither as a manifestation of the essential social relation of capitalist society on the economic level nor as the motor of capitalist crisis. Indeed, he specifically denied any causal link between a falling rate of profit and crisis. For in what Marx referred to as the "most important law of modern political economy", Kautsky saw only a factor accelerating industrial concentration.⁸³

Kautsky denied - as did Luxemburg - that a falling rate of profit could itself put the future of capitalism in jeopardy. After all: "The total quantity of capital ... grows at a more rapid pace than the rate of profit declines."⁸⁴ Marx, of course, was well aware that a falling rate of profit could, for some time, be compensated by an accelerated pace of accumulation giving rise to a relatively greater increase in the mass of profit. Nonetheless, he demonstrated that ^{the}TRPF was the index of a process that must eventually result in further capital accumulation leading to a diminution of the mass of profit - and hence overaccumulation, or a crisis of overproduction from the point of view of profitability. Kautsky, in contrast, argued that the mass of profit could grow indefinitely: it was only the 'small capitalists', "who are not able correspondingly to increase their capital", that suffer a decline in profitability and thus eventual bankruptcy and proletarianisation.⁸⁵ Accordingly: "The decline of profit and interest does not bring on the downfall, but the narrowing of the capitalist class."⁸⁶

Kautsky, in other words, transmuted the LTRPF from a theory of crisis into a theory of industrial concentration. This inversion of Marx's argument, moreover, is all the more remarkable in that it was to become the prevailing wisdom - accepted and reiterated not only by Hilferding, the major economist of the Second International, but also by Varga, the major economist of the Third International.⁸⁷ Of course, this error did not persist because these or other theorists were directly influenced by Kautsky. More likely, because they shared - to a greater or lesser extent - the same underlying failure to grasp and apply Marx's method, they were prone to similar theoretical errors.

Furthermore, Kautsky's coupling of Marx's LTRPF directly to the theory of concentration, is indicative of the greater importance attached to concentration than crises in the orthodox social democratic perspective: social revolution was predicated upon the tendency towards social polarisation and heightened class antagonism, which crises merely reinforced by increasing insecurity and demonstrating the incompatibility of private ownership of the means of production with the development of the productive forces.⁸⁸ Of course, the historical context for the neglect of Marx's crisis theory was that the 1890's displayed precisely a combination of class polarisation and economic growth. Immediately, however, the social democratic perspective and ideology were associated with a 'Rezeption' of Capital that uncoupled the LTRPF from the theory of crisis. For the political implications of Marx's theory in this regard are incompatible with a unilinear schema, whereby social revolution is assigned to the historical process.

In a sense, Kautsky was correct to stress causal connection between the falling rate of profit and the concentration of capital. In Marx, however, we find in the crisis

and those tendencies which overcome the crisis precisely the vital link lacking in Kautsky's argument. According to Marx, a worsening in the underlying conditions for profitable production - the rate of exploitation and the organic composition of capital - is expressed in a falling rate of profit and eventually a crisis of overproduction, but can be overcome to the extent and as rapidly as the various countervailing tendencies are mobilised. These include the expansion of the industrial reserve army and the lowering of real wages below the value of labour power (to raise the rate of exploitation), and the devalorising of constant capital (thereby lowering the organic composition of capital) as the competitive struggle intensifies and the least competitive capitals are driven into bankruptcy or taken over at below value by larger capitals. Thus a falling rate of profit does accelerate the process of capital concentration, but not in the way presented by Kautsky. For Marx, a major impulse is given to capital concentration because it is a concomitant of the countervailing tendencies by means of which the TRPF is restricted and crises overcome. Accordingly, capitalist economic development does not tend towards a 'final crisis', at which point capitalist reproduction is impossible because of an inadequate market. Rather, crises recur with the loss and restoration of the conditions for profitable production at successively higher levels of capital accumulation and concentration. According to Marx, therefore, it is not the process of capital concentration and increasing class polarisation which, in the fulness of time, bring about socialism. Instead, it is against this constant background that crises present periodic opportunities - and dangers - depending for their outcome upon decisive revolutionary intervention into the historical process. Such crises, insisted Marx, "by their periodical return put on its trial ... the existence of the entire bourgeois society".⁸⁹

For Kautsky, in contrast, his underconsumptionist theory of crisis precluded an understanding of the cyclical or recurrent nature of capitalist crises and, therefore, of the real context and cause of substantial boosts to

concentration. Politically, this meant that Kautsky understood capitalist crises as the harbinger of its general and irrevocable collapse. He did not understand crisis as a recurrent situation in which the countervailing tendencies to the TRPF had to be mobilised through a process of class struggle, and which could lead either to social revolution or to the long term renewal of profitable production on the basis of a counter-revolutionary defeat of the organised working class. Accordingly, while Kautsky sometimes stressed the importance of consciousness and even mass action,⁹⁰ such remarks were set firmly in the context of the ultimate collapse of capitalism, at which stage only the 'maturity' and preparedness of the working class could prevent society from falling 'to pieces'. In other words, Kautsky recognised - if only rhetorically - that the 'inevitability' of social revolution was qualified by the danger of a relapse into barbarism. But there was no doubt on Kautsky's part that, in either case, capitalism was finished: "Today there is no longer any question as to whether the system of private ownership in the means of production shall be maintained. Its downfall is certain. The only question to be answered is: shall the system of private ownership in the means of production be allowed to pull society with itself down into the abyss; or shall society shake off that burden and then, free and strong, resume the path of progress which the evolutionary law prescribes to it?"⁹¹

Because of his unilinear conception that capitalism was heading towards its final downfall, Kautsky allowed of no possibility that capitalism could fight back. With an overriding theory of capitalist breakdown rather than of periodic crises, Kautsky precluded the possibility that political means could secure the conditions under which the countervailing tendencies can take effect and so regenerate capitalism economically. Marx's theory of crisis entails the political conclusion that the working class has to do more than 'pick up the pieces' of a system undergoing breakdown: if each periodic crisis is not to be solved at the expense of the working class, it must overthrow a still

politically powerful capitalism. Kautsky's theory of crisis and the inevitable 'downfall' of capitalism, in contrast, led to the passive conception that the role of the party was to concentrate on organisation and propaganda to foster the 'maturity' of the working class (and, if need be, restrain the working class from premature struggles). Above all, Kautsky's conception of the tendency and end of capitalist economic development precluded the need to prepare the working class for a revolutionary offensive and seizure of power.

Of course, Kautsky was not responsible for the prevailing inspiration amongst social democrats in the early years of the Second International that capitalism was working towards its inevitable collapse and that - therefore - it would not be long before the working class could acquire political power.⁹² Yet in his position as leading theorist and publicist of social democracy, Kautsky was surely culpable. For in taking up the notion of capitalist collapse and using the term uncritically, Kautsky exaggerated Engel's tendency to discuss the historical evolution of capitalism towards collapse in isolation from the laws of motion underlying capitalist development identified by Marx. Because of this, Kautsky confirmed the completely misleading notion of capitalist collapse as a definite, historical time at which capitalism would become more or less impossible and so peacefully give way to socialism.

At the SPD's 1899 Congress, even after having attempted to dismiss the 'theory of collapse' as a polemical invention of Bernstein, Kautsky still upheld the strategic reference point of a final crisis signifying the historical terminus of capitalist development: "Crises work in the direction of socialism through accelerating the concentration of capital and increasing the insecurity of working class life; in other words, by sharpening the pressures which drive them into the arms of socialism... The continuous necessity of expanding the market on the other hand, contains a further moment; it is clear that the capitalist mode of production

becomes impossible from the moment when it turns out that the market can no longer be expanded at the same rate as production, i.e. as soon as overproduction becomes chronic. By historical necessity Bernstein understands an unavoidable situation (Zwangslage). Here we have such a situation which, when it sets in, inevitably produces socialism."⁹³ In spite of Kautsky's prevarication, this was clearly a 'theory of collapse' (even if he avoided the term). Instead of social revolution as the indispensable means of ending capitalism, Kautsky depicted the historical end of capitalism as the prerequisite of revolution.

The strategic significance of this perspective coloured the whole of Kautsky's politics. In Der Politische Massenstreik (1914), for example, Kautsky insisted that (as Geary notes), "a class whose interests were in keeping with the objective needs of economic progress would emerge victorious from the bitterness of social conflict".⁹⁴ Moreover, if the force of economic necessity guaranteed proletarian victory, then resistance from the ruling class was out of the question. Although Kautsky rarely wrote of social revolution in other than general or broadly historical terms, his retrospect on the mass strike illustrates how he expected revolution to be actually accomplished: "If we in Germany would come to a situation similar to Russia in 1905 ... we would need no mass strikes ... the social democratic and trade union organisations would then appear as the only unshakable rocks amidst the general chaos; the previously ruling circles would relinquish their power voluntarily and give themselves up to social democracy for protection from the peoples' rage. And no power in the world would then be capable of wresting social democracy from its position."⁹⁵

There is no reason to suppose that this scenario is any different from how Kautsky imagined the social revolution would arise from the approaching collapse of capitalism.⁹⁶ It was indeed portentous, that on the eve of their severest test the thinking of social democratic Marxists - part expressed, part formed by Kautsky - was influenced by the notion that whether by way of economic collapse or war, capitalism was ultimately doomed to a terminal crisis.

A perspective informed by Marx's Capital would have been grounded in a theory of economic crises and even wars as functional for the system as a whole, and hence as recurrent should the ruling class retain the political means of maintaining its social power. Many social democrats, however, were imbued with the idea that capitalism was approaching a definite, historical point at which it would become economically impossible and when - therefore - the 'ruling circles' would be rendered powerless. Representing this tendency, Kautsky's theory of crisis and 'collapse' precluded him from understanding that the capitalist economy can recover from the severest systemic crises - indeed, according to Marx, the deeper the crisis the greater the potential for recovery: later, consequently, he had no idea that although the 'ruling circles' would certainly seek the 'protection' of social democracy against unavoidable political dangers, this represented no 'relinquishing' of power but merely a tactical retreat on the political level as part of a grand strategy of retaining the old social order in republican form. In the light of the November 1918 Revolution, therefore, Kautsky signally failed to prepare social democracy to confront a system that would never collapse of its own accord, and whose representatives - so long as the old state apparatus was still intact and they had not been forcibly deprived of political power - could use their inherited advantages and political skills to reestablish the old order behind a social democratic facade.

Measured against the historical standard of the November Revolution, Kautsky's theory of collapse was strategically misleading. His perspective of socialism arising more or less 'inevitably' from the collapse of capitalism (or even its approach) informed and reinforced the overly determinist character of social democratic Marxism and still further obviated the responsibilities of leadership.

Finally, Engels provides an index of how far Kautsky fell below the level of strategic guidance that could have been derived even in accordance with established Marxist theory. For, in spite of a tendency towards a historicist interpretation of capitalist development and associated suggestions of an ultimate 'breakdown', Engels' strategic guidance related to social revolution not merely as a historical event or stage in social evolution, but as a practical task for an actual movement in political struggle against a tenacious and class conscious enemy. Consequently, for Engels, social revolution enhanced rather than diminished the importance of tactics and the role of leadership. For example. In what might also be taken as a warning against Kautsky's tendency to uphold democratic forms abstractly, in isolation from the social content, Engels advised Bebel as early as 1884 on the Party's orientation towards the still "academic" but eventually strategic question of "pure democracy and its role in the future".⁹⁷ For, cautioned Engels: "... our sole adversary on the day of the crisis and on the day after the crisis will be the whole of the reaction which will group around pure democracy, and this, I think, should not be lost sight of ..."⁹⁸ Looking forward to the November Revolution, there was never more insightful or apposite strategic guidance than this.⁹⁹ Yet it was 'lost sight of'; not only by Kautsky but by the social democratic majority as the SPD became, in effect, the 'democratic' party of Wilhelmine Germany. And contributing to the prevailing inability to heed Engels' advice was Kautsky's perspective of capitalist breakdown and social revolution; this - because it ruled out an active counter-revolutionary strategy on the part of the old 'ruling circles' - was incapable of conceiving how, at the moment of revolution, the SPD's 'purely democratic' intentions would play into the hands of its enemies by giving them the tactical means of eventually regaining political power. (Kautsky, moreover, fell behind Hilferding in appreciating the growth of profoundly anti-democratic and anti-egalitarian ideology amongst the 'ruling circles' and their class allies under imperialism:

this meant that a 'purely democratic' revolution in capitalist Germany was even less likely to be accepted by the 'ruling circles' as anything other than a tactical exigency.)

Kautsky did not originate the theory of collapse, but his 'Rezeption' of Capital led him to reinforce this pillar of social democratic ideology with the authority of 'science'. On the one hand, therefore, Kautsky's economic theory was directly to the detriment of social democratic strategic thinking. On the other hand, however, Kautsky was a creator of the vulgar Marxism against which revisionism reacted, and thus contributed indirectly to the growing tendency within social democracy to reject a Marxist strategic approach in principle. For once the long economic depression gave way to a general and vigorous economic expansion in the mid-1890's, expectations of economic collapse became less credible as the economic conditions which had sustained them were transformed. This increasing 'credibility gap', of course, lent impetus to revisionism. This was particularly so, because (in spite of the exceptional efforts of Parvus) social democrats either underestimated the economic upturn or steadfastly refused to attribute any strategic significance to it.¹⁰⁰ In these circumstances, because Kautsky had supported a 'pessimistic' theory of capitalist development now increasingly refuted by events, he was scarcely in a position to oppose Bernstein's 'optimistic' perspective.

Kautsky was so helpless in the face of revisionism that, at the SPD's 1898 Congress, he claimed the Party was indebted to Bernstein for a fruitful impulse towards rethinking its ideas.¹⁰¹ And worse, Kautsky's 'Rezeption' of Capital was bereft of sufficient inner resources to rectify the official misjudgement of economic development. Consequently, by the turn of the century, Kautsky could do little more than deny that there had ever been such a thing as the 'theory of collapse', while continuing to restate the underlying underconsumptionist theory of crisis.¹⁰² In this situation, Kautsky was unable to pioneer any

rethinking or new points of departure in the disputed area of crisis theory and the theory of collapse. Instead, in one of the areas of theory most important for political orientation, Kautsky came to occupy a secondary role - following in the trail of first Parvus and then Tugan-Baranowsky.

In the area of economic theory, Tugan's work was on a plane above Bernstein and constituted a far more serious theoretical assault on all variants of the theory of collapse and associated underconsumption theories of crisis. In response, although Kautsky was unable to rework underconsumptionism in a theoretically rigorous manner, he was able - nonetheless - to borrow sufficiently from Parvus' 'long-wave' theorisation of capitalist development to rework his theory of collapse into a reissue of Engels' perspective of a period of 'chronic depression'. However, as I will show in the next section, Kautsky's revamping of the orthodox theory of crisis and breakdown amounted to no more than a holding operation. It was to be less than a full-scale theorisation of imperialism, suggested no strategic or tactical reorientation, and ultimately failed to maintain conviction on either the right or left of the SPD.

3. The theory of crisis

I have dealt in some detail with Kautsky's popularisation and defence of Marxism, because his errors in methodology and, consequently, interpretation were typical and ubiquitous. Just as he had been apparently unperturbed by Bernstein's neo-Kantian assault on the dialectical method so, initially, Kautsky did not seem unduly disturbed when, by 1896-97, first Bernstein and then Conrad Schmidt sought (for the first time within the SPD) to reconcile marginal utility theory with Marx's theory of value. Moreover, although in 1899 Kautsky criticised Bernstein's eclecticism on the question of value theory,¹⁰³ his pedestrian comments scarcely matched Hilferding's profound critique of Böhm-Bawerk published in 1904 (but completed as early as 1902). Furthermore, Kautsky's efforts in the field of crisis theory, far from rendering Marxism more profound, were an obstacle to the understanding of what Marx had already achieved. Far from developing his understanding by way of a continually renewed appropriation of Capital and a consequent critique of his own earlier work, however, Kautsky was content merely to elaborate his established positions when sufficient impulse was provided by more original and innovative theorists. His major contributions to the theory of crisis were not independent initiatives but were occasioned by the work of his erstwhile proteges Parvus and Hilferding. To establish this is to reveal the theoretical origins of his eventual retreat before the increasingly fashionable neo-harmonist interpretation of Capital, together with the shifts in his theory of imperialism.

Just as Kautsky had been forced by Bernstein to consider more precisely the nature of capitalist 'breakdown', the occasion for his foremost work on the theory of crisis was the German edition of Tugan-Baranowsky's major work in this area in 1901.¹⁰⁴

Tugan was the first economist to begin the empirical study of crises by taking into account Marx's division of social production into two departments and the periodic renewal of fixed capital.¹⁰⁵ He was to be a particularly important influence on the subsequent development of social democratic economic thought, because he was the first to confront German Marxists with the refutation of underconsumptionist theories of crisis worked out by Russian Marxists in the course of their struggle against Populist 'pessimism' on the possibilities of capitalist development in Russia.¹⁰⁶

For the first time, economic discourse moved beyond the reiteration of Capital I for more or less directly political purposes, and had a devastating impact on the influence of the primitive underconsumptionist explanations of crisis - propounded but scarcely developed by Kautsky and Cunow - with which it had been supplemented. In reviewing Capital II shortly after its appearance in 1885, Kautsky neglected the schemes of expanded reproduction, merely commenting that: "Accumulation of surplus value, the expansion of the productive process, brings further complications."¹⁰⁷ Moreover, not only did Kautsky perpetuate this neglect, but his two lines were "literally everything" said on the subject for almost two decades¹⁰⁸ - until Tugan attempted to evaluate, as he put it, "the Marxist analysis of reproduction of social capital as an explanation of crises and, in general, of the laws of development of capitalism".¹⁰⁹

Tugan destroyed the underconsumptionist explanation of crisis by arguing that: "The schemata (i.e. of expanded reproduction) must be taken as evidence (that)... capitalist production creates its own market. If it is possible for social production to be expanded, and if there are sufficient forces of production for this, then given a proportional distribution of social production, demand must expand to correspond to the increased production."¹¹⁰ For according to Tugan, the schemes demonstrated (particularly once amended with a different set of figures) that limited - even diminishing - mass consumption was no barrier to accumulation, because demand is not only for consumer goods:

instead investment to expand production could itself create sufficient demand to realise a limitlessly expanding social product (even one with an increasing share accounted for by means of production).¹¹¹ Consequently, while the restricted consumption of the masses was a precondition of crises, it was false to explain crises or - as he repeatedly emphasised - posit the eventual breakdown of capitalism on this basis.¹¹² Instead, reproduction had no inner let alone ultimate barrier, while crises stemmed directly from the anarchy of production and were the result of consequently inevitable disproportionalities between the different branches of production: "Every non-proportional distribution of social capital necessarily leads to the overproduction of certain commodities. However, since the sectors of production are closely interconnected with each other, a partial overproduction of some commodities can easily become a general overproduction of commodities - the commodity market is flooded with unsold commodities and prices collapse."¹¹³ Correspondingly, of course, if production was to be organised by a planning instance possessing "full knowledge of demand" and the power "to transfer labour and capital from one branch of production to the other", then supply could never outstrip demand and the only barrier to limitlessly expanding production would be the available forces of production.¹¹⁴

Theoretically, the influence of Tugan's 'Rezeption' of Capital was enormous: according to Grossmann, he was "the true theoretician of the epigones of Marx".¹¹⁵ Of course, Tugan's work was an attack on Marx's LTRPF and established underconsumptionist theory alike. Yet because it drew heavily upon Marx's reproduction schemes to expound his theory that capitalist production (if only proportional) was immune to realisation problems, it soon came to be regarded (as Sweezy notes) "as Marx's own theory".¹¹⁶ Hilferding, for example, acknowledged Tugan as his point of departure in the section on crises in Finanzkapital, while he was a major influence on Otto Bauer's 'neo-harmonist' approach to capitalist development.¹¹⁷ Hilferding and Bauer, of course, were not only important social democratic theorists in the

pre-1914 era, but were to be - respectively - the leading ideological influence on the SPD and SPÖ["] in the inter-war period. As such, they demonstrate vividly the political implications of Tugan's theory once transposed from its original Russian context into European social democracy. These are outlined by Jacoby: "In Russia the disproportionality theory served, for a time, as an argument for a proletarian and Marxist politics - against a romantic focus on peasant socialism. But both in Russia and in Western Europe the political logic of the economic analysis asserted itself. The emphasis on crises emanating from economic disproportions - not contradictions - carried with it an inverse political logic: the end of crises due to state planning. The economic theory of disproportions seemed to issue into political reformism."¹¹⁸

In the light of the political repercussions of Tugan's theory, therefore, the implications of Kautsky's failure to refute Tugan adequately at the outset are far wider than that of an episode in the history of ideas. Accordingly, by way of a critique of Kautsky's response to Tugan, I will try to show that Kautsky, in merely defending his established underconsumptionist position, failed to deepen his own understanding of Capital - and hence was unable to counter Tugan at a sufficiently profound theoretical level to curtail his subsequent influence. As we shall see, this was particularly the case, inasmuch as Kautsky was unable to counter Tugan's 'Rezeption' of the reproduction schemes of Capital II by placing them in the context of the methodological structure of Capital generally, and in relation to Marx's LTRPF in particular.

Kautsky correctly identified Tugan as a 'Revisionist'.¹¹⁹ He was one of the most significant revisionists, moreover, because he sought to achieve something positive rather than sticking to "unfruitful criticism" (one of his criticisms of Bernstein).¹²⁰ In this case, as Kautsky recognised, a thoroughgoing critique was especially necessary and could be expected to illuminate the "essence of crises".¹²¹

It is astonishing, therefore, that Kautsky began his critique by completely misinterpreting Tugan's position on the fundamental problem of the theory of value. "Tugan Baranowsky", wrote Kautsky, "is a supporter of Marx's theory of value ..."¹²² In fact, Tugan's first work (published in 1890) was an attempt to synthesise the labour theory of value with the theory of marginal utility.¹²³ This, moreover, was not a youthful fancy but a constant preoccupation throughout his career: "In spite of the prevalent opinion", wrote Tugan in 1911, for example, "to the effect that the two theories mutually excluded each other, perfect harmony prevails between them."¹²⁴ Furthermore, in the work considered by Kautsky, Tugan sought to establish his own theory of profit by refuting the theory of surplus value. This, of course, involved a clear break with the labour theory of value. For, according to Tugan, "in regard to the rate of profit there is no difference between variable and constant capital".¹²⁵ "In the process of production as in the formation of the rate of profit", he insisted, "means of production play exactly the same role as workers."¹²⁶ Consequently, the theory of surplus value was "untenable" because "with reference to the creation of profit people and means of production are the same under capitalism".¹²⁷

Kautsky's main concern, however, was with Tugan as "an opponent of the theory of surplus value".¹²⁸ To Tugan, moreover, the theory of surplus value "seemed untenable ... because he held for false the law of the tendency of the rate of profit to fall which follows from it".¹²⁹ On the one hand, therefore, Kautsky tended to overlook the more fundamental labour theory of value while, on the other hand, he turned to the defence of Marx's LTRPF only in order to protect the theory of surplus value. Consequently, because he mistook Tugan's syncretic theory for adherence to Marx's labour theory of value, and in spite of recognising that the theory of surplus value followed with "iron necessity" from Marx's value theory, Kautsky failed to deal systematically with Tugan's work by way of a

fundamental critique of his theory of value. Accordingly, Kautsky furnished an able critique of Tugan's conclusions, yet failed to engage his underlying assumptions (apart from some commonplaces on labour as the sole source of value).¹³⁰ Kautsky was unable to reconstruct - in systematic opposition to Tugan - the theory of value and surplus value as the key elements of Marxist economic theory from which, moreover, Marx derived the LTRPF and worked out the 'economic law of motion' of capitalist society. Instead, Kautsky contented himself with a defence of Marx's LTRPF in isolation from Marx's systematic analysis of accumulation and crisis as value-in-process, and restricted to the partial aim of defending the theory of surplus value.

Tugan began his assault on the LTRPF in a way that is still familiar. Marx, he argued, neglected the effect of rising productivity on the value of output, and thus failed to realise that the consequent effect of devalorising variable capital on the rate of surplus value, together with the effect of devalorising the elements of constant capital on the organic composition, made the question of the rate of profit 'by no means as Marx assumes'.¹³¹

Moreover, continued Tugan, because it "would make no economic sense" to displace labour power by machinery unless output was thereby expanded, "the profit rate must accordingly rise as a consequence of the relative increase in constant capital".¹³² Consequently, Tugan believed himself to have refuted - indeed, completely reversed - the LTRPF on the basis of Marx's own labour theory of value.

In reply, Kautsky placed the effects of rising productivity in their correct context - according to Marx - as 'countervailing tendencies' to the TRPF.¹³³ Moreover, the main 'countervailing tendencies' could only be made into the dominant moment of the movement of the rate of profit on the basis of two untenable assumptions: firstly, that real wages remain constant (allowing the rate of surplus value to rise in direct proportion to increasing productivity) and, secondly, that the value of additional constant capital amounts to no more than the value of the consequently displaced variable capital.¹³⁴ In addition, Tugan openly proclaimed that the standpoint from which he developed his theory of

profit was that of the individual capitalist and 'vulgar-economics'.¹³⁵ Accordingly, Kautsky had little difficulty in demonstrating that the rationality of enhancing individual profitability by displacing variable capital has the 'unconscious consequence' of undermining the system as a whole, by depressing the average rate of profit (as competitive pressure generalises rising productivity, thereby reducing the general price level and the mass of surplus value in relation to an enlarged constant capital).¹³⁶

Finally, because this polemic can be considered the first - if generally unacknowledged - round of a still unconcluded debate surrounding Marx's LTRPF, it is worth noting Kautsky's admission that Tugan's "objections ... have a certain correct core", and were only "mistaken in that they made out to be unconditional and general what was only conditionally and occasionally true".¹³⁷ For although Kautsky did not proceed any further in this direction, in merely reasserting the LTRPF he came up against a problem that had bothered Marx himself; namely the lack of inner-determinacy logically justifying the primacy accorded the TRPF over the 'countervailing tendencies'.¹³⁸ Kautsky, however, by no means posed the problem clearly, and by way of a solution offered only the suggestion that the raising of the prevailing rate of profit through the introduction of new inventions was limited and temporary rather than general and lasting.¹³⁹

The ultimate reason why Kautsky did not take up the problems associated with Marx's view of the LTRPF as a 'logical necessity', was that, on the one hand, he did not see that Marx's theory of profit logically arose from his theory of value with the same 'iron necessity' as the theory of surplus value while, on the other hand, he did not understand the relevance of this 'most important law of political economy' (Marx) for the theorisation of accumulation and crisis. Consequently, Kautsky simply had no reason to embark upon the complex task of applying the value concepts underlying the LTRPF, by way of a theoretically guided

analysis of economic development (and of the phenomena of imperialism, in particular). Instead, Kautsky made no attempt to render received wisdom more profound in this regard, and limited his polemic to a formal restatement of Marx for the sole purpose of defending the theory of surplus value as the key element in the Marxism of the Erfurt 'synthesis'.

Immediately, therefore, Kautsky's reason for defending Marx's LTRPF was that if - as Tugan maintained - there was a tendency for the rate of profit to rise as living labour was displaced by machinery, then doubt was cast upon the theory of surplus value. This was the sole reason for Kautsky's sortie into the field of profit theory: it is demonstrated by the contrast between, on the one hand, his introductory promise that the ensuing polemic with Tugan would illuminate the important question of economic crisis and, on the other hand, the following apology for his "purely theoretical" investigation of "Marx's theory of profit" and his assurance that this section could be "skipped". For, he informed his readers, "the following is so formulated as to be understood without this section".¹⁴⁰ Here then, proclaimed with the utmost clarity, is Kautsky's thoroughly erroneous separation of Marx's LTRPF from the theory of crisis. Because of this, as we shall see in examining the next section of Kautsky's article (entitled 'The explanation of crises on the basis of underconsumption'), Kautsky was unable adequately to counter Tugan's theory of crisis and thus facilitated his future influence amongst social democrats.

In the course of his article, Kautsky made two interesting observations on theory within the SPD. Firstly, he wrote of the "horror" of theory even amongst readers of Neue Zeit.¹⁴¹ Secondly, "that crises are a consequence of overproduction" had become a "commonplace" and, moreover, that "it is obvious ... to explain crises on the basis of the underconsumption of the masses".¹⁴² Unwittingly, Kautsky

thereby tells us much about the backwardness, even disinterest in the scientific development of theory at the time of Tugan's intervention.

Theory had been appropriated within German social democracy as a matter of political importance but, as I have argued, as much in the manner of ideology as of science. Of course, no social theory exists solely in the ether of pure knowledge. Yet in the face of dramatic and widely observed changes in the form of capitalist development and, therefore, in the objective conditions of the class struggle from the 1890's onwards, the onus for comprehending these developments through advancing Marxism as a science lay squarely upon Kautsky. Instead, he was content to propagate Marxism as an ideology - while the social environment to which that ideology corresponded was already disappearing - and to intervene merely to prop it up should it come under attack. In the present case, Kautsky forgot Marx's elementary advice that "all science would be superfluous if the outward appearances and the essence of things directly coincided".¹⁴³ Or. "That in their appearance things often represent themselves in inverted form is pretty well known in every science except political economy."¹⁴⁴ For, as Marx emphasised in a passage referred to by Kautsky (but misunderstood by him in a manner subsequently to become conventional), "the ultimate reason for all real crises always remains ... restricted consumption of the masses".¹⁴⁵ Underconsumption, as Kautsky insisted, is the 'last reason' for crisis. By this, however, Kautsky failed to realise that Marx meant simply the cause that is visible in the realm of appearance (and is apparently the 'ultimate' or 'last' reason only because its underlying or essential determinants are empirically invisible). Because, according to Marx, capitalist production constitutes a system of fetishes, the essential or inner-relations and processes appear in inverted form, through the sphere of circulation and competition. Thus if the 'ultimate' or 'last' cause of crisis appears as underconsumption - glutted markets, products without consumers etc. - this in fact obscures, indeed, reverses the fundamental determination of crises of overproduction through the essential contradiction -

between use value and value - expressed in the TRPF.
Underconsumption theories of crisis, therefore, are merely ideological inasmuch as their point of departure is the circulation process in the realm of appearance and they consequently fail to penetrate to the essential inner-relations of capitalist production and the determinants of the rate of profit (and hence of the pattern of accumulation).¹⁴⁶
It is because of this, moreover, that - as Kautsky himself noted - the earliest and still most persistent explanations of crisis within the labour movement were underconsumptionist theories: indeed, not the least part of Marx's advance beyond utopian socialism was his refutation of underconsumptionism.¹⁴⁷

Accordingly, Kautsky defined the "generally accepted" or "orthodox" theory of crisis: "The capitalists and the labourers whom they exploit provide, with the growth of the wealth of the former, and of the number of the latter, what is, to be sure, a steadily growing market for the means of consumption produced by capitalist industry: the market grows, however, less rapidly than the accumulation of capital and the rise in the productivity of labour."¹⁴⁸
And this was all! Far from developing (or even reconstructing) Marx's theory of crisis in opposition to Tugan, Kautsky merely restated what had been his basic position since 1884.¹⁴⁹
In particular, he made no reference to social demand as a function of accumulation or to Marx's theory of the rate of profit as the fundamental regulator of the rate of accumulation: because of this, Kautsky made no attempt to explain why production has the inherent tendency to outstrip demand (let alone periodically).¹⁵⁰

Interestingly, however, Kautsky not only revealed the impoverished state of Marxist 'orthodoxy' at the time of Tugan's intervention, but once again confirmed the underconsumptionist theory of crisis as the framework within which a theory of imperialism was generally derived. For: "Capitalist industry must, therefore, seek an additional market outside of its domain in non-capitalist nations and strata of the population."¹⁵¹ Such a 'third market', was

nevertheless insufficient to overcome crises: "Such a market it finds and expands more and more, but not fast enough ... In this way every period of prosperity which follows a significant widening of the market is foredoomed to short life, and the crisis becomes its necessary end."¹⁵² Yet quite why the expansion and subsequent contraction of the 'non-capitalist market' should follow a cyclical pattern - let alone the decennial one Kautsky identified - was once again left unbroached.¹⁵³

On the basis of his 'orthodox' theory, Kautsky had little to oppose to Tugan. Tugan argued, it will be recalled, that - in the spirit of Say's law - "social production creates a market for itself": consequently, periodic crises arise not from capitalist exploitation or underconsumption but solely from the planlessness or 'anarchy' of capitalist production (which makes proportional production impossible to sustain).¹⁵⁴ He supported this position, moreover, by arguing that just as profit was created as much by means of production as by workers so, from the point of view of the market, the consumption of means of production was the same as the consumption of people: in which case working class consumption was irrelevant.¹⁵⁵ For, as he wrote some years later: "Despite an absolute decrease in social consumption, capital finds no difficulty in realising an ever expanding mass of products. The expansion of production - the productive consumption of the means of production - takes the place of human consumers."¹⁵⁶ And hence, driving this position to a logical extreme, his famous conclusion: "Even if all workers were replaced by machinery except for one worker, this single worker would be able to put into motion the vast mass of machinery, and with its help create new machines - and means of consumption ... The working class would disappear; this would not disturb in the least the self expansion of capital."¹⁵⁷

However, as the Russian Marxist S. Dwojlazki was to remark, "in no way could he have proved his really anecdotal conclusion by Marx's theory of the market, had he adhered to the LTRPF". "For his apologetic aims", he

concluded, "he had to refute this law and 'prove' that in capitalist society there really exists an opposite tendency."¹⁵⁸ In other words, had Kautsky not already consigned Marx's LTRPF to a 'purely theoretical' status, the means of definitively refuting Tugan would have been at hand. Instead, on the inadequate basis of his underconsumption theory, Kautsky was reduced to merely asserting the impossibility of capital accumulation along the lines of Tugan's schema.¹⁵⁹

Much the most interesting section of Kautsky's article is his reformulation of the orthodox notion of capitalist breakdown in terms of 'chronic depression'.

He began by asking "whether and to what extent the character of crises is changing, whether they display the tendency to disappear or to become milder as several revisionists in agreement with liberal optimists still insisted two or three years ago".¹⁶⁰ Now drawing appreciatively upon Tugan's concrete analysis - in particular, descriptive and statistical material - Kautsky did not hesitate to answer that "in general crises are becoming ever more severe and extensive in scope".¹⁶¹ Above all, in this regard, Tugan had refuted the belief of, for example, Bernstein that "crises could be removed through the further growth of employers' associations, cartels" etc.¹⁶² For, although particular industrial sectors could be planned, the relations between such organised sectors remains as unorganised and planless as previously. (Furthermore, as Kautsky learnt from Parvus, the tendency was for crises to be determined at the level of the world market and generalised internationally.)¹⁶³ Moreover, although cartels "could ameliorate the sharpness of the transition from upturn to stagnation" by means of maintaining price levels through a planned contraction of output, the consequence was mass unemployment as the burden of the ensuing depression was transferred from employers to workers.¹⁶⁴ Accordingly, the question as to whether crises were being ameliorated could be answered only from a class standpoint: for whereas the large employers suffered less from crises than before, the

working class was afflicted worse than ever (and, being confronted by increasingly well organised employers, was less able to take advantage of periods of prosperity).¹⁶⁵

The main point of this concluding section of Kautsky's article, however, was not just to introduce his readers to Tugan's analysis of the impact of cartelisation in modifying the character of the cycle. Kautsky's contribution was, rather, to combine Tugan's analysis of the tendency towards the prolongation of crises with Parvus' theory of the 'long-wave' pattern of capitalist development.

Kautsky used Parvus' interpretation of the course of capitalist development to help establish not only the tendentially longer duration of crises, but also (what hitherto had been merely asserted) their increasing severity. Using Tugan's history of crisis to support Parvus, Kautsky identified the first epoch as the years of political reaction and peace, 1815-1849, wherein economically the period 1815-36 was predominantly one of rapid expansion (a period of 'storm and stress' in Parvus' terminology), while 1836-49 was characterised by a tendency towards stagnation (a period of 'depression' according to Parvus). The second epoch of capitalist development according to this schema, stretched from 1849-1887, and likewise embraced a period of rapid economic expansion (1849-1873) and a period of "general and almost uninterrupted depression" (1874-1887).¹⁶⁶

Technically, Kautsky pointed out, the first epoch was associated with the introduction of steam power and railway construction in England, while in the second epoch "the extension of the world market went hand in hand with that of the railway network" and the technique of the chemical industry was revolutionised. Politically, periods of depression were marked by political radicalisation: Chartism from 1836-1849, and the rise of German social democracy and the revolutionary movement in Russia, together with the renewal of socialism in England, in the later period.

In accordance with this hypothesis for explaining capitalist development, Kautsky's immediate perspective was that the powerful economic upturn begun in 1887, but especially since 1895 - and conditioned by colonial expansion, rising gold production and the up and coming electro-technical sector - would continue. In spite of the crisis at the turn of the century, within a year or two a time of prosperity was on the cards - for a period of 'storm and stress' fashioned the industrial cycle so that crises were sharp but of short duration, quickly giving way to a powerful renewal of economic growth. Correspondingly, however, "we have in any case every reason to expect that following the latest period of 'storm and stress' - just as in the case of the two earlier such periods - will be a period of chronic depression, which also promises to be a period of the most powerful social revolutionary activity".¹⁶⁷

A period of economic depression, so Parvus had established (in connection with Engels), meant a slowing down of economic growth limiting the scope of cyclical upturn while, correspondingly, extending the duration of crises (which thus become simultaneously less sharp but more severe in impact).¹⁶⁸ Although this helped Kautsky to explain the eventual tendency for crises to become more severe, it should be noted that his underconsumption theory was still unable to explain the existence of the cycle or its periodicity. Equally, Kautsky's theory was no help in explaining the apparent regularities of the great epochs of capitalist development, which determined the character of the cycle and thus the economic resultant of several cycles and the general character of any particular period. Once again, Kautsky merely asserted underconsumption as the cause, without even attempting further explanation.¹⁶⁹ Nevertheless, although lacking any theoretical advance on his own part - let alone over Tugan or Parvus - Kautsky cleverly synthesised the results of their respective investigations into his concept of 'chronic depression': "According to our theory this development is a necessity,

and it is proved by this alone that the capitalist method of production has limits beyond which it cannot go. There must come a time, and it may come very soon, when it will be impossible for the world market even temporarily to expand more rapidly than society's productive forces, a time when overproduction is chronic for all industrial nations. Even then up - and downswings of economic life are possible and probable; a series of technical revolutions, which devalue a mass of existing means of production and call forth large-scale creation of new means of production, the discovery of rich new gold fields, etc., can even then for a while speed up the pace of business. But capitalist production requires uninterrupted, rapid expansion if unemployment and poverty for the workers and insecurity for the small capitalists are not to attain an extremely high pitch. The continued existence of capitalist production remains possible, of course, even in such a state of chronic depression, but it becomes completely intolerable for the masses of the population; the latter are forced to seek a way out of the general misery, and they can find it only in socialism ... I regard this forced situation (Zwangslage) as unavoidable if economic development proceeds as heretofore, but I expect that the victory of the proletariat will intervene in time to turn the development in another direction before the forced situation in question arrives, so that it will be possible to avoid the latter."¹⁷⁰

As pointed out earlier, try as Kautsky might to deny it, the logic of his underconsumptionist theory pointed inexorably towards a future capitalist 'breakdown'. Of course, Kautsky's perspective of a coming period of 'chronic depression' marked a considerable refinement of earlier, cataclysmic conceptions of capitalist 'breakdown', and was rendered all the more 'loose and indefinite' (as Sweezy put it) by the caveat that its full development would be precluded by social revolution.

I have dealt at length with Kautsky's article not only because it was his most important contribution on the theory of crisis and capitalist breakdown, but - more important than the somewhat meagre theoretical content - because it was pregnant with implications for Kautsky's political thought.

So far we have seen an undertheorised but nonetheless powerful and suggestive interpretation of capitalist development. Above all, it provided greater weight to his rebuttal of revisionism, while securing a firmer foundation for his social revolutionary strategy. On the one hand, "the conception of an amelioration of class antagonisms is incompatible with our theory of crises". "If the latter is correct", continued Kautsky, "the capitalist mode of production is headed for a period of continuous depression, and if the proletariat does not conquer political power sooner, economic development must intensify class antagonisms even before continuous depression is reached."¹⁷¹ On the other hand, Kautsky himself insisted that "theory and practice stand in the innermost reciprocity with each other ... one cannot change the one without being forced to reorder the other".¹⁷² Thus if Kautsky's words are to be taken seriously, his new interpretation of economic development lies at the core of his whole perspective.

Already, argued Kautsky, as the world market became increasingly limited relative to the possibilities of expanding reproduction, there consequently arose ever more severe international conflicts - by way of colonial expansion, protectionism and cartels - and heightened domestic antagonisms as each national capitalist class was driven to attack working class organisation as the way to reduce wages and intensify the labour process in order to increase competitiveness on the world market.¹⁷³ Moreover, in noting the association between previous periods of 'storm and stress' and periods of European wars, Kautsky held out the possibility that tariff-war with the USA and

the arms race with Britain could precipitate a war even before the coming period of 'chronic depression'.¹⁷⁴ In any case, the only future for the working class lay in the rejection of revisionist illusions and a resolute orientation towards class struggle. This was the political counterpart to Kautsky's alliterative perspective of 'Krisen, Kriege, Katastrophen': "Crisis, war, catastrophes of all kinds ... is the prospect placed before us in the development of the next decades. Just as so many dreams have gone up in smoke in the last few years - the dream of the elimination of crises through cartels, the dream of an unnoticed, peaceful, step-by-step conquest of political power... - so the events of the coming years will lead to the disappearance of that dream that now floats before our eyes, that wars and catastrophes are a thing of the past while before us stretches ahead the level road of peaceful, quiet progress."¹⁷⁵ For, as Kautsky concluded, "capitalist society rests on the struggle of opposites which... ultimately ever more sharpens and which must be fought out" before a more harmonious form of society would be possible.¹⁷⁶

Consequently, although The Social Revolution (1902) centred on the traditional thesis of concentration and class polarisation and, being more descriptive than analytical, did not repeat the theoretical analysis of crises and capitalist development, Kautsky's pamphlet still insisted on the possibility that "war may also become a means ... to place power in the hands of the proletariat", and again proclaimed the strategic conviction that "we are approaching a revolutionary epoch".¹⁷⁷ Similarly, in The Road To Power (1909) - a 'complement', as Kautsky put it, to his 1902 pamphlet and his most 'radical' popular systematisation of social revolutionary perspectives - Kautsky charted the weakening of those factors apparently softening class antagonisms, and the corresponding drift to reaction associated with the rise of 'finance capital', employers' associations, colonial policy, protectionism and the "competitive pressure for war".¹⁷⁸ Consequently, in the final chapter ('A New Period of Revolution') he not

only again pointed to the arms race and the imminence of war, but also emphasised the "policy of expansion or imperialism" which "even more than the competitive arming, is destined to cut off from the present mode of production its last possibility of further evolution".¹⁷⁹

Neither of these popular pamphlets contained any theoretical analysis of crises or of 'chronic depression' (it is worth recalling Kautsky's comment about the 'horror' of theory in this connection). Conversely, the descriptive account of growing international tensions and the danger of war occupied a correspondingly larger place than in his 1901 article. (This is understandable when considered in the light of the domestic political situation and the inner-Party hostilities surrounding militarism and imperialism in the years immediately preceding 1909.¹⁸⁰) There is no reason, however, to decouple Kautsky's depiction in 1909 of exacerbated internal and international antagonisms leading to an era of war and revolution from his theoretical analysis of 1901.¹⁸¹ Furthermore, if the popular outlines of Kautsky's social revolutionary perspective are understood in the light of the same perspective developed in 1901, in connection with his theoretical analysis of crises and economic development, then it is possible to shed additional illumination on Kautsky's strategic combination of 'verbal radicalism' and quiescent passivity (whenever confronted by a concrete issue requiring an immediate tactical response). For if, as in Kautsky's conception, within the epochal development of capitalism periods of 'depression' were associated with political radicalisation and social revolutionary advance, then the obverse of this position was that periods of 'storm and stress' were inherently - or at least much more likely to be - non-revolutionary and thus unpropitious for active revolutionary initiatives.¹⁸² It is true, of course, that Kautsky maintained war to be an ever present possibility during such periods of rapid economic development: yet in 1907 Kautsky argued that to move beyond legal forms of agitation to the kind of revolutionary initiative advanced by Hervé upon the outbreak of war, would

be "to provoke a catastrophe at the beginning of the war that would break the back of the masses for a long period".¹⁸³

In conclusion, then, according to Kautsky's conception, a period of 'storm and stress' in economic development generally precludes revolutionary tactics. Similarly, the outbreak of war - although quite possible in such a period and promising "great success at the end of the war" - also precluded immediately revolutionary tactics.¹⁸⁴ According to Kautsky's theory of economic development, therefore, the expansionary period of the third epoch, from 1887 or 1895, would soon give way to a future period of economic stagnation and social revolution (perhaps within a decade, according to Kautsky in 1909).¹⁸⁵ Hence the 'radicalism' of Kautsky in his work from The Social Revolution to The Road to Power. However, the transition from expansion to the complementary period of 'chronic depression' had not yet set in. Hence also his opposition to Luxemburg and Pannekoek over the present call for a mass strike.¹⁸⁶

Finally, it needs to be said that the conceptualisation of periods of capitalist development at once longer and more fundamental than the decennial cycle, was the most important development in Marxist economic theory between the death of Engels and the publication of Finanzkapital. Politically, however, 'long-wave' theories of capitalist development are intrinsically neither revolutionary nor reformist. In Kautsky's hands, the theory dovetailed perfectly with the general world view and politics of 'passive expectancy'. On the future reformist right of the SPD, moreover, Naphtali used S. de Wolff's concepts of alternating long periods of 'ebb' and 'spring tide' in the development of the world economy, developed in a 1924 'Festschrift' for Kautsky, to argue against radical departures after the 1929 crisis.¹⁸⁷ (He argued that the crisis was more devastating than previous ones only because the period as a whole was one of stagnation: it would eventually be overcome just as previous periods of stagnation had given way to renewed long-term expansion at other times in the history

of capitalist development.¹⁸⁸⁾ In Kautsky's case, one reason why radical conclusions were not sustained on the basis of his periodisation and 'long-wave' theorisation of capitalist development, is that he fell short of theorising the imperialist form of the latest epoch of capitalist development. For Kautsky's concept of the coming 'chronic depression' was theorised as the counterpart of a period of expansion within an epoch of capitalist development which, although unfolding at a quantitatively higher level, was qualitatively analogous to preceding epochs of the same kind. Thus whereas the qualitatively new imperialist form of economic, social and political development required theoretical innovations and radical departures in social democratic practice - for, politically, the form as much as the social content of capitalist development is decisive - the high-tide of Kautsky's radicalism was associated with a theory of capitalist development holding forth the promise of future victories similar to those following analogous periods in the past, and hence with much the same strategy and tactics.

4. The theory of imperialism

The purpose of this concluding section is to extend the conclusions arrived at in relation to Kautsky's theory of crisis into an explanation of the weaknesses and most important changes in his theory of imperialism.¹⁸⁹

Although on occasions throughout the 1890's Kautsky stressed the particular interest of the state (and the pre-industrial elites which managed it) and 'financial capital' in imperial expansion, the stress in his main works - as I have indicated - remained upon the derivation of imperialism from the structural link between under-consumption and crisis.¹⁹⁰ This was certainly the case in his major work on Socialism and Colonial Policy (1907).¹⁹¹ Here, Kautsky drew together the limitation of competition through protectionism and monopolisation, the wastage of products through militarism, capital export and colonial expansion; and theorised these developments as "a necessity for the capitalist class" imposed by the limitation of the market arising from restricted working class consumption.¹⁹²

The rupture in Kautsky's thinking, therefore, occurred when he began to explain imperialism (as Geary notes) "by the changing relationship between agriculture and industry in an industrial state".¹⁹³ In other words, as his underconsumptionist theory of crisis came to be displaced by a theory of disproportion. To understand this development and grasp its theoretical and political import, it is first necessary to complete the foregoing analysis of Kautsky's crisis theory by way of discussing the impact of Hilferding's Finanzkapital on his thinking.

In the field of crisis theory - which Kautsky himself admitted was "amongst the most important questions of socialist theory" - Kautsky was only ever moved to substantial treatment of the issues involved by the achievements of others.¹⁹⁴ Accordingly, the way in which the internal

possibilities of development of Kautsky's underconsumption theory were realised, depended on whatever the major external theoretical influence was at the time. Thus no more than Kautsky's position in 1901 can be understood without reference to Tugan and Parvus, can the modification of his theory in 1911 be understood without considering the impact of Hilferding's work.

The impact of Hilferding in this period was all the greater, because for many years there had been criticism of the 'barrenness' of Marxism since the death of Engels and even talk of the 'crisis of Marxism'.¹⁹⁵ This was particularly the case in relation to economic theory, because (as Sweezy notes): "For a full decade after the appearance of Tugan's book ... no strikingly new points of view were introduced into the breakdown controversy ... Out of the Bernstein debates had come a relatively stabilised version of orthodox Marxist theory: as regards crises and capitalist breakdown it followed closely the views that Kautsky had put forward in 1902."¹⁹⁶ Accordingly, Kautsky not only had to admit that this reproach "was not wholly without foundation", but in his position could hardly avoid personal responsibility for the nearly "decade long ... crisis of Marxism" generally and of Marxian economics in particular.¹⁸⁷

Amidst a certain revival of Marxist theory, which Kautsky claimed to have detected in recent years, it was thus Finanzkapital that he welcomed as one of the "most notable" contributions to Marxist thought generally and as a "continuation of Marx's Capital" itself.¹⁹⁸ The extent to which this judgement was justified is assessed below (Chapter 5). Nevertheless, it is not hard to appreciate the pride and boost to morale experienced by Marxist theoreticians upon the publication of a work of such scope as Finanzkapital. Yet while Hilferding's work was a refutation of those critics who believed Marxism to be a rigid doctrine incapable of creative development, it implicitly revealed at least an element of truth in this charge when applied to Kautsky.

In the field of crisis theory, the publication of Finanzkapital revealed that Kautsky's by then 'orthodox' underconsumptionist views had not only failed to satisfy Hilferding, but were decisively rejected in favour of Tugan's disproportion theory.¹⁹⁹ Moreover, the accompanying 'breakdown' theory - which Kautsky had continued to propagate - was equally contemptuously dismissed by Hilferding.²⁰⁰ Consequently, in a long review-article, Kautsky lightly passed over the significance of Hilferding's work as the theorisation of a new stage of capitalist development: he merely noted Hilferding's concept as "a new proof for the necessity of the sharpening of class antagonisms", and concentrated instead on what Finanzkapital had to offer by way of a theory of crisis.²⁰¹ For here was the occasion for Kautsky to play his part in the revival and renewal of Marxist theory by developing his theory of crisis which, essentially unchanged in 25 years, had ultimately - and now manifestly - failed to maintain credibility.

Kautsky was now as uncritical of Hilferding as he had been critical of Tugan a decade earlier. In particular, Kautsky praised Hilferding for analysing the aspects of finance capital - including those of money and crisis - "on the basis of value theory".²⁰² Yet, as Kautsky realised, Hilferding's theory of money was quite incompatible with that of Marx.²⁰³ In spite of this insight, however, Kautsky did not see in this the first of Hilferding's systematic departures from Marx's theory of value (see below, Chapter 5), instead arguing that it was without "practical and theoretical effect".²⁰⁴ Once again, Kautsky defended Marx's labour theory of value without appreciating its significance for Marxist thought as a whole. Accordingly, although Hilferding had developed his theory of crisis from the same misinterpretation of Marx's reproduction schemes as Tugan - and which was thus incompatible with Marx's value theory - Kautsky thought Hilferding's argument in this regard to be among the "best and most fruitful of his book" and the one that had most "stimulated" him to the further development of his own views.²⁰⁵

Kautsky did not immediately abandon his underconsumption theory, but initially sought simply to combine it with Hilferding's disproportion theory. The result, however, was not a theoretically rewarding synthesis, but merely an eclectic theory of crisis: "the anarchy of commodity production", "the underconsumption of the working masses" and the "differentiation in the conditions of growth of the different components of the social capital" were simply ranged alongside each other.²⁰⁶ Nevertheless, because he was not prepared to argue the point with Hilferding (as he had been with Tugan), Kautsky was forced into a decisive rupture with pure and simple underconsumption theory.

This was signalled by Kautsky's open recognition of the fundamental objection to all such theories; viz., that they "by no means clearly reveal how it (i.e. underconsumption) operates in the process of production and why overproduction was not continuous" but cyclical.²⁰⁷ Finally brought to see its inadequacy, Kautsky sought to modify his underconsumptionist theory to account for these criticisms, by adopting elements of Hilferding's analysis of reproduction and disproportion theory of crisis. Consequently, Kautsky turned to the schemes of simple and expanded reproduction to investigate "the conditions that must pertain if a lasting equilibrium between production and consumption is to obtain".²⁰⁸

Immediately, Kautsky was forced to concede to Hilferding (and Tugan) that accumulation and expanding production "need not come to overproduction", so long as there is a "continual increase of consumption".²⁰⁹ This last qualification was redundant inasmuch as the reproduction schemes illustrate the possibility of sufficiently increasing mass consumption (from the point of view of the needs of capital accumulation). Nonetheless, it provided Kautsky with the bridge he needed to engage in a tortuous attempt to demonstrate an intrinsic tendency within capitalist production to disrupt the proportionality of production and consumption.

Kautsky now admitted that mass 'underconsumption' was compatible with - indeed, a precondition, of - "the growth of accumulation".²¹⁰ Consequently, his attempt to preserve at least the semblance of his conventional underconsumption theory came to depend on imputing difficulties to the raising of capitalist consumption sufficiently to keep pace with the increasing production of consumer goods. (This same point, moreover, had been raised by Kautsky in a rudimentary form in 1901: in his initial theorisation of economic crises, however, capitalist consumption was treated in the secondary role of a factor unable to compensate for mass underconsumption.²¹¹) Such difficulties, argued Kautsky, arose when consumer goods were considered not merely as values but also as use values - as differentiated, therefore, into luxury and mass consumption goods.²¹² For with growing accumulation and exploitation of the workers, capitalist consumption of luxury goods must grow more quickly than mass consumption. "Thus", continues Kautsky, "the production of means of luxury must actually increase faster than that of the means of mass consumption." "In fact", argued Kautsky, "the opposite is the case."²¹³ Consequently, concluded Kautsky, there appears "an antagonism between the direction of consumption and that of production" and eventually - by implication - a crisis of overproduction.²¹⁴ (Although without in the least explaining why Department II - under the stimulus of rising prices for luxury goods and falling prices for mass consumption goods - could not be internally restructured.)

This, of course, was no longer a theory of underconsumption based simply on the observable phenomenon that a relatively impoverished working class could not consume what it produced. Indeed, Kautsky's modified theory of crisis was based not so much on a contradiction between production and consumption generally, as on a supposedly disproportionate development between the sub-departments (luxury and mass consumer goods) of Department II (all means of consumption).

This renewal of the content of Kautsky's theory of crisis - while holding back from finally casting off the

form of underconsumption theory - was above all important for his theory of imperialism. For, following upon his 'discovery' of this initial disproportion, Kautsky drew his readers' attention to an associated disproportion between industrial and agricultural production.

According to Kautsky, the agrarian sector - or, at least, its non-capitalist part - was vital to capitalist development; firstly as a market for the unsalable surplus of industrial consumer goods caused by the disproportionate structure of Department II and, secondly, as a source of raw materials.²¹⁵ If capitalist reproduction was not to come to a standstill, proportional interchange between industry and agriculture was as important as between the two great departments of social production.²¹⁶ Yet, because of the differing conditions of production, agricultural production not only developed more slowly but was also less flexible in comparison with industry.²¹⁷ And this posed, for example, the danger of "disproportionality between fixed and circulating capital": industrial accumulation tended to increase demand for raw materials faster than the supply could be increased, thereby raising prices and interrupting the expansion of fixed capital.²¹⁸ Moreover, agriculture also "formed a barrier to industrial capitalism", because its slower development of production (and the decline of rural population) meant a slower expansion of consumption than was necessary to match the productive potential of industry.²¹⁹ Consequently, it was a life or death matter for capitalism to continually expand the agricultural sector at its disposal: "It needs to do that", concluded Kautsky, "in order to expand its source of supply of raw materials and foodstuffs more rapidly than is possible through natural increase; but also in order to be rid of its surplus of industrial products."²²⁰ And this, according to Kautsky, was the driving force not only of colonialism but also of capital export (because, for example, colonial markets and raw materials necessitated railway construction).²²¹

In this new theory of colonialism, Kautsky succeeded in preserving the form of much of his original underconsumptionist theory of crisis. Indeed, he managed to reinstate the traditional conclusion of such theories - that of the ultimate economic 'breakdown' of capitalism (at least in its 'chronic depression' variant): he argued that the destruction of natural economy to create a commodity market, together with capitalist export, created the conditions for industrialisation in previously undeveloped agrarian lands and that, therefore, the market for the old industrialised countries would be eventually restricted more than expanded.²²² The modification of the content of Kautsky's theory under the influence of Hilferding, however, endowed Kautsky's thought on crisis and imperialism with new and, as we shall see, politically important possibilities of development.

The criticism of Kautsky's new theory need not detain us long.²²³ From the point of view of Capital, the phenomena comprising imperialism are to be explained as possible because of the nature of the world market as a unity of competing national capitals at different levels of economic development, and necessary insofar as they amount to factors counteracting the TRPF (or means necessary to allow the operation of these factors in this manner; such as militarism). The main factors counteracting the TRPF and crises of overproduction through gaining additional surplus value from outside the national economy, are capital export, the securing of the cheapest possible raw materials, and 'unequal exchange': yet it is irrelevant whether the impetus of each national capital to solve its valorisation difficulties on the level of the world economy proceeds in relation to undeveloped agrarian lands or less developed or weaker capitalist countries.

Furthermore, Kautsky made no attempt to establish empirically the putative disproportion between agriculture and industrial development from which he derived his theory of imperialism. Yet his own work on agrarian development

should at least have made him consider whether, on the one hand, the 'industrialisation of agriculture' could not eventually raise productivity so as to increase production by intensive means and thus obviate the need for extensive expansion: on the other hand, again as he maintained in Die Agrarfrage, 'the more efficient utilisation of raw materials' and 'the production of synthetic substitutes' would likewise have tended to eliminate this disproportion.²²⁴ Moreover, as editor of Theories of Surplus Value, Kautsky might have considered the validity (or otherwise) of Marx's view in this regard. At the beginning of capitalist development, argues Marx, "productivity in industry develops rapidly as compared with agriculture", whereas later "productivity advances in both, although at an uneven pace". "But when", concludes Marx, "industry reaches a certain level the disproportion must diminish, in other words, productivity in agriculture must increase relatively more rapidly than in industry."²²⁵ Marx's argument, of course, depended on the development of 'agri-business' and the thoroughgoing application of scientific technique. Inasmuch as Kautsky shared this perspective on the tendency of development in agriculture, his disproportion theory of crisis and imperialism is inconsistent with the conclusions of his earlier work.²²⁶

I will now attempt to show how Kautsky's theoretical rupture from a purely underconsumptionist theory of crisis and imperialism facilitated his slide into the 'optimistic' fantasies of 'ultra-imperialism' (according to which "the mutual struggle of national finance - capitals" was to be superceded by "the joint exploitation of the world by internationally associated finance capital").²²⁷

Before undertaking this final part of the analysis, however, it is useful to place Kautsky's final theory of imperialism in the context of an initial, unsuccessful attempt to dissociate the struggle against imperialism and war from social revolution: it was not the case that Kautsky's theoretical rupture autonomously generated the apparently startling reversals of earlier, almost traditional

positions. In the few years before 1914, there were compelling political reasons to deny that imperialism was a necessary stage of capitalist development and war its inevitable corollary: for, as Geary points out, Kautsky clearly experienced a logical contradiction between this position, on the one hand, and his espousal of the cause of disarmament even before social revolution on the other.²²⁸ More generally, of course, it was precisely during the years 1911-14 that the question of the theoretical assessment of imperialism overlapped inner-Party disputes on the practical attitude the working class should take to the danger of war and the decisive question of the Party's attitude to mass movements and extra-parliamentary tactics.²²⁹ After events in 1910 revived debate on the mass strike and precipitated a division in the old radical wing of the SPD - thereby giving rise to a new series of political alignments - the newly arising Marxist 'Centre', and particularly its ideologue Kautsky, was increasingly preoccupied with rebutting the new 'radical' left. They were faced with the problem that (as Salvadori puts it): "... it was clear that the tactics and strategy of social democracy would have to be altered if the escalation of inter-imperialist conflicts into an international conflagration had to be regarded as inevitable."²³⁰ Yet in these years, Kautsky dedicated himself precisely to defending the traditional tactic - which "has brought our party victory after victory for more than four decades" insisted Kautsky in 1910-11 - against the radicals' fight for a thoroughgoing reorientation.²³¹ Accordingly (continues Salvadori), Kautsky "developed an analysis of imperialism that complemented his analysis of the domestic situation".²³² For if Kautsky had not rejected his earlier position - that "war is strictly linked to the essence of capitalism and is therefore inevitable" (1910-11) - then, concludes Salvadori, "he would have been unable to avoid re-thinking his internal strategy, which was now largely based on the prospect of a progressive democratisation of existing institutions ... and on the growth of social democracy within them".²³³ This contradiction, moreover, was forced upon Kautsky by a

polemic in 1911/12 on the question of disarmament.²³⁴ Opposing left radicals such as Pannekoek, Lensch and Radek - and deepening the rift between the Party 'centre' and 'left' - Kautsky played his familiar 'official' role through legitimising the SPD's increasingly pacifist approach, by attempting to keep Marxist theory in line with the SPD's new-found role as the 'peace Party'. He did this by developing his theory of imperialism by incorporating the new concept 'ultra-imperialism' so as to explain why economic competition between the great powers need not lead to war and that, consequently, a disarmament campaign held every promise of success.²³⁵

Kautsky had previously seen imperialism and war as the inevitable consequence of capitalist development; and social revolution, therefore, as the only alternative. By 1912, however, he had reduced imperialism to the significance of merely a particularly violent - but by no means necessary - political means of conquering new markets.²³⁶

This new position was partly predicated upon an unchanged confusion - or, at least, overidentification - of imperialism with colonialism.²³⁷ Kautsky had been the first social democrat to theorise colonialism and continued to attach great importance to it: in 1902, for example, he wrote that the new period of capitalist development since 1895 was "conditioned by colonial policy".²³⁸ Later, however, Kautsky failed to see colonialism as simply a part of the interconnected whole of capitalist development: he was thus unable to draw profound and politically significant conclusions from the characterisation of contemporary capitalism as the epoch of 'finance capital'.²³⁹

Kautsky agreed with Hilferding that "the capitalist future belongs to finance capital... the most brutal and powerful form of capital in both the international competitive struggle and in the domestic class struggle".²⁴⁰ Yet Kautsky merely appropriated the form without due regard to the profound content of Hilferding's concept. For Hilferding, 'finance capital' was a concept to characterise the nature of the latest phase of capitalist development: "Finance capital signifies the unification of capital. The previously separate spheres of industrial, commercial and

bank capital are now placed jointly under the direction of high finance, in which the captains of industry and the banks are united in intimate personal union ...

This naturally has as a consequence a change in the relationship of the capitalist class to state power."²⁴¹ Nonetheless, without in any way challenging Hilferding's conception of the epochal significance of finance capital, and in opposition to the import of his own observations over a decade previously, Kautsky affected to see a politically significant contrast between the interests of 'finance capital' and those of 'industrial employers'.²⁴²

'Finance capital' argued Kautsky, was increasingly dependent on drawing profits from capital export (and staking out zones for future penetration) and thus made common cause with the forces within the state interested in colonialism and militarism: 'industrial employers', meanwhile, - like taxpayers generally - were severely burdened by the costs of the arms race and colonialism, while industrial progress generally stood in need of peace.²⁴³ Accordingly, concluded Kautsky, although imperialism was economically determined it was not an economic necessity. Instead, imperialism was merely a specific economic policy arising from the political leverage of finance capital. Consequently, because imperialism was not an economic necessity but a question of political power (and thus could be overcome within capitalism), war was not inevitable: moreover, the political strategy of the working class should be to throw its weight behind the peacefully inclined sections of the industrial capitalist class.²⁴⁴

Before long, however, Kautsky's theory and corresponding hopes invested in progressive bourgeois currents had proved illusory: "Nothing more", he wrote in 1913, "can be expected from bourgeois democracy in the struggle against militarism."²⁴⁵ Consequently, he was forced to return to the theory for which he had laid the foundations in his review of Finanzkapital, and which was now to debouch into the fully blown version of his notorious theory of 'ultra-imperialism'. Ironically, however, whereas his first

attempt at a theoretical justification of current Party practice involved a somewhat depreciated concept of finance capital, this second attempt entailed its complete neglect. Previously, Kautsky had escaped the implications of a hegemonic finance capital by conjuring up a peace-loving free trade orientated industrial capital, which might be supported in a struggle to change state policy.²⁴⁶ Yet now Kautsky was forced into a second attempt to prove that imperialism could be overcome within the confines of capitalism. And this proceeded by overlooking Hilferding's seminal concept of finance capital, only to find its point of departure in his erroneous theory of crisis.²⁴⁷

The possible reformist implications of underconsumption theories of crisis are well known. Writing in 1901, for example, the talented revisionist economist Conrad Schmidt posed the disarmingly simple question: "How ... can one determine in advance the degree to which the labouring masses may be able, through trade union and political struggles against the capitalists, to raise their income (and hence definitive consumption demand)? How, thus, can one predict that the increase in workers' income must always necessarily lag behind the income increase and the accumulation of the capitalist class, which indeed was the basis of this entire prophecy of catastrophe."²⁴⁸ The implication of Schmidt's rejection of 'breakdown' theory - that reformist activity could serve the interests of the working class and keep capitalism going indefinitely - was eagerly seized upon: "For instance", as Luxemburg explained, "it is one of the main planks in the agitation of the social democrats, and above all of the trade-union leaders, that economic crises take place chiefly as the result of the short-sightedness of the capitalists, who simply will not grasp the fact that the masses of the workers are their best customers and that all they need do is to pay these workers higher wages in order to ensure the existence of unflinching purchasing power for their goods and thus avoid all danger of crises."²⁴⁹

This then, was the reformist counterpart to the radical

implications of the 'breakdown theory' likewise predicated upon underconsumptionism. Kautsky, however, did not proceed in a revisionist direction by means of simply inverting the theoretical and political implications of his theory. Rather, he proceeded in this direction by way of completing the modification of his once underconsumptionist theory into a disproportion theory of crisis. This was above all evident in the famous study Imperialism published shortly after the outbreak of war in 1914.²⁵⁰

Forgetting his earlier emphasis on finance capital, Kautsky now defined imperialism as "a product of highly developed industrial capitalism".²⁵¹ According to Kautsky, the more rapid development within each country of industry as compared to agriculture tended to violate the proportionality of the different branches of production. This was "an important reason" for periodic crises, and explained why "the growing ability of capitalist industry to expand constantly increases the pressure to extend the agricultural zone that provides industry not only with foodstuffs and raw materials but also with customers".²⁵² Consequently, imperialism "consists in the striving of every industrial capitalist nation to bring under its control or to annex all large areas of agrarian territory".²⁵³

Of course, the characteristic imperialist drive to secure economic advantage through political dominance and violence is more all-embracing - both internationally and domestically - than this suggests. Yet by thus narrowing his definition, Kautsky was better able to reduce imperialism to a mere technique or just one of a number of possible political "forms" taken by "the constant drive of the industrialised capitalist countries to extend the agricultural zones involved in trade relations with them".²⁵⁴ And also, Kautsky adds further on, "to prevent (the agrarian zones) from developing their own industry and to force them to restrict themselves entirely to agricultural production".²⁵⁵⁾

"There can be no doubt", Kautsky concluded, "that the construction of railways, the exploitation of mines, the increased production of raw materials and foodstuffs in the agrarian countries has become a life necessity for capitalism".²⁵⁶ The "basic question", however, remained: "Does it represent the last phenomenal form of capitalist world policy, or is another form still possible?"²⁵⁷

Kautsky had no doubt that the subjugation of the agrarian zones could be overcome only through colonial revolt or proletarian revolution. Nonetheless, precisely the fact that capitalism was threatened in this way (particularly from newly arisen national liberation movements in Asia and the Arab world), together with the economic burden of the arms race (which stirred up opposition amongst working class taxpayers while threatening "the rapid increases of capital accumulation and thereby capital export") and now the reality of war, meant that: "Every far-sighted capitalist today must call on his fellows: capitalists of all countries, unite!"²⁵⁸ The logic of Kautsky's parody of Marx was that "the sharp contradictions between the industrialised capitalist states" threatened the system as a whole to such an extent as to condition the peaceful evolution of imperialism into an internationally integrated 'ultra-imperialism'.²⁵⁹ Moreover, because the economic burden of arms expenditure and war undermined capital accumulation and capital export - "the basis of imperialism itself" - Kautsky concluded: "Imperialism is thus digging its own grave. From a means to develop capitalism, it is becoming a hindrance to it."²⁶⁰ On the other hand, however, capitalism "can continue to develop so long as the growing industries of the capitalist countries can induce a corresponding expansion of agricultural production".²⁶¹ Accordingly, the policy of imperialism was not indispensable but rather a threat to capitalist development and "therefore cannot be continued much longer";²⁶² "Hence", concluded Kautsky, "from the purely economic standpoint it is not impossible that capitalism may still live through another phase, the translation of cartellisation into foreign

policy: a phase of ultra-imperialism ... a holy alliance of the imperialists."²⁶³

We can now see how the modification of Kautsky's underconsumption theory of crisis, to encompass Hilferding's emphasis upon disproportion, facilitated the change in Kautsky's theory of imperialism.

The first point is that Kautsky's underlying theory of crisis still maintained some formal continuity with his former underconsumptionism: he still claimed that "the outlets for industrial products in the agrarian areas may not grow as fast as industrial production".²⁶⁴ The predominant element of his modified theory of crisis, however, was an emphasis on fundamental structural disproportion.

It must be emphasised, furthermore, that the explanation of crises of overproduction (which appear as underconsumption) in terms of disproportional development between the various sectors of production also marks a clear break with Marx's theorisation of the inner-contradictions of capitalist production. According to Marx, whatever difficulties capitalism may experience in securing the realisation of commodities or raw materials supply, the fundamental cause of antagonisms on the world market is the immanent inability of capital to sustain profitable production. Consequently, whatever the possibilities from time to time of 'ultra-imperialist' agreements for the common exploitation of undeveloped regions, these cannot overcome the fundamental drive of national capitals to compensate failing valorisation at the expense not only of undeveloped regions but also other developed capitalist economies. And in this case, the competitive struggle of national capitals for additional, external sources of surplus value dictates antagonism rather than cooperation as the predominant moment in international relations. Yet from the point of view of Kautsky's disproportion theory - as has been pointed out in connection with Tugan - it was but a short, logical step to conceive of an 'organised' and thus harmoniously

developing capitalism: an internationally 'organised' capitalism, moreover, in the case of Kautsky.

It is a sad reflection on the state of Marxist theory in the 1920's that both Hilferding and Bukharin followed in the footsteps of Tugan. Yet neither Hilferding's concept of the 'general cartel' nor Bukharin's unified 'state capitalist trusts' overstretched the logic of disproportion theories of crisis into a perspective of an internationally 'organised imperialism'. Yet at a time when Hilferding considered the 'general cartel' merely 'conceivable' and the theory of 'organised capitalism' was as yet merely latent, Kautsky made the leap directly from his disproportion theory of crisis to the possibility of capitalism peacefully securing the conditions for its indefinite, harmonious expansion, by means of an ultra-imperialist policy of jointly exploiting agrarian areas. This perspective, of course, was only possible on the basis of a disproportion theory of crisis: this leap would not have been possible had Kautsky maintained his pure and simple underconsumption theory. It is possible to envisage disproportionalities being 'ironed-out' through inter - or ultra-imperialist cooperation if these were the only obstacle to common economic growth: it is not possible even to imagine durable international organisation of this kind, however, if underconsumption is structurally intrinsic to capitalism, so that it was not the benefits of growth but the losses of relatively shrinking markets that had to be shared out.

Finally, on the critique of Kautsky's theory of 'ultra-imperialism'. Kautsky's vision of a historical 'phase' of ultra-imperialism ignored the necessarily uneven development of capitalism. As Lenin indignantly objected (in simply expanding upon a similar point from Hilferding):²⁶⁵ "... because the only conceivable basis under capitalism for the division of spheres of influence, interests, colonies etc., is a calculation of the strength of those participating ... And the strength of these participants in the division does not change to an equal degree... 'ultra-

imperialist' alliances, no matter what form they may assume ... are inevitably nothing more than a 'truce' in periods between wars."²⁶⁶ Methodologically, Kautsky's procedure was one-sided, in that it "separates one link of a single chain from another, separates the present peaceful ... alliance of all the powers for the 'pacification' of China ... from the non-peaceful conflict of tomorrow".²⁶⁷

In predicating economic crises and 'the policy of imperialism' solely upon the tendency of capitalist production towards disproportionate development, Kautsky allowed himself to draw the political conclusion that the organised working class must "differentiate between finance capital and its policy, imperialism", and "pursue its own particular policy in opposition to that of finance capital".²⁶⁸ This was because, as an analogue to the reformist implications of underconsumptionist theory, the working class desire for peace and democracy corresponded to the possibilities and best interests of capitalism as a whole!²⁶⁹ In other words, imperialist policy - along with the arms race and war - could be overcome on the basis of capitalism. The working class could oppose reaction and violence, and escape the insecurity and devastation of economic crisis and war, without having to carry through the social revolution. (A conclusion which, as Geary notes, "bore a strong resemblance to revisionist arguments on domestic politics".²⁷⁰) Moreover, insofar as imperialism was ultimately detrimental to capitalist interests and thus possibly only a temporary 'phase' of capitalist development, socialism was postponed into the indefinite future.²⁷¹ (Whereas Hilferding, for example, insisted on imperialism as the direct prelude to socialism, and thus counterposed socialism to all capitalist economic policies.²⁷²)

Meanwhile, however, Lenin accused Kautsky of "obscuring the profundity of the contradictions of imperialism and the inevitable revolutionary crisis to which it gives rise".²⁷³ The "real, social significance of Kautsky's 'theory'", insisted Lenin, was as a "method of consoling the masses with hopes of permanent peace being possible under capitalism, by distracting their attention from the sharp antagonisms and acute problems of the present times, and directing it

towards illusory prospects of an imaginary 'ultra-imperialism' of the future".²⁷⁴ As had been increasingly evident since at least 1910, the inner-Party ideological function of Kautsky's theory was to present "the workers with a lifeless abstraction in order to reconcile them to their lifeless leaders".²⁷⁵ Indeed, just as Kautsky had written of Tugan's theory of crisis in 1902, the logic of his theory implied a "moderation of class contradictions" and led to the "change of social democracy from a party of proletarian class struggle into a democratic party or into the left wing of a democratic party of socialist reform": "It is no coincidence", insisted Kautsky, "that revisionism opposes the Marxist theory of crisis with particular vehemence."²⁷⁶

More generally, in the light of the foregoing argument, it can be concluded that Kautsky's 'Rezeption' of Capital and, in particular, his erroneous theory of crisis and imperialism, constituted an important strand in the degradation of social democratic Marxism from science to ideology. Consequently, it also contributed to the ultimate political bankruptcy of the Marxist 'Centre'.

1. For examples of Kautsky's direct influence at the highest levels of German Social Democracy before 1917 (and even as late as 1925, by when he had been upstaged by his former protégé Hilferding), see Massimo Salvadori, Karl Kautsky and the Socialist Revolution; 1880-1938, London, 1979, p177, pp181/82, p204, p210, p213 and pp334/35. Although Kautsky had his critics in the International, including - from the early 1900's - Jean Jaurès and Daniel de Leon - he was otherwise held in high esteem. (Dubbed 'the Pope' of socialism by Italian Socialists, Kautsky was also regarded as an authority by all Russian Marxists before 1914: for Rosa Luxemburg at one time, "proof of success" was "a letter from Kautsky". See Peter Nettl, Rosa Luxemburg, London 1969, p92).
2. See Ingrid Donner, 'Das Kapital von Marx in der theoretischen Arbeit Kautskys während der zweiten Hälfte der achtziger Jahre', in ... unserer Partei einen Sieg erringen: Studien zur Entstehungs- und Wirkungsgeschichte des Kapitals von Karl Marx, ed., Roland Nietzold, Hannes Skambraks and Günter Wermusch, Berlin, 1978, pp221-225.
3. This appears to be a translation (London, 1925) of the eighth edition of Kautsky's Karl Marx' ökonomische Lehren, Stuttgart, 1903. This was an edition revised to include a chapter on the formation of the average rate of profit, but which took no further account of Volume III of Capital. The English edition, however, omits Kautsky's 'Introduction' to both the original and revised editions. Accordingly, in this case, I will refer to both the translation and to the fourteenth German edition (Stuttgart, 1912). (In general, it seems to have been common practice for contemporary translations to omit and even amend parts of the original text without warning).
4. For Kautsky's influence on the Erfurt Programm, see H H Paul, Marx, Engels und die Imperialismustheorie der II. Internationale, Hamburg, 1978, p90.
5. For an abundance of references in this connection see R.J. Geary, Karl Kautsky and the Development of Marxism, Ph.D. Dissertation, Cambridge, 1970, p28.
6. See, for example, The Road to Power, Chicago, 1909, pp27/28. Also Geary, op. cit., p35.
7. See The Class Struggle, New York, 1971, p87 and p90.
8. Henryk Grossmann, Die Akkumulations- und Zusammenbrücksgesetz des Kapitalistischen Systems, Leipzig, 1929. p64.
9. Bernstein und das Sozialdemokratische Programm, Stuttgart, 1899, p78.

10. See 'Die Bauenfrage in Frankreich und Deutschland', Marx - Engels, Werke, Vol 22, esp. p501.

The objective difficulties were enormous: Bismarck's tariff policy not only helped reconcile industrial and landowning interests but also helped establish an 'agrarian interest' under the influence of great landowners as the most important social bloc from which the state drew support. Nevertheless, Kautsky's method of deriving political conclusions from tendencies of socio-economic development as if they were already complete, rather than still in process, accompanied an optimistic belief in the ultimate 'natural necessity' of revolution and the corresponding politics of 'passive expectancy'. Moreover, it supported a conception of 'proletarian isolationism', which had more in common with the contempt of the SPD's urban working class membership for the more backward rural masses, together with Lassalleian prejudice about 'one reactionary mass', than the need for the socially isolated working class to acquire support amongst other exploited classes and strata. Accordingly, Kautsky's view of social revolution as arising organically from within the process of economic development not only downplayed activism generally but, in particular, nourished a dangerously complacent attitude to the social isolation of the working class. Thus, whatever the objective difficulties, Kautsky made a subjective contribution to the SPD's failure to exert significant efforts towards influencing non-proletarian classes and strata (above all, the small peasantry), thereby allowing them to be mobilised and indoctrinated by the worst enemies of social democracy - not only the parliamentary right but also the mushrooming organisations of the extra-parliamentary nationalist and radical right - from the 1890's onwards. (After the rejection of attempts to adapt social democratic agitation to the short term needs of the peasantry were rejected by the 1895 congress of the SPD, the agrarian question became a matter of purely theoretical debate - argues H.G. Lehmann in Die Agrarfrage in der Theorie und Praxis der deutschen und internationalen Sozialdemokratie, Tübingen, 1971; see the review by Georg Fülberth, Das Argument no 63 (March 1971), pp161-63. For the consequences of the SPD's indifference to widening its field of recruitment before 1914, see Dieter Groh, 'Negative Integration und revolutionären Attentismus: Die Sozialdemokratie im Kaiserreich', IWK, 15/4/72, p15).

11. Gareth Stedman Jones comments, however, on the "general weakness of German positivism", but relates this "to the structural political weakness of the German bourgeoisie and the consequently chequered and half-hearted career of German liberalism". 'The Marxism of the Early Lukacs', NLR no 70, pp37/38. It would be interesting to investigate how and to what extent liberalism and positivism alike were displaced

into the labour movement in Germany from about the end of the 1860's. For the positivist character of Kautsky's Marxism and for a succinct expansion on Kautsky's intellectual formation, see Geary, op. cit., pp182-86.

12. Quoted by Gareth Stedman Jones, 'Engels and the Genesis of Marxism', NLR no106, (Nov-Dec 1977), p83.
 13. Ibid.
 14. Marx - Engels, Selected Correspondence, Moscow, 1965, pp481-82.
 15. Ibid.
 16. Letter to Kautsky, Sept. 20, 1884, ibid., p378.
 17. Lukacs considered that Kautsky's role was to "blur theoretically the decisive problems of revolution on behalf of party unity". 'Bernstein's Triumph', Political Writings, London 1972, p12 7.
- Cf. Wolfgang Abendroth, 'Das Problem der Beziehungen zwischen politischer Theorie und politischer Praxis', Die Neue Gesellschaft, Vol 5, (1958) no 6, p467.
18. The conceptual distinction involved here is discussed in ch.6, sect. 5.2.
 19. The Economic Doctrines of Karl Marx, p.18.
 20. Ibid, p16.
 21. Ibid, p14 and p17;
 22. Ibid, p11.
 23. See Diane Elson, Editor's 'Introduction' to Value: The Representation of Labour in Capitalism, London, 1979, pIII.
 24. Capital III, p25.
 25. Karl Marx' ökonomischen Lehren, pX.
 26. Ibid, pXI.
 27. Ibid.
 28. The Economic Doctrines of Karl Marx, p241.
 29. Ibid, p3.
 30. Bernstein und das sozialdemokratische Programm, p24 and p33.
 31. Ibid, p33. See also p37.

32. For a critique of Kautsky's edition (published between 1905 and 1910), see the editorial preface to Theories of Surplus Value, pt.1, London, 1969, pp20-24. Rosdolsky argues at length that Marx's sustained critique of Ricardo's method provides the key to understanding the method of Capital; 'Ein Neomarxistisches Lehrbuch der politischen Ökonomie', Kylos, Vol.16 (1963), pp626-54, (this article reappears slightly revised as the concluding chapter of The Making of Marx's Capital, London, 1977; see especially pp562-68). See also 'Einige Bemerkungen über die Methode des Marxschen 'Kapital' und ihre Bedeutung für die heutige Marxforschung', Kritik der politischen Ökonomie heute: 100 Jahre 'Kapital', Frankfurt am Main, 1968, pp9-21.
33. D. Yaffe, 'Value and Price in Marx's Capital', Revolutionary Communist, No.1, (Jan 1975), p40.
34. Jarius Banaji, 'From the Commodity to Capital: Hegel's Dialectic in Marx's Capital', Elson ed., op. cit., p28.
35. K. Marx, Theories of Surplus Value, Pt.III, London, 1972, p507: "Every precondition of the social production process is at the same time its result, and every one of its results appears simultaneously as its precondition."
This passage might have given Kautsky cause to reflect upon his notion of simple commodity circulation as a separate mode of production.
36. Banaji, op. cit., p35. See also Marx, Results of the Immediate Process of Production, in Capital Volume I, London, 1976, (Penguin ed.), p975.
37. Ibid, See also Marx, Grundrisse, Harmondsworth, 1973, p514.
38. The Economic Doctrines of Karl Marx, . p207.
39. Projekt Klassenanalyse, Kautsky: Marxistische Vergangenheit der SPD?, West Berlin, 1976, p27.
40. Cf. G. Lukacs, 'The Marxism of Rosa Luxemburg', History and Class Consciousness, London, 1971, p.34: "... the Marxists have revealed a ... inability to understand ... the connections of so-called 'ideological' forms of society and their economic base..."
41. See The Economic Doctrines of Karl Marx, p11 and pp242-47.
42. See Geary, op.cit., p139 (who provides similar references from Kautsky's work of 1893, 1899 and 1900).
43. The Road to Power, pp41-44, and The Social Revolution, London, 1902, p49.
44. Bernstein und das Sozialdemokratische Programm, p48.

45. Ibid, p135.
46. Ibid, pp141/42.
47. Ibid, p53.
48. Ibid.
49. Ibid, p54.
50. See Projekt Klassenanalyse, op. cit., pp29-41.
51. The Economic Doctrines of Karl Marx, p244
(slightly amended to give a literal translation of Kautsky's 'naturnotwendig').
52. The Class Struggle, op. cit., p186.
53. This 'reading' of Capital is developed at length in ch.6, sect.5.
54. The Social Revolution, p.43. Kautsky was aware of the threat of sectionalism - of the pursuit of narrow trade interests or those of a 'labour aristocracy': should trade unions develop merely a narrow corporate consciousness this would be to the detriment of the socialist interests of the working class as a whole. See The Class Struggle, pp181-82, and Die historische Leistung von Karl Marx, Berlin, 1908, p32 and p42. Yet, having identified the potential barrier to class consciousness involved in trade unionism, Kautsky did not appreciate (as did Parvus and Luxemburg, for example) the significance of mass action for class-wide demands for combatting sectionalism and fostering class and socialist political consciousness.
55. 'Die Aktion der Massen' (1911), in A. Gruneberg ed., Die Massenstreikdebatte: Beiträge von Parvus, Rosa Luxemburg, Karl Kautsky und Anton Pannekoek, Frankfurt, 1970, pp239/40.
56. See Lukacs, 'Reification and the Consciousness of the Proletariat', in op. cit., p86 and p93.
57. Capital I, p737.
58. Ibid.
59. Ibid. (emphasis added).
60. 'Die Revision des Programms der Sozialdemokratie in Österreich', Neue Zeit, vol.20 (1901-02), pt.1, p.79; Quoted by Lenin, What is to be done? Selected Works vol.1, Moscow, 1970, p150.
61. Ibid.
62. 'Nachklänge zum Parteitag', NZ, Vol.22, pt.1 (1903/04) p1.
63. The Economic Doctrines of Karl Marx, p229.

64. The Class Struggle, p52.
65. Ibid.
66. Ibid, p68.
67. See chapters 4 and 6.
68. P69, Cf. Rosa Luxemburg, The Accumulation of Capital - An Anti-Critique, in: K. Tarbuck ed., Rosa Luxemburg and Nikolai Bukharin - Imperialism and the Accumulation of Capital, London, 1972, p60.
69. See Evolutionary Socialism, New York, 1961, pp73-94.
70. The Class Struggle, pp71/72.
71. Theories of Surplus Value, Pt II, London, 1969, p509.
72. See further, op. cit., pp78/79. for Kautsky's underconsumption theory.
73. Ibid, pp82/83.
74. Ibid. p83.
75. Ibid, p84.
76. Ibid.
77. Ibid.
78. Ibid, p85.
79. Ibid., p87. This conclusion of underconsumption theory was taken up and developed by Luxemburg in her Accumulation of Capital.
80. Ibid., p58. Cf. Lenin, Collected Works, Vol.4, Moscow, 1960, pp110/11; for the same error.
81. Ibid., p61.
82. Ibid.
83. Grundrisse, p748.
84. Op. cit.
85. Ibid., p61 and p62.
86. Ibid. p62.
87. See Hilferding, Das Finanzkapital, Frankfurt am Main, 1968, p404, and Eugen Varga 'Wirtschaft und Wirtschaftspolitik im 1. Vierteljahr 1931', Internationale Pressekorrespondenz, Vol.11 (1931) No.43, in Eugen Varga: Die Krise des Kapitalismus und ihre Politischen Folgen, ed. Elmar Altvater, Frankfurt am Main, 1974, p201.

88. See the Erfurt Programm, in H. Weber ed., Das Prinzip Links: Eine Dokumentation, Ulm, 1973, p39. See also Geary, op. cit., p35.

89. The Communist Manifesto, Harmondsworth, 1967, p86.

90. See, for example, op. cit., p90; also The Road To Power, P46, p72, p95 and p124.

91. Op. cit., p87.

92 Cf. The quotation from Bebel used as the superscription for Chapter 2 (from a speech at the SPD's 1891 Congress; quoted by H.H. Paul, op. cit., p91 note no.38).

As Paul notes: "In a crude simplification of Engels' evolutionary understanding, Bebel was firmly convinced that the development of capitalist society led inevitably towards the great collapse or 'Kladderadatsch'." (ibid. p89). The evolution of capitalism, according to Bebel, was towards a situation (in the not too distant future) in which it would be possible "that at a certain moment the ruling classes are in a hypnotic condition and allow everything to proceed over their heads almost without resistance". (Letter to Engels, 23.3.1881, cited ibid., p89; see also p125, note 54) In the 'Preface' to his autobiography, Bebel described himself as a "willing helper... at a historical process of evolution" who "can do little more than help into being that which ... is pressing onward to the realisation". (My Life, London, 1912 p5) This view of leadership was associated with the belief that already, in the last part of the 19th century, "existing social conditions are disintegrating and breaking down". (Woman Under Socialism, New York, 1971, p355; see also p234, p238, pp251-52, p271 and p379). Although Engels (in a letter of 24-26.10.1891) pointed out to Bebel that economic collapse was not necessarily the precondition of the political collapse of capitalism, Bebel (in a letter of 15.10.1894, for example) persisted in proceeding from their identity. (See H.H. Paul, op. cit., p52, esp. note 92, and p89, esp. note 19). This perspective was general until at least the mid-1890's - that ultimately capitalism "will collapse completely of its own accord" (as Victor Adler predicted at the founding conference of the International in 1889; see ibid., p121).

93. Quoted by P. Mattick, Krisen und Krisentheorien, Frankfurt am Main, 1974, pp79/80.

94. Geary, op. cit., p110.

95. Der Politische Massenstreik, Berlin, 1914, p197; quoted by Erika König, Vom Revisionismus zum 'demokratischen Sozialismus', Berlin, 1973, p77.

96. Cf. Bebel, note no.92.
97. Letter of 11.12.1884, Marx - Engels, Selected Correspondence, pp381/82.
98. Ibid., p382; see also Engels to Bernstein, 1.1.1884, p366 and 24.3.1884, p371.
99. Cf. Arthur Rosenberg, The Birth of the German Republic, London, 1931, p225, and p242.
100. See H.H. Paul, op. cit., p125, and p129 (for Parvus, see below, chapter 4).
101. Ibid., p132 (note 123).
102. Like Luxemburg, Kautsky saw Bernstein's critique of the 'theory of collapse' as the cornerstone of his argument. In reply, he maintained that Marx and Engels had never presented "a special 'theory of collapse' ", and that this theory had been invented by Bernstein as a polemical "exaggeration". (Bernstein und das sozialdemokratische Programm, p42, and p43) Yet later, in the same book, Kautsky restated and simultaneously tried to shuffle off the logic of his underconsumptionist theory of crisis: His theory led him to the conclusion that, given the impossibility of expanding the market as quickly as production, capitalism was heading towards "incurable chronic overproduction", signifying "the ultimate limit up to which the capitalist regime can maintain itself". (ibid. p145) Kautsky denied, however, that this would necessarily be the "cause of death" of capitalism. Yet in spite of his attempt to treat the question in a general historical rather than concrete strategical manner, Kautsky's prevarications confirmed rather than refuted Bernstein's point that 'the theory of collapse' was the dominant point of view in social democracy.
103. See ibid., pp40-41.
104. Although Tugan exerted his influence through the books cited below, he succinctly restated his theoretical argument in an article replying to Kautsky's critique of his 1901 book. The following outline could also have been taken from here: 'Der Zusammenbruch der kapitalistischen Wirtschaftsordnung im Lichte der nationalökonomischen Theorie', Archiv für Sozialwissenschaft und Sozialpolitik, vol.19 (1904), pp273-306.
105. See Mandel, Marxist Economic Theory, London, 1968 pp17/18 and Alec Nove, 'N.I. Tugan-Baranowsky (1865-1919)', History of Political Economy, No.2 (1970), pp248-49.

106. See Luxemburg, The Accumulation of Capital, London, 1951, pp271-326 and Rosdolsky, op.cit., p472.
107. Quoted by Luxemburg, Anti-Critique, p83.
108. Rosdolsky, op. cit., p460.
109. Studien zur Theorie und Geschichte der Handelskrisen in England, Jena, 1901, p199; quoted by R. Jacoby, 'The Politics of the Crisis Theory: Towards the critique of Automatic Marxism II', Telos No.23 (Spring 1975), p17.
110. Ibid., p25; quoted by Hardach, Karras and Fine, A Short History of Socialist Economic Thought, London, 1978, p36. This same quotation is given within a longer quotation by Luxemburg, The Accumulation of Capital, p312; see also Rosdolsky, op. cit., p470.
111. For relevant quotations from Tugan, *ibid.*, see Mattick, op. cit., p81, Luxemburg, *ibid.*, pp312/13, Nove, op. cit., pp248/49 and, especially, Grossmann, op. cit., p54.
112. See Tugan, *ibid.*, quoted by mattick, *ibid.*, pp81/82, Luxemburg, *ibid.*, p312; also Tugan, Theoretische Grundlagen des Marxismus, Leipzig, 1905, p223, quoted by Jacoby, op. cit., pp 18/19.
113. Tugan, op. cit., quoted by Hardach et al., op. cit., p36.
114. Tugan, *ibid.*, p33, quoted by Grossmann, op. cit., p177; see also Tugan *ibid.*, quoted by Grossmann p54, Jacoby, op. cit., p16 and P. Sweezy, The Theory of Capitalist Development, New York, 1968, p166.
115. Grossmann, *ibid.*, p54.
116. Sweezy, op. cit., p159.
117. Hilferding, op. cit., p333; Otto Bauer, 'Die Akkumulation des Kapitals', Neue Zeit, Vol. 31, Pt.1 (1912-13). pp831-38 and 862-74.
118. Op. cit., p22. Further on the political implications of disproportion theories of crisis, see A. Pannekoek, 'Economic Crises and Class Struggle' (1934), Capital and Class No.1 (Spring 1977), pp65-66. See also Sweezy, op. cit., pp160-61 on the political reasons for the popularity of Tugan's theory. See also Ch.5 below.

119. In his 1904 article, op. cit., p304, Tugan supported his ethical socialism on the "contradiction between the fundamental economic principle of capitalism and the fundamental ethical norm" worked out by Kant. Cf. Jacoby, *ibid.*, p29.
120. 'Krisentheorien', Neue Zeit, Vol.20, Pt.1 (1901-2), p37.
121. *Ibid.*, p38.
122. *Ibid.*
123. See Nove, op. cit., p247.
124. Quoted by Bukharin, Economic Theory of the Leisure Class, New York, 1972, p166. Bukharin's book as a whole may be taken as a refutation of this attempt to reconcile what are, in principle, opposed theories. See, in particular, pp163-172 on 'Tugan - Baranowsky's Theory of Value'.
125. Studien zur Theorie und Geschichte der Handelskrisen in England, p225, quoted by Kautsky, op. cit., p45.
126. Tugan, *ibid.*, quoted by Kautsky, *ibid.*
127. Tugan, *ibid.*, p229, quoted by Kautsky, *ibid.*
128. Kautsky, *ibid.*, p38.
129. *Ibid.*
130. *Ibid.*, p46.
131. Tugan, op. cit., pp210/11, quoted by *ibid.*, p39.
132. Tugan, *ibid.*, p212 and p215 quoted by *ibid.*, pp39/40.
133. *Ibid.*, pp40/41.
134. *Ibid.* On the question of real wages, however, cf. Tugan's 1904 article, op. cit., pp299-301.
135. Tugan, op. cit., p208, quoted by *ibid.*, p47.
136. *Ibid.*, pp42-44.
137. *Ibid.*, p44.
138. This question is treated more fully in Ch.6.
139. The actual course of technical progress and the impact of rising productivity on the organic composition and rate of profit can, of course, only be determined empirically. See Fritz Halbach, Kapitalismus ohne Krisen?, Giessen, 1972, pp94/95. Similarly, there are other influences on the rate of profit which

do not logically predetermine the movement of the rate of profit, but which, upon empirical investigation, may be seen as constituting a decisive downward pressure on profitability. These include: Firstly, natural limitations on productivity in the primary products sector (and hence on the circulating element of constant capital - a point made by Marx and noted without further comment by Kautsky in the course of editing Theories of Surplus Value; see Rosdolsky, op. cit., pp406/7); and secondly, increasing 'overhead costs' of capitalist reproduction in the form of state expenditure and private administrative and commercial expenses, which either directly increase the organic composition (in the case of state infrastructural expenditure) or simply augment the capital advanced (the divisor of Marx's formula for the rate of profit) while leaving surplus value (the numerator) unchanged. (For the principle involved, see Capital III, p299) Although Kautsky wrote a great deal on the 'new middle classes', he failed to note their significance as unproductive workers or, consequently, as constituting a continual upward pressure on the value composition of total social capital, and hence as important for the movement of the rate of profit and the development of capital accumulation.

140. Op. cit., p38.
141. Ibid.
142. Ibid., p76, and p78 (first emphasis added).
143. Capital III, p817.
144. Capital I, p537.
145. Capital III, p484 (this is referred to but not quoted by Kautsky; see op. cit., p79).
146. This is also true of the most 'sophisticated' versions of underconsumption theory such as that formulated by Otto Bauer (as his final contribution to the theory of crisis) in Zwischen zwei Weltkriegen, Bratislava, 1936, pp51-66 and pp351-55. Later taken over by Sweezy (op. cit., pp180-89), this theory rests on the assumptions that, firstly, the rate of growth in the output of consumption goods is directly proportional to the rate of growth of means of production and, secondly, "national income in value terms is growing at a constant or declining rate". (Sweezy, *ibid.*, p183, p187 and p189) In relation to the first assumption, however, Sweezy forgot - as did Kautsky, who also maintained much this position (op. cit., p117) - that expanded reproduction requires the production of capital goods for the production of further capital goods within Department I, and not just as an input for Department II. Moreover, it is necessary to establish the second assumption itself on an underconsumptionist basis: it is necessary to prove not only that each round of

accumulation tends to increase capacity in the manner assumed, but also that it necessarily remains on an insufficient scale to realise the increased output of the preceding round. Without such a proof, the theory is mere tautology: crises occur because national income is stagnant or declining! It fails to explain why investment (which includes expenditure on wages and hence determines the level of working class consumption) is insufficient to sustain an adequate level of demand in the first place. As E.O. Wright comments: "The most serious weakness in (this) underconsumptionist position is that it lacks any theory of the determinants of the actual rate of accumulation ... the theory remains incomplete." Quoted by Anwar Shaikh, 'An Introduction to the History of Crisis Theories', in US Capitalism in Crisis (URPE), New York, 1978, p230.

147. See Kautsky, *ibid.*, p79. See also Hardach et al., *op. cit.*, p10 in relation to Owen, Sismondi and Fourier. For an example of underconsumptionist explanations coming autonomously from a group of workers in 1817, E.P. Thompson, The Making of the English Working Class, Harmondsworth, 1978, p225 (also P^F329/30). The same point is made by Rudolf Gerber, 'Krisen und Kriege', Die Internationale, Vol.11, No.11 (June 1928), p368; see pp368/69 for a general critique of underconsumption theory.
148. *Ibid.*; quoted by Sweezy, *op. cit.*, p179.
149. See Geary, *op. cit.*, pp66-68.
150. Cf. Note. 146. Further elements of the critique of underconsumptionism are to be found in Chapters 4 and 6 below.
151. Kautsky, *op. cit.*

152. Ibid. Although "rather vague" according to Luxemburg, she quoted these passages as evidence that hers was the 'orthodox' theory and that her critics were merely repeating "word for word" what had been said by Tugan in 1902. See Anti-Critique, op. cit., pp78-80.
153. Kautsky, *ibid.*, p78.
154. Tugan, op. cit., p25, in *ibid.*, p115.
155. Tugan, *ibid.*, p229, in *ibid.*
156. Theoretische Grundlagen des Marxismus, p227, in Jacoby, op. cit., p11.
157. *Ibid.*, p230, in *ibid.*
158. 'Zur Theorie des Marktes', Die Internationale, Vol.6, No.15 (July 1923), p393. The Ricardian economist L. Von Bortkiewicz made much the same criticism of Tugan as early as 1907; see Grossmann, op. cit., p15 (for an elaboration of this point, see pp179-80).
159. Op. cit., pp116-18.
160. *Ibid.*, p133.
161. *Ibid.*, p136.
162. Tugan, op. cit., pp414-16, in *ibid.*, p134.
163. See *ibid.*, p81 and p136.

164. Ibid., p136.
165. Ibid., pp134/35.
166. Ibid., p137. Cf. Mandel's very similar periodisation of the 'long waves' of capitalist development in Late Capitalism, London, 1975, pp130/31.
167. Ibid., p138 (emphasis added).
168. Ibid., p137 (quoting Parvus) and p139.
169. Ibid., p140. Whereas Kautsky made no attempt to undertake such a theorisation, Parvus (see Ch.4 below) made several, ultimately abortive attempts on the basis of a similarly underconsumptionist theory.
170. Ibid., pp140/41, quoted by Sweezy, op. cit., p198.
171. Ibid., p142.
172. Ibid., pp141/42.
173. Ibid., p142.
174. Ibid., p143.
175. Ibid.
176. Ibid.
177. Op. cit., p45 and p47; see pp45-50 generally.
178. Op. cit., p99.
179. Ibid., p112; Cf. 'Finanzkapital und Krisen', Neue Zeit, Vol. 29, pt.1 (1910-11), pp845/46.
180. See Salvadori, op. cit., pp115-23.
181. In 1911, for example, Kautsky still characterised the period 1873-1895 as generally depressed and the period since then as 'stormy' economic development (punctuated, moreover, by crises in 1900 and 1907); 'Finanzkapital und Krisen', pp798/99.
182. Thus in a 1908 article, for example, Kautsky made it clear that the present 'general crisis' did not yet signify the onset of 'chronic depression': The present perspective was still one of alternating "times of temporary depression" and "times of prosperity". ('Verelendung und Zusammenbruch: Die neuste Phase des Revisionismus', Neue Zeit, Vol.26, pt.1, p549; emphasis added) However, even before the ultimate end of capitalist development in 'chronic stagnation', the working class was threatened with a "stagnation or even a lowering of the real wage". (p549) Consequently, concluded Kautsky, while "wide vision" and "boldness"

were required, the "vanguard" must nonetheless be "equally prepared to wait patiently in a hopeless situation and to limit itself to organising and schooling the proletarian forces". (p549) For: "These are facts which are independent of the will of individual party leaders and trade union officials, and independent of this or that tactic." (p549) Here we see a general characterisation of the objective situation ready to serve as a 'cover' for the passive, purely parliamentary routinism of the leadership. Even in Kautsky's 'radical' period, therefore, we see delineated the positions of 1910-11.

183. Quoted by Salvadori, op. cit., p121.
184. Even before the war, Kautsky not only opposed a general strike against the war, but failed to confront the problem of combining legal and illegal means of preparing mass opposition under war-time conditions. See Robert Michels, 'Die deutsche Sozialdemokratie im internationalen Verbands', Archiv für Sozialwissenschaft und Sozialpolitik, Vol.25 (1907), p194; Michels shows how the hegemony of German social democracy within the International was, even at this time, severely undermined by their failure to undertake serious anti-militarist activity.
185. See The Road to Power, p13.
186. See Salvadori, op. cit., pp136-46 and pp152-69.
187. S. de Wolff, 'Prosperitäts - und Depressionsperioden', in Otto Janssen ed., Der Lebendige Marxismus, Jena, 1924; see Mandel, Late Capitalism, p133 for a summary.
188. See Fritz Sternberg, Der Niedergang des deutschen Kapitalismus, Berlin, 1932 (?), pp168-175.
189. I will not be charting the entire course of Kautsky's views on imperialism. This has been undertaken by Geary, op. cit., p64 ff.
190. See Geary, *ibid.*, pp68-70. For a critical analysis of Kautsky's theorisation of colonial policy in the years 1880-1897, see H.H. Paul, op. cit., pp97-103.
191. Socialism and Colonial Policy, Belfast, 1975; see pp25-32 and pp48/49.
192. *Ibid.*, p32.
193. Geary, op. cit., p73; this rupture in Kautsky's thinking, however, dates (as we shall see) from 1911 rather than 1914 as Geary states (p33).
194. 'Finanzkapital und Krisen', p797.

195. See, for example, Luxemburg, 'Stagnation and Progress of Marxism' (1903), in Rosa Luxemburg Speaks, ed. M-A Waters, New York, 1970, pp106-11.
196. Sweezy, op. cit., pp200/01.
197. 'Finanzkapital und Krisen', p764 and p765.
198. Ibid., p765 and p883.
199. Hilferding made a devastating attack on under-consumption theory in Finanzkapital, op. cit., pp329/30, p347 and p401.
200. An "economic collapse" of capitalism, according to Hilferding, was "in no way a rational conception". (ibid., p501) This stood in complete contrast to Kautsky's insistence that in spite of various factors "holding back" economic collapse, these "cannot guarantee the capitalist mode of production against collapse". Socialism and Colonial Policy, p32.
201. 'Finanzkapital und Krisen', p768.
202. Ibid., p770.
203. Ibid., pp711/72.
204. Ibid., p772. In his correspondence at the onset of Bernstein's revisionism, according to Geary, "Kautsky accepted much of the criticism of the labour theory of value as justified", op. cit., p61.
205. Kautsky, ibid.
206. Ibid., p798.
207. Ibid., p799.
208. Ibid., p800.
209. Ibid., p801.
210. Ibid., p802.
211. 'Krisentheorien', p80.
212. Op. cit., p802.
213. Ibid., p803.
214. Ibid.
215. Ibid. p839.
216. Ibid.
217. Ibid.
218. Ibid., p841.
219. Ibid.

220. Ibid., p842.
221. Ibid., pp842/43.
222. Ibid., pp845/46.
223. A "singular mishmash of underconsumption and disproportionality theory", according to Gerber, op. cit., pp369/70.
224. See Jarius Banaji, 'Summary of selected parts of Kautsky's The Agrarian Question', Economy and Society, Vol. 5, No.1 (Feb.1976), pp44/45.
225. Theories of Surplus Value, pt.II, P110 (emphasis added).
226. In Die Agrarfrage, Kautsky put forward his usual underconsumptionist position; see Banaji, op. cit., pp41-42.
227. 'Zwei Schriften zum Umlernen', Neue Zeit, Vol.33, Pt.2 (1915), p144, quoted by Wilfried Gottschalch, Strukturveränderungen der Gesellschaft und politisches Handeln in der Lehre von Rudolf Hilferding, Berlin, 1962, p89.
228. Geary, op. cit., p79; see also Salvadori, op. cit., pp170/71. Geary is wrong, however, to suggest that Finanzkapital contributed directly to the theory of 'ultra-imperialism'. For, as Hilferding explained, international agreements of this kind could only be an "armistice" rather than "a lasting community of interests". Op. cit., p424 (This same point was taken up and elaborated by Lenin in the course of his famous critique of 'ultra-imperialism'; see Selected Works, Vol.I, Moscow, 1970, pp760/61.) Kautsky simply passed over Hilferding's interpretation of imperialism as creating and continually heightening the threat of war. Hilferding's contribution to Kautsky's new theory was purely indirect, via the impact of his disproportion theory of crisis.
229. See Salvadori, *ibid.*, pp133-35 and pp147/48.
230. *Ibid.*, p169.
231. Quoted *ibid.*, p154.
232. *Ibid.*, p170.
233. Quoted *ibid.*, p171; and *ibid.*, p170.
234. See H-H Paul, op. cit., pp176-178.
235. See *ibid.*, pp160-62 and p175.
236. For additional references to this effect, see Geary, op. cit., pp74-75.

237. See *ibid.*, pp64/65: "Kautsky first used the term 'imperialism' in a highly specific sense in 1900 ... Throughout his long career ... he more usually spoke of 'colonial policy' ... By 1902 he saw European expansion overseas as the decisive characteristic of his age." For an example of continuous references to the "policy of imperialism", see The Road to Power, *op. cit.*, p106.
238. 'Krisentheorien', *op. cit.*, p138.
239. Kautsky overestimated the inseparability of capitalism and colonialism in a manner not repeated by Hilferding: in Socialism and Colonial Policy, for example, Kautsky considered "it is not to be expected that the colonies will attain their independence in the capitalist era". *op. cit.*, p57.
240. 'Finanzkapital und Krisen', p769.
241. Finanzkapital, p406.
242. In The Social Revolution, Kautsky made some astute observations on the "increasing fusion of the industrial capital with the money capital" and their consequently converging political interests.
(p27) This process was also associated with "the accentuation of the social conflict", especially as: "The opposition ... between finance and industry ceases now more and more, since with the advance in the concentration of capital finance gets an ever-increasing hold of industry." (*ibid.*, p30 and p28) Kautsky's concept of 'high finance', however, did not reflect the same ability to theorise the totality of capitalist development as Hilferding's 'finance capital'.
243. See Salvadori, *op. cit.*, p172-80; and Geary, *op. cit.*, pp76/77.
244. Salvadori, p173 and p175; and Geary, pp79/80.
245. Quoted by Salvadori, p180.
246. Geary, *op. cit.*, p79.
247. Cf. *ibid.*, p73 and pp79/80.
248. Sozialistische Monatshefte, Vol.5, No.2, p676, quoted by Sweezy, *op. cit.*, p197.
249. Luxemburg, 'The Second and Third Volumes'; this is sect.3 of ch.3 ('Das Kapital') of Franz Mehring, Karl Marx, London, 1966, p378. For a theorist of Mehring's stature to have felt unable to deal with Capital beyond its first volume is revealing about the state of the contemporary 'Capital - Rezeption'. Perhaps equally revealing, is that

although Luxemburg scornfully rebutted these implications of underconsumptionist theory, she did so only to explain crises by restating the conventional underconsumptionist position: "... crises ... are ... the inevitable result of the movement of capital, which in its ... urge to accumulation and growth quickly plunges beyond the limits of consumption, no matter how wide these limits may be set as the result of increased purchasing power ... or by the opening up of new markets." (ibid.) Why this was necessarily the case, however, was no more explained by Luxemburg than it had been by Kautsky.

250. 'Der Imperialismus', Neue Zeit, Vol.32, pt.2 (1913-14) "This article", notes Salvadori, "presented the conclusions of the positions he had expressed during the years immediately prior to the war." op. cit., p187. The main part of Kautsky's article appeared in NLR No.59 (Jan - Feb 1970) as 'Ultra Imperialism'. The editorial introduction notes that: "A reading of his article ... makes it clear that Kautsky was confidently predicting the impossibility of the gigantic conflict in the very weeks in which it was to erupt. His essay was, indeed, designed to provide strategic perspectives for the Congress of the Second International scheduled for August 1914. Never has a deviation from Marxism been so instantly and overwhelmingly exposed by history ... To read Kautsky's text ... today is to be reminded vividly of the enduring survival and efficacy of what Marx called one of the most fundamental of all the characteristics of the capitalist mode of production: its 'international anarchy' or endemic intercontinental contradictions." ibid., pp39/40.
251. 'Der Imperialismus', p909.
252. 'Ultra-Imperialism', p41.
253. 'Der Imperialismus', p909.
254. 'Ultra-Imperialism', p42.
255. Ibid., p44.
256. Ibid.
257. Ibid.
258. Ibid., p45.
259. Ibid., p44.
260. Ibid., p45.
261. Ibid.
262. Ibid.

263. Ibid., p46.
264. Ibid., pp41/42.
265. See note 228.
266. Imperialism, in Selected Works, Vol.I, pp760/61.
267. Ibid., p761.
268. 'Zwei Schriften zum Umlernen', p111, quoted by König, op. cit., p109. Kautsky's position on the war was for a 'democratic peace'.
269. "The urge of capital to expand ... can best be promoted, not by the violent methods of imperialism, but by democracy." (1915) Quoted by Lenin, op. cit., p755.
270. Geary, op. cit., p80.
271. See Salvadori, op. cit., pp189-203. Reinforcing this conclusion was a new uncertainty as to the readiness of the working class for socialism (whereas in his polemic with Bernstein, for example, Kautsky had evinced no such doubts); see König, op. cit., p109.
272. See Finanzkapital, pp499-507.
273. Lenin, op. cit., p676.
274. Ibid., p760.
275. Ibid., p761.
276. 'Krisentheorien', p141.

CHAPTER 4: PARVUS

"Parvus was unquestionably one of the most important of the Marxists at the turn of the century. He used the Marxian methods skilfully, was possessed of wide vision, and kept a keen eye on everything of importance in world events.

... His early studies ... transformed the conquest of power by the proletariat from an astronomical 'final' goal to a practical task for our own day.

And yet there was always something mad and unreliable about Parvus. In addition to all his other ambitions, this revolutionary was torn by an amazing desire to get rich."

Trotsky

"Neither the trade union struggle nor the political struggle can be successfully led without knowledge of the economic situation."

Parvus

"The social revolutionary tactic of social democracy is nothing other than the resolution of this contradiction - the combination of day-to-day politics and the struggle for the final goal into a higher unity."

Parvus

1. Introduction

Parvus was the first socialist emigrant from Russia to become fully active in the Western European labour movement. From the early 1880's until about 1911, Parvus - like Luxemburg (one of his successors) - confronted the somewhat parochial and immobile SPD with an internationalist approach, according to which he began to analyse capitalist development in the imperialist epoch and demand a decisive reorientation of the Party's tactics.

Parvus was different from Kautsky but similar to Hilferding and Luxemburg, in that he was wholly a Marxist of the imperialist epoch. He was the first theorist within the SPD - at least amongst those concerned with economic questions - whose Marxism developed and challenged rather than popularised and reassured traditional social democratic certainties. However, although his pioneering studies on the development of the world economy were well received, his political conclusions - which were their corollary - went unheeded.

Parvus, even more than Luxemburg, remained an outsider within German social democracy. Correspondingly, although many of his theoretical ideas were of seminal importance - within both German and Russian socialism - they were taken over piecemeal, without regard to their political implications. This was because Parvus never achieved sufficient political weight to see his ideas translated into practice. Moreover, because his direct political influence was negligible, but perhaps also because he did not leave a single major work like Hilferding and Luxemburg, Parvus has not been the subject of subsequent interest. Nonetheless, Parvus is important, because he recognised problems of great political importance, while in the solutions he proposed he was a brilliant and independent pioneer.

2. Early interventions and approach

Parvus' first polemical intervention into SPD politics came during the debate occasioned by Bernstein's plea for participation in Prussian Landtag elections.¹ (The SPD boycotted these because the suffrage was based on property ownership) In spite of opposition to this proposal, expressed in Vorwärts and Neue Zeit by such Party notables as Paul Singer and Franz Mehring, Parvus argued for this extension of Party activity.

What lends this article its significance is that Parvus did not simply identify with one or other established position, but was prepared to differentiate his own. Hence, while sharing Bernstein's demand, he distanced himself from his claims as to the possible results of electoral participation: "Can one really win a victory over reaction in the Landtag ... We believe that Bernstein cherishes all too optimistic illusions."² His own reasons for participation were quite different from those of Bernstein: "In our opinion, the Landtag is only important for the workers as a place and object of agitation."

Boycott was wrong because it deprived the SPD of a favourable opportunity to agitate among the peasantry. Workers were concerned with elections to the Reichstag because it was there that questions of social legislation and indirect taxation were settled. These matters, however, were of little interest to the peasants, who suffered mainly under the burden of Prussian direct taxation levied by the Landtag, which likewise controlled the direction of agricultural policy and regulated the administration and taxation of the municipalities. Parvus stressed the importance of political work among the peasantry. And it was this vital task that made participation in Landtag elections so important - because, in spite of their undemocratic nature, they were of far more interest to the peasantry than Reichstag elections. The masses would not learn as if they were at school, through books. Rather, insisted Parvus: "... the enlightenment of the masses proceeds by praxis, through political activity, through the social struggle. Here is where they learn to recognise their enemies and their actual social position and through the struggle are driven along the road to social revolution."³ This, of course, was

an insight central to the future development of the SPD-left.

The importance of Landtag elections for agitation amongst the peasantry, and of representation to establish lasting contact by acting as their tribune against the dominant agrarian-capitalist interests, led Parvus to distance himself also - albeit cautiously - from the opposition to participation on grounds of abstract 'principle'. Neither the obnoxious three class suffrage nor any supposed infringement of Party independence by cooperating with middle class parties during the second stage (of electing the deputies) should stand in the way of vital political tasks: "What it comes down to is whether a fundamental social democratic agitation can be undertaken during the Landtag elections. This is, we believe, the decisive moment of the whole question."⁴ Just as Parvus differentiated himself from the incipient opportunism of Bernstein's argument (the right conclusion for the wrong reasons), so he can also be seen to have differentiated himself from the latent passivity inherent in the 'principles' of the prevailing Marxist orthodoxy.⁵

At this stage, of course, Parvus was far from representing or announcing a new political tendency. He did not, for example, move beyond the parliamentary tactics of the Party: if Reichstag elections were organised according to the three class system, he asked, would the SPD not participate in these: "Would it then desist from every political activity?"⁶ Soon, Parvus was to publish the results of theoretical investigation and political rethinking which would make it impossible to consider electoral contests of any type as encompassing 'every' form of political activity. The independence and originality necessary for such a reorientation, however, were present, embryonically, in this article. His subsequent work was to reveal Parvus as one of the most talented (certainly the first) revolutionary successors to Engels, and as progenitor to the SPD-left normally associated with Rosa Luxemburg.

From this time on, Parvus was to struggle with the key problem of how to pursue day-to-day political activity

within the existing state, while simultaneously developing the capability to prepare and carry through social revolution.⁷ He came to see that proletarian isolation was inadequate: that the rejection of practical political work for reforms could preserve the identity of the working class as separate from existing society, but not the potential to overthrow it. Consequently, Parvus turned his attention to forms of political work which involved an active struggle for reform, but which above all should serve to strengthen the combativity, the organisations and the revolutionary consciousness of the working class.

In his approach to political questions, Parvus maintained a keen awareness of the methodological fundamentals of Marxist theory.

Parvus did not argue the case for participation in the Prussian Landtag according to general principles, but by way of a concrete investigation into which policy was necessary to raise consciousness and secure allies for the working class amongst the peasantry. Similarly, in an article opposing the support given to the Bavarian state budget by the SPD Landtag fraction, Parvus did not argue simply from traditional principles but proceeded by way of a detailed concrete analysis of the biennial budget for 1892-93.⁸

This article is particularly interesting, however, because it made clear the methodological principle underlying his argument - that of approaching matters in their totality (which was also characteristic of Luxemburg). He argued that while there might be this or that minor part of the budget that could be agreed to, nevertheless it was its reactionary nature as a whole which must determine the social democratic attitude: "... our attitude is determined by the whole and not by the part."⁹ Parvus applied exactly the same methodological principle, moreover, in warning of the dangers of seeking present and particular advantage without considering the whole social revolutionary purpose and future of social democracy. For, in concluding his

polemic with the Bavarians, Parvus not only argued that their immediate gains were illusory, but also questioned how far their opportunism would get them in a situation of the "mightiest upheavals".¹⁰

In addition, Parvus took up an objection commonly thrown at Marxists: "That may be right in theory ... but practice is another matter."¹¹ He answered by explaining that theory and practice are not simple 'opposites', but form a unity precisely through the process of their contradiction and development. Firstly, he insisted: "Theory is only the summary of reality at the fundamental level. If it is correct, it must be capable of guiding practice."¹² He also insisted, however, that the unity of theory and practice was maintained only because the contradiction between them necessitated the constant development of both: "When one is no longer able to bring theory and practice into harmony ... that is a sure sign that something is wrong on one side or the other."¹³ Politically, therefore, this contradictory unity of theory and practice meant that: "Should such a split arise within social democracy, then it would be high time to subject the theoretical principles ... to a strong critique, but also to investigate rigorously whether one is pursuing the correct tactic."¹⁴

In accordance with this position, Parvus continued to develop theory and tactics in a unified manner. In this he partly inaugurated, and certainly prefigured, the later radical left of the SPD. By the same token, a line of divergence was demarcated not only from the revisionists who, as Bernstein claimed, were determined to bring the Party's theory into line with its established, reformist practice, but also from the 'orthodoxy' of the centre. For their Marxism, while often brilliant commentary and prognosis, rarely served as a guide to current action: instead, it was more often mobilised for the negative purpose of confirming present tactics and the unity of the increasingly divergent 'minimum' and 'maximum' components of the Erfurt Programme.

As we have seen, Parvus warned of the debilitating impact of opportunism in the event of a revolutionary

situation. Accordingly, Parvus savagely attacked its theoretical precipitation as presented by Bernstein. Indeed, it is only in this context that the vehemence of Parvus can be understood. In contrast to Kautsky, whose first reaction to Bernstein's articles was one of "the utmost sympathy", Parvus branded Bernstein as an "anti-socialist" whose revisionism meant nothing less than the "destruction of socialism".¹⁵ Thus in the style of his polemic we can see not merely 'a devouring pride', as Bebel explained the matter, but the reaction against a developing spirit of political accommodation.

Before the general challenge to Party orthodoxy marked by the revisionism debate, however, reformism had been expressed as a drive towards opportunist tactics; at first the voting for state budgets in Bavaria, and then the pressure from the Bavarian Social Democrats, under von Vollmar, for an agrarian programme based on protection of the peasantry. Consequently, Parvus directed his attention towards the agrarian question.

In an article based on a reworking of Saxon income-tax statistics, Parvus noted the rapidly increasing economic strength of urban relative to rural areas.¹⁶ This was the context, however, of an unmistakable capitalist development in the countryside. This was accompanied by the decline of peasant economy to the benefit of large landowners, as peasants - under the pressure of increasing indebtedness - were forced into wage labour (as labourers for capitalist landowners, as domestic out-workers or as labourers in nearby towns). Not only did Parvus cast doubt on the increased living standards indicated by the statistics, he also demonstrated that the increased monetary income involved in the transition of the peasant family to wage labour did not indicate an improved standard of living: for objects of need previously produced on the farm henceforth had to be purchased as commodities. Parvus concluded that it was extremely doubtful whether any significant rise in living standards had taken place among the masses, but that due to inadequate statistics no

definitive answer was possible.

Of particular interest, however, is his flexible, non-dogmatic approach to the question. Moreover, this article not only furnished further material on agrarian relations - the importance of which he had already indicated and the analysis of which he was to continue - but also contained a noteworthy general formulation as to the situation of the working class under capitalism. He claimed that the Saxon statistics reflected "the general tendencies of the capitalist mode of production - destruction of natural economy; rapid enrichment of the capitalist class; an unremitting economic pressure burdening working people; sharpening class antagonisms".¹⁷ Of course, Parvus was defending the conventional social democratic view. Nonetheless, in the phrase 'unremitting economic pressure', Parvus showed that he understood Marx's method of analysing 'tendencies' as pressures rather than simple trends. Consequently, he captured the significance of Marx's 'general law of capitalist accumulation' in relation to actual living standards. In contrast, Bernstein and subsequent generations of Marx's critics - and even some supporters - provided an easy target by misinterpreting Marx's 'tendency' as a 'theory of impoverishment'.

Returning to analyse the specific situation of the peasantry, Parvus attacked the very idea of a programme based on "the ability of the peasantry to exist within capitalist society".¹⁸ Once again he used an impressive range of official statistics to provide concrete support for the orthodox view. For example, between 1871/75 and 1885/90 the natural rate of increase in population declined from 12.59 to 9.69 per thousand because of a steady decline in the birth-rate, the severest rate of decline being recorded in the purely agricultural districts. Parvus found the explanation for this partly in a relative decline in the number of marriages, but also in a determination (born of poverty) to have fewer children. If the peasant smallholding is 'capable of competition', he concluded,

the explanation is to be found in the "ability of the peasants to endure hunger".¹⁹ "Politicians who wish to conserve the peasant", he ironically added, "had better hurry."²⁰

By the mid-1890's, Parvus had pioneered positions of some importance in the history of Marxian social democracy. These early articles were particularly significant, however, because they show that he was already prepared to question orthodoxy: and when he defended orthodox positions, moreover, he did not take established positions for granted but sought to prove them independently. Accordingly, Parvus was to continue his defence of the Party's orthodox agrarian programme, but only by way of important theoretical developments.

3. The world market and agrarian crisis

3.1. Introduction

Parvus proceeded to deepen his analysis of agricultural development in a major study published in 1896.²¹ This work was of particular significance as perhaps the first attempt within social democracy to illuminate "the present economic and political situation in Europe and especially in Germany on the basis of the actual development of the world market".²² Accordingly, in this series of articles, Parvus began by paying particular attention to the development of the world economy and the emergent international division of labour. Within this context he then devoted the majority of the work to considering the contradictory development of capitalist agriculture and the agrarian crisis experienced by contemporaries as the "sorry plight of agriculture".²³ Especially significant in this respect was his pioneering attempt to explain the influence of the pattern of world industrial development on European agriculture from the standpoint of Marx's theory of ground-rent.²⁴

3.2. The world economy

Parvus' emphasis on the world economy, as the vantage point from which to analyse economic and political developments in its national components, reflected his methodological concern with totality. It represented an original contribution to theory in an area which Marx had indicated as of great importance but had not lived to develop. (It also prefigured a central component of Bolshevik theory generally and of Trotsky's Marxism in particular.)

Parvus argued that it had become a commonplace to record the influence of the world market on the development of production in the individual countries; the setback to European wheat production suffered under the pressure of Russian, and then, US competition; the threat posed to European sheep breeding by Australian wool exports, etc. The world market, however, should not be conceived of as external to, as simply acting upon this or that national economy. Rather, all these striking developments were to be understood as "appearances of capitalist world production".²⁵ The expanded reproduction of capital drove beyond national boundaries to encompass the markets and production of all nations and destroy or subordinate pre-capitalist modes of production. Capital tended towards a unitary world economy: "It is a matter of the interlocking and interpenetration of the turnover cycles of national capitals and their absorption in the circulation of a single social capital that knows no national and political boundaries."²⁶ The accumulation process of the national capitals had become interdependent and reciprocally acting, to the extent of losing any possibility of developing along self-contained, independent national lines: "National productions lose their independence. They become subordinate, interdependent, reciprocally conditioning parts of a production-totality, that exists in no nation but rather in the world market." "Production", in other words, "becomes world production."²⁷ Consequently, concluded Parvus, the analysis of economic phenomena "of necessity leads back to the world market as the centre of economic relations".

3.2.1. Trading policy and Social Democracy

From these remarks outlining the central importance of the world economy, and before his discussion of the agricultural crisis, Parvus proceeded to discuss the expansion of the world market as a particular precondition for the progress of each national capitalist industry: "For each newly appearing capitalist industry the first question is that of markets."²⁸ He outlined the importance of England, industrially orientated to non-European markets, as a market for German and French industry, and the manner in which the formation of their respective industries was conditioned by their differing positions within the developing world market. From this economic foundation, Parvus derived the national differences in contemporary tariff policy. Clearly, he argued, England, with its industry orientated towards non-European and colonial markets, was above all concerned with penetrating and coupling new areas to the world economy, and thus inclined towards free-trade. Conversely, European industry, dependent on the general European market but particularly on the home market, required protective tariffs.

This was as far as Parvus entered into the matter in this work. In the later 1890's, however, trading policy was precipitated into a question of political importance by the increased price of bread consequent upon heavier protection. Previously the position had been clear: at the 1876 Gotha Conference and the 1880 Wyden Party conference, the struggle over free trade or protection was declared merely internal to the bourgeoisie and, therefore, "alien" to the Party.²⁹ Non-involvement - an attitude corresponding to 'proletarian isolationism' - was challenged, however, as the question became important politically. Without analysis and, therefore, without understanding the developing world market and the meaning of tariff policy, the SPD had tended in the mid-1890's to fight against high tariffs as uncritical partisans of free-trade. As a counter-reaction, writers of the tendency represented by Sozialistische Monatshefte began to warn against a one-sided commitment to free-trade and to propagandise the possible use of tariffs

to, for example, sponsor the development of industry (Max Schippel) and (in the case of Richard Calwar) a scheme for a central European customs union.

Without a theoretical understanding of the question, the Party proceeded empirically and very easily lapsed into taking over the politics of the liberal bourgeoisie - free trade, parliamentary democracy and international peace. The right-wing of the Party, conversely, was already adapting to the bourgeois politics of the imperialist epoch - protectionism, militarism and colonial expansion.

Parvus intervened with three short articles.³⁰ Cutting across the prevailing lack of theoretical clarity, Parvus insisted on a comprehensive understanding of trading policy which would proceed from the fundamentals of Marxism.³¹ Characteristically, he warned that it could not be understood in isolation from the development of the world market.³² And just as inland tolls had hindered the economic progress of individual countries, on an international level tolls would cut the connections and reduce the coherence of the world market.³³ Accordingly, Parvus denied any positive value to protection.³⁴

Parvus held that free-trade and the untrammelled process of competition best furthered the expansion of the world market, but that the particular interests of each nation state posed a political barrier to this condition for capitalist development as a whole.³⁵ Even if this contradiction should be overcome and free-trade facilitated the expansion of the world market, however, it could mean no more - as Parvus insisted in a somewhat earlier work - than the lessening of the "weight of the final collapse".³⁶ The basic perspective remained: "Either social reform and social revolution or world crisis and social revolution."³⁷

For Parvus, however, the coming collapse was no justification for a policy of passive expectancy. Quite the opposite. Like Luxemburg later, coming upheavals made urgent the task of active political preparation. Parvus outlined the negative influence of protection but demanded an active struggle against capitalist trading policy as part of the overall struggle for social revolution. Hence,

when Parvus proclaimed free-trade as a short-term tactical aim of the SPD, he did so in a context which made it transcend the liberal bourgeois content of this demand.³⁸

Economic development and the tendency of economic policy meant that free trade was ever less likely to be implemented under the existing social order. Hence Parvus was able to present this demand as a way of forcing the Party out of its increasingly "fatalistic view" and to "intervene in developments as a political factor in its own right".³⁹

Kautsky characterised free trade as the "lesser evil".⁴⁰ But whereas Kautsky was satisfied with a characterisation yielding no political guidance save abstention, Parvus was concerned - as ever - to find a demand which could be used as a lever to rouse up the masses against the state. Kautsky was mainly moved to explain and comment, while his programmatic suggestions - such as a system of 'peaceful trade treaties' - at most had purely parliamentary implications for Party practice.⁴¹ Parvus, on the other hand, was concerned with economic analysis as the basis of political perspectives from which to derive demands to stimulate mass action. In essence, if not in every detail (as we will see later), Parvus was a forerunner of the radical Left and of Luxemburg in particular. They also had a common lack of success, however, in reorientating the Party towards mass action as the means of practical preparation for social revolution.

At the 1901 Lübeck Conference, Bebel stressed that in the struggle against the corn tariffs he would not fight shy of "incitement".⁴² In practice however, the Party restricted its activities to mass agitation while repudiating mass action. The symptomatic importance of this episode is pinpointed by Scharlau: "Precisely the struggle over tolls in Germany made clear how little the SPD was able to resolve on effective action. At the highpoint of the 1901/02 campaign conducted by the Party with demagogic agitation against the raising of the toll on wheat, the battle-cry raised by Parvus of supplementing the parliamentary struggle with the political mass strike echoed without resonance."⁴³ It was only in a more developed form that, from 1910, Luxemburg was to confront the same problem.

3.3. The agrarian crisis

In his 1896 study, the main question Parvus illuminated was that of the agrarian crisis. This was becoming the most disputed issue within the SPD at that time, and so it was here that he wished to intervene.⁴⁴ Moreover, Parvus declared the recently published Capital III to be indispensable for analysing the contradictory impact of industrial development upon capitalist agriculture.⁴⁵ Consequently, in moving towards a general explanation of the agrarian crisis, Parvus was the first to conduct concrete investigation guided by Marx's theory of groundrent.⁴⁶

In proceeding to apply Marx's theory of groundrent to the analysis of the agrarian crisis, Parvus began by examining the influence of industrial development on the price of wheat.⁴⁷

The formation of agricultural prices was determined by the production costs of wheat produced on the least fertile land, for which there was still a demand.⁴⁸ Thus the development of industry and the growth of cities tended to raise wheat prices, because as demand rose so less fertile land could be profitably brought into cultivation.

Secondly, Parvus demonstrated that with rising agricultural prices agricultural production expanded both extensively and intensively which, in turn, raised ground rent and with this the cost of leasing land and the purchase price of land.⁴⁹ Groundrent, however, could rise accompanied by stationary or ever sinking agricultural prices.

If increased demand was met by bringing into cultivation land naturally more fertile than that which continued to determine the social cost of production, then the price of wheat would remain constant. Total groundrent would nonetheless expand. The productivity advantage gained by the farmer working newly cultivated more fertile land would enable production at a cost lower than the socially prevailing level: hence an extra-profit would be obtained by the farmer when he sold his product. This extra-profit, however, would be appropriated by the landowner in the form of groundrent. Similarly, intensive development by way of capital investment increased productivity and thus lowered costs of production: yet it also opened up new productivity differentials between

cultivated land areas and, to this extent, could be a source of additional groundrent.⁵⁰ Hence, concluded Parvus, the expansion of demand brought about by industrialisation, could (but need not) cause rising wheat prices, but would, in all cases, result in the growth of groundrent. Only in this context was it possible to understand the enormous increase in the cost of agricultural leasing and - by the same token - the price of land, which had taken place since the 1870's. An increase, remarked Parvus, which was far greater than the increases, and occasionally even directly contradicted, the movement of wheat prices.⁵¹ Thus industrial development had occasioned an enormous enrichment of the Prussian capitalist landowners.

This process, however, had given way to its opposite; an agrarian crisis characterised by a decline in the cost of leasing, in the price of land and in the area under cultivation.⁵² So devastating was the reversal that an advance of peasant dwarf-holdings was able to take place at the expense of large-scale capitalist enterprise. The task Parvus now set himself was to discover how industrial development not only occasioned the enrichment of the landlords, but also prepared the negation of this process. He proceeded to demonstrate that the fundamental social cause of the agrarian crisis was the growth of groundrent occasioned by industrial development.

Parvus identified one of the basic axioms of Marx's theory of groundrent: so long as land is monopolised under private ownership, land of a better quality than the worst under cultivation yields differential rent to the landowner (to the extent that it is more fertile and, therefore, enables production with lower costs).⁵³

In capitalist industry, continued Parvus, improved means of production lower the cost of production for the capitalist introducing them. Consequently, so long as innovations are unique, they enable production with an extra profit over the prevailing social level; moreover, some of this extra profit can be maintained even at the same time as lowering the selling price below that of commodities produced under what socially are still average conditions

(so as to increase market share).⁵⁴ An increase in industrial productivity consequent upon capital accumulation is, of course, conditional upon the production of new means of production. In capitalist agriculture, in contrast, the basic means of production - land - can not be produced. Consequently, emphasised Parvus, the social price of production for agricultural commodities is set by the products of the least fertile land.⁵⁵ If it were based on those of more fertile land, then the capitalist farmer producing on the least fertile land - and, unlike his industrial counterpart, with no possibility of introducing improved means of production - could only produce at a rate of profit unalterably lower than the social average. Thus with no hope of ever producing at the average rate of profit, farmers on the least fertile land would withdraw from agricultural production and invest elsewhere. Assuming an unchanged demand, however, the correspondingly reduced supply would raise prices to such an extent that it would be profitable to restore the least fertile land to cultivation.⁵⁶ Equilibrium of supply and demand, therefore, can only be maintained when the production prices of agricultural commodities are determined by the produce of the least fertile land.

Furthermore, land is not only a naturally limited means of production but is also a monopoly of the landowning class. Consequently, the social relations of capitalist agriculture involve not only the exploitation of wage labour by capitalist farmers, but also the appropriation by landowners of extra profits accruing to those farmers producing on all but the worst land under cultivation. Although founded on natural differentials in soil fertility, Parvus was clear that it was the social relations of capitalist agriculture which cause the consequently varying productivity to be the source of differential rent.⁵⁷ Hence the capitalist farmer could cultivate land of a better quality only if he had already agreed to lease the land from the landowner, at a rate equivalent to the potential extra profit. This meant that the ability of the farmer with more fertile land to produce at below the prevailing cost of production, tended not to be expressed in the lowering of prices and consequent competitive pressures towards innovation. Likewise, the

social process from which differential rent arose acted in the same way even if the productivity differential was the result of capital investment by the farmer to improve the yield of the soil. In this case, the farmer gained only so long as the lease ran. As soon as it expired, the benefit of any improvement in soil fertility accrued to the landlord (in spite of its origin in the farmer's investment): and the new lease would thus be at a higher rent, and the price of the land correspondingly increased. Thus, assuming the increased yield did not cause total supply to exceed demand, intensive development of agricultural production would no more lead to lower prices than extensive. For so long as the worst land remained in cultivation to determine the price of production for the particular sector, agricultural development would lead to an expansion of, and be burdened by, differential rent.⁵⁸

Marx's theory of groundrent explained, wrote Parvus, why the development of productivity proceeded at a slower pace than in industry. In industry, investment led to a cheapening of commodities which, in turn, induced competition and the driving out of the least productive. In agriculture, on the other hand, the development of production was rather determined by demand, and the enormous development of groundrent was an obstacle to the cheapening of commodities.⁵⁹ In fact, capitalist agriculture had the tendency not to allow the price of wheat to fall under that of the least productive producers: instead, falling costs of production were almost inversely related to the level of groundrent. In other words, concluded Parvus: "The economic significance of groundrent, in brief, is that it restricts the cheapening of wheat ... the landowners take all the benefits of economic development for themselves."⁶⁰

In the light of this, Parvus was able to move towards a general explanation of the agrarian crisis. Having shown the close relationship of groundrent and demand, he concluded that while industrial development had led to a cheapening of industrial commodities, it had had the opposite

effect on agricultural commodities. Industrial development had steadily increased demand for agricultural products. And this had led to higher agricultural prices which, moreover, were rendered downwardly inflexible by the ratchet effect of differential rent. While industrially competitive, therefore, the agriculture of more developed countries was increasingly unable to compete with that of less developed countries, because the latter had not undergone the same inflation of groundrent. Accordingly, the general background to the agrarian crisis of the late 19th Century was that "the capitalist countries beat the others on industrial markets, only to be beaten by them on the agricultural markets".⁶¹

The implications of Marx's theory of groundrent for the agrarian crisis were clear. A development of industry lower than that of the most advanced European countries restricted the expansion of groundrent, the price of land and the inflation of agricultural prices. Consequently, although agriculture was less intensively developed (and productivity therefore lower), the market price of agricultural commodities from less developed countries was less than their counterparts from industrially advanced countries to the extent that groundrent was lower. Thus, even with higher productivity, and assuming a similar quality of land, the more advanced agriculture of the industrially developed European countries was doomed to defeat, at first in foreign markets and then even in the domestic market, under the competitive pressure of agricultural exports from the more backward countries.⁶²

In those countries where expansion of agricultural output had been contingent upon industrial development, it was not possible to lower prices to a competitive level: because so long as capitalism prevailed in agriculture, the social production price was set by the produce of the worst land. This meant that "because rent equal to the difference in the price of production must be paid for all better land, the tenant of such land is no more able to lower the selling price of wheat than the tenant of the worst land".⁶³ Because of groundrent, capitalist agriculture

had the tendency not to allow prices to fall beneath the level of the least productive; "the way to falling prices being barred by the enormously swelling groundrent".⁶⁴

The ways of lowering prices available to capitalist industry were likewise foreclosed. The benefits of capital investment to increase productivity would eventually accrue to the landlord - indeed the possibility of opening up new productivity differentials often led to the future surplus profit to be gained by cheapening the cost of production being 'anticipated' in the present level of rent. Similarly, any surplus profit to be gained by forcing wages down was also appropriated by the landlords rather than giving scope for the lowering of prices.⁶⁵

According to Ricardo, prices would be lowered as land of the worst quality was taken out of cultivation and caused groundrent and the price of land to fall. In correcting Ricardo, however, Parvus insisted that in reality matters were more complicated because, from the moment groundrent became established as rent and price of land, "the difference of land quality ceases to be a factor in competition". "The tenant of the better land merely pays a bigger rent. From his point of view, he produces not at all more cheaply than the tenant of worse land who pays a correspondingly smaller rent. The tenant of the better land will not be able to sell his product more cheaply, because otherwise he will not be able to pay the rent."⁶⁶ Because of the monopoly in landed property, therefore, the surplus profit appropriated by the landlords as groundrent becomes an "independent component" (Marx) of the market price of agricultural commodities, preventing their reduction to a competitive level.⁶⁷ Accordingly, Parvus was able to conclude that in relation to the 'plight of agriculture': "The essential basis of the agrarian crisis is to be found exclusively in the driving up of groundrent (respectively, land prices) consequent upon capitalist development."⁶⁸

The agrarian crisis, then, had social and not natural origins. It could only be finally resolved by the nationalisation of land. Before considering Parvus' programmatic

conclusion, however, it remains to outline the analysis of agricultural development in Germany with which he complemented his theoretical analysis. Meanwhile, he supported his theoretical derivation of the fundamental cause of the agrarian crisis, by means of statistics showing that those countries with agricultural sectors of the highest average productivity were precisely those suffering most heavily from the competition of those countries with the least productive agriculture: British agriculture, with an average wheat yield of 26.9 hectolitres per hectare, German with 17 and French with 14.9 were being driven ever-deeper into depression by Hungarian with 11, that of the USA with 10.7, and Russian with 6.7.⁶⁹

Parvus explained the agrarian crisis as arising from the social relations of capitalist agriculture. Advances in science and productive technique lowered costs of production but, because of the class relations within which agricultural production proceeded, the benefits accrued to the landlord class. Correspondingly, the threat of the overseas competitors did not stem from their technical organisation but their social structure. It is clear, moreover, that Parvus insisted on approaching the agrarian crisis by way of Marx's theory of groundrent, because this was the conceptual means of penetrating the particular forms through which the general fetishisation of bourgeois social relations takes place in the agricultural sector.

When buying land, argued Parvus, landowners confront social relations in their phenomenal or fetishised form, according to which capitalised groundrent appears as an already established or natural price of land.⁷⁰ Groundrent paid by the cultivators of land likewise appears as 'natural' rather than as socially determined. Consequently, when threatened by exports from countries with lower groundrent, landowners complained of 'unfair' competition. This was because landlords understood groundrent as interest on capital which, together with interest on working capital, enters into the price of production. However, to confuse land with capital - and thus to expect a rate of return equivalent to that of industry - was just one facet of the

ideological inversion of social reality: in this case sustained by the landlords' point of view and, as ever, reflected and systematised by vulgar economy. Hence Parvus' ironic comment: "Right in this is only that the money given out for the purchase of the land was capital. Land is therefore just as little capital as it is rain because it is soaked with rainwater."⁷¹ Marx's theory of groundrent, therefore, was necessary to demystify the appearances of the agrarian crisis by way of laying bare the social causes of groundrent, together with its development and influence.

Finally, while he did not dwell on the point, Parvus generalised this criticism to capture the essence of Marx's critique of vulgar economy: "It is the way of bourgeois political economy to regard social relations as natural properties of things, which thereby play a leading role."⁷² In spite of this insight, however, but in common with the whole tradition of social democratic Marxism, Parvus did not consider that what was the case for bourgeois political economy was also the case for bourgeois ideology generally - and thus a barrier to working class consciousness and an important consideration politically.

Up to this point in the analysis, remarked Parvus, it had not been a matter of details, but rather of the "general capitalist context" of the agrarian crisis.⁷³ This was not to deny, of course, that in any concrete comparison of the agricultural competitiveness of two or more countries, "a great number of other circumstances have to be brought into consideration": differences in fertility; taxation policy; the extent of natural economy; wage levels; "and much else besides".⁷⁴ Nonetheless, it was only through the analysis of this "general context" that the whole range of phenomena of the agrarian crisis could be understood - "not as coincidence, but as the natural result of the development of capitalist production".⁷⁵ Accordingly, it was only after considering the 'general connections' - "which are mostly overlooked" - between industrial development, the rising level of groundrent and

agrarian crisis, that Parvus looked at the specific expression of this crisis in agriculture.⁷⁶

Having outlined Parvus' use of Marx's theory of groundrent to illuminate the general causation of the agrarian crisis, it remains only to indicate the theoretically and politically more salient aspects of his analysis of the particular crisis in German agriculture.

An expression of increasing groundrent had been the rising price of land which, so long as it continued, made lucrative the mortgaging of land.⁷⁷ This meant that the competition of cheaper imports not only ruined tenant farmers - who could not lower the price of their products because of the rent they had to pay - but even caused severe losses to capitalist landowners (those who farmed the land they owned). The latter, able to realise the equivalent of both profit and rent, were plainly in a better position to compete by way of lowering prices. Nonetheless, the tendency among capitalist landowners had been to make "double use" of the existence of groundrent; "firstly as such, and then as capitalised groundrent".⁷⁸ Capitalised groundrent, even if only anticipated groundrent, in the form of a land-price could be used to secure a mortgage. To the advantage of landowners so long as agricultural prices continued to rise and the prevailing level of groundrent increase, the trend towards the heavy mortgaging of land became 'the plague' of landowners as falling prices curtailed their ability to continue interest payments. Often, moreover, the mortgage had been used to finance unsuccessful stock-exchange speculation or to undertake schnapps distillation or sugar processing: and both of these products were now overproduced. Constrained by the repayment of interest from lowering prices to a competitive level, their only alternative was to undertake the investment necessary to raise productivity so as to lower the costs of production. This, however, was often not possible because credit-worthiness had been fully exhausted by precisely those previous mortgages causing the present financial difficulties. Furthermore, in a situation of falling prices, land prices already represented an over-capitalisation from the point of view of present levels of

groundrent. Accordingly, argued Parvus, the crisis of capitalist agriculture was general; affecting tenant farmers and capitalist landlords alike. Avoiding bankruptcy "the more capital and the less debts" they had, landowners clung to their land as its price fell, while unable to invest to raise productivity. Consequently, he concluded: "The mortgage proves as much of a barrier to agricultural developments as did the price of land earlier."⁷⁹

Having reached this conclusion in relation to the general crisis of capitalist agriculture in the developed countries, Parvus was then able to make a substantial point in relation to the persistence of peasant production, which so occupied the attention of social democratic commentators on agrarian matters. Reinforcing the conclusions of his earlier study of what, from the point of view of the predictions of orthodox Marxism, was a seeming paradox, Parvus maintained: "The small peasant is the less affected by the crisis the worse his situation is, that is, the more he had been earlier forced to engage in a secondary occupation and consequently no longer depended exclusively upon agriculture. Secondly, he will not be affected by the crisis insofar as he is engaged in natural economy. Because, on the other hand, the development of large scale farming suffers under the sinking price of wheat and diminished credit-worthiness during the crisis and, after a long period, has its cultivated area limited or becomes partially subject to substation, a shift in agricultural production can thus take place to the advantage of small peasant production. The same factors which otherwise work to the advantage of large scale agricultural enterprise in relation to the peasantry - large sales on the market, the formation of high groundrent and easier access to loans at lower rates of interest - now have the opposite effect in working to its disadvantage."⁸⁰

Parvus insisted that the possibility of agrarian crisis, or the "economic potential" which produced it, could not be fully grasped without understanding that "the conditions of competition are formed by the differences in groundrent and wheat prices in countries of differing industrial development".⁸¹ Nevertheless, for an agrarian crisis to occur required that international trading relations should have been established: "The agrarian crisis", Parvus recalled, "is thus through and through a product of the development of the world market."⁸²

Reminding his readers of the introductory remarks concerning the development of capitalism to the stage of world production, Parvus insisted that the fate of any part of national production could only be derived from the development of the world market. From that vantage point, Parvus recalled, the general effect of industrial development on the development of capitalist agriculture was analysed by means of Marx's theory of groundrent. In this manner, "the conditions of competition of the world market" were revealed, "under which the agrarian crisis arises".⁸³ Instead, therefore, of commencing his analysis of the 'plight of agriculture' in the conventional way, starting from the appearances and known facts of the 'conditions of competition on the world market', Parvus chose, first of all, to utilise the theoretical apparatus of Marx's theory of groundrent - the final stage and completion of his theory of value - in order to 'lay bare' the determinants of these 'conditions of competition'.

In the foregoing presentation of and commentary upon Parvus' major work in the agrarian field, I have attempted to demonstrate his original and creative application of Marx's theory of groundrent to contemporary reality. We can now see, furthermore, that he was not only true to the content of this particular aspect of Marx's theory, but that he was also in accord with Marx's method. Just as Marx, throughout Capital, approached the realm of competition only by way of revealing - 'step by step' - its general determinants, so Parvus approached the known facts and developments of the particular 'conditions of competition'

on the world market for agricultural commodities, only by way of revealing what lay behind and determined them.

My intention in this section has been to reconstruct and comment upon Parvus' theoretical explanation of the agrarian crisis. I will only briefly trace his account of the expression of the 'conditions of competition' in the actual course of the agrarian crisis in Germany: and, moreover, only insofar as it bears upon his programmatic conclusions.

Like England before, argued Parvus, France, Germany and the other industrial states of Europe were transformed from wheat exporters into importers, as their competitive advantage on the world market for wheat fell forfeit to industrial development.⁸⁴ In Prussia, a period of great prosperity for capitalist landowners was prepared by the replacement of a natural economy based on serfdom by commodity production. As the process of restructuring agrarian relations on capitalist lines was completed, and finding an expanding market in England, the 'costs of production' of wheat were sufficiently low for Prussian exports (together with a smaller quantity from the rest of Germany) to compete favourably with both Russia and the USA - indeed, remaining the single largest exporter to England until the 1850's. This connection with the expanding market of industrial England, however, gave rise to a continued inflation of groundrent and the price of land, so that "the condition of a renewed domination by the Junkers (only this time under the guise of capitalists)" became, at the same time, "also the precondition of its decline".⁸⁵

The period of prosperity - lasting, with cyclically induced fluctuations, from the early 1830's to the late 1870's - saw a huge increase in land prices give rise to land speculation on an increasingly gigantic scale which, in turn, was fuelled by a vast accumulation of mortgage debt.⁸⁶ Accordingly, by the mid-1860's, a growing difficulty in obtaining mortgages and a rising rate of interest occasioned by the development of industry had set in, leading to a fall in the price of land and to the recall of mortgage debts at

the same time as their security dwindled. The consequent spate of bankruptcies and foreclosures gave the appearance of an agrarian crisis in the mid-1860's, but was, in fact, only a temporary state of affairs arising not so much from speculation as such, as from a general shortage of credit at this time. A fall in the rate of interest in 1867, the entry into circulation of money extorted from France after 1870 and, above all, the concentration of money capital by the rapidly developing banking system, all worked to enable the Junkers once more to increase their indebtedness as the explosive growth of industry caused the price of wheat and land prices to rise.

The agricultural upturn of the 1870's, however, proved to be merely a prelude to the general and lasting agrarian crisis, concluded Parvus: "When the industrial crisis of the 1870's set in, Germany was already a developed industrial state; with high groundrents, high land prices, high mortgage debts, high wheat prices and - according to the capitalist way of calculating the matter - high production costs for wheat!" Because of the increase in groundrent and land prices, therefore, indebtedness was at its greatest at the very time that high 'production costs' were making German produce "incapable of competition on the world market".⁸⁷ In this way, the development of industry once responsible for agricultural prosperity had, by this time, become the precondition of its ruin.

Having discovered the basis of the agrarian crisis in the inflation of groundrent and land prices, Parvus concluded that only their abolition could enable the productive differential between land of different qualities to become a factor in competition. With groundrent in effect eliminating the productivity advantage of better land as a factor in competition, only its abolition could enable the products of better land to resume competition with the agricultural exports of Russia and the USA.⁸⁸ In order to abolish groundrent, however, it was necessary first to abolish the property relations which gave rise to groundrent, by means of transforming the private ownership of land into

social ownership. Thus while the social democratic agrarian programme remained to be developed and worked out in detail, the weight of Parvus' investigation was now brought to bear in support of the traditional programme of land nationalisation.

Parvus also supported his programmatic conclusion by means of refuting the validity of lesser measures as means of overcoming the agrarian crisis. The nationalisation of mortgage debts could be of no benefit to landowners so long as high land prices remained to have as their reflex high indebtedness. Neither could the cancellation of mortgage debts help, in that as soon as the old debts were paid new loans would be taken up. Moreover, even if the "capitalist state" were to nationalise the land paying compensation at current prices, this would simply be to transfer the burden from the landowners to the state, thereby perpetuating high groundrent on the basis of reduced wages and raising the price of bread. Indeed, on the basis of the property relations of capitalist agriculture, the only conceivable way out would be to auction off the whole of landed property: "The private owner must be destroyed in order to save private ownership." Against this drastic measure, however, was ranged the interests of the present landowners and their creditors!

Having thus established the necessity of the SPD's agrarian programme, Parvus also shared the prevailing maximalist manner of posing it.

Firstly, Parvus did not consider land nationalisation as a transitional measure towards the complete socialisation of agricultural production. (Indeed, he only used the term 'nationalisation' in the context of rejecting land nationalisation with compensation by the capitalist state as a possible way forward.) With the end of private property in land, argued Parvus, groundrent disappears as the agriculture of the whole country forms a single enterprise and capitalist commodity production becomes socialist natural economy making the most rational use of labour and technique. Left out of account, therefore, was any notion of a transitional stage in which land has indeed been nationalised

but agricultural production not yet fully socialised: a state of affairs in which while absolute rent immediately disappears, agricultural commodity production persists and along with it the differential component of groundrent which now accrues to the government of the transitional society.

This failure to consider the possible form of agrarian relations under the dictatorship of the proletariat - and only as they would appear once the transitional regime was at an end and production fully socialised - was related to a second typical characteristic of social democrat thinking on the agrarian programme. For social democratic Marxists, land nationalisation by a socialist government was the means by which to usher in the most rational form of large scale agricultural production, and was not - as was the case in the Comintern - subordinate to the overall nature of the agrarian programme as a lever with which to overthrow capitalism. Accordingly, Parvus (for example) did not consider that the cancellation of agricultural debt, while not a way out of the agrarian crisis could, nonetheless, if raised specifically in relation to small and medium peasants, have possibly extended the SPD's meagre support in the countryside. Most important, however, was the failure to discuss the possibility of the expropriation of large scale landed property as not necessarily the immediate basis of collectivised production but possibly - depending on the feeling of those sections of the rural population open to influence - as the basis for at least a partial land redistribution. Social democratic Marxists, however - including both Parvus and Rosa Luxemburg - placed their emphasis on land nationalisation as necessarily the first step towards a rational socialist agriculture, rather than placing uppermost the need to be able to put forward a programme capable of mobilising the disparate social groups necessary to gain political power.

Finally, looking ahead to the further course of the argument in this chapter, it is necessary to draw attention to a flaw in Parvus' analysis. While its significance is

by no means immediately apparent, its presence as an isolated departure from the law of value will be seen to be symptomatic of the more serious failure, evinced in later works, to carry through his analysis of economic phenomena completely from the standpoint of the law of value.

In discussing the booming agricultural market that immediately preceded the devastating agricultural crisis of the 1820's, Parvus demonstrated that the prosperity of German capitalist agriculture was initially dependent upon the industrial development of England. As the English market for wheat expanded, the correspondingly rising price came to set the standard also on the German market, consequently, the Junkers were able to enrich themselves in this early stage of capitalist agriculture, because "the general price of production of wheat in Northern Germany was considerably less than the market price carried over from England".⁸⁹ Accordingly, commented Parvus, the boom in demand had driven absolute groundrent to enormous heights and, with it, also the price of land.⁹⁰

There is a significant error here, however. Absolute rent, according to Marx, "forms the excess of value over the price of production" of agricultural commodities.⁹¹ Parvus, however, described the excess of a temporarily inflated market price over the price of production as giving rise to increased absolute rent. This is incorrect, because what Parvus described as absolute rent was, according to Marx, merely a rent originating "from an excess of market price over the value and price of production ... derived solely from a monopoly price of the product".⁹² Absolute rent is wholly the consequence of private property in land, which enables the market price of agricultural commodities to be raised to their value when this is above production price: the landowners' monopoly means that unlike those products of industry whose value is higher than the general price of production, they are not levelled out to what otherwise would be their price of production. Absolute rent, therefore, entails the sale of agricultural products at a monopoly price, "not because their price exceeds their value, but because it equals their value".⁹³ Absolute

rent arises out of that portion of agricultural surplus value which, but for the monopoly barrier to new investment, would otherwise enter into the general equalisation of surplus value to average profit: it is the result, therefore, of a modification of the operation of the law of value according to the social relations of production prevailing in capitalist agriculture. Likewise, differential rent is the converted form of the surplus profit arising from the difference between social and individual price of production. Yet whereas these "normal" types of groundrent arise in accord with the law of value considered in the light of the social relations of capitalist agriculture, monopoly rent is "based only upon an actual monopoly price, which is determined neither by price of production nor by value of commodities, but by the buyers' needs and ability to pay".⁹⁴ Monopoly rent arises when a particularly great demand for agricultural products - or for products generally which "cannot be reproduced by labour" - exceeds supply to such an extent as to drive up their market price above value.⁹⁵ The source of monopoly rent, therefore, in contrast to groundrent, is not to be found in the operation of the law of value in the context of agrarian property relations, but is rather external to agriculture and is constituted by departures from the law of value according to the state of supply and demand for commodities in limited supply (such as fine wines). Monopoly rents do not arise from a monopoly of the means of production enabling agricultural products to be sold at value, but rather from the monopoly status of certain agricultural products which enables them to be sold at a monopoly price realised at the expense of either real wages or - more likely - at the expense of the profit of other capitalists.⁹⁶ Whereas the source of differential and absolute rent is realised by the sale of products at their value, the realisation of a monopoly price entails a non-equivalent exchange as commodities are sold at a market price above value. For Marx, therefore, the analysis of monopoly rent "belongs under the theory of competition, where the actual movement of market prices is considered".⁹⁷

While this error was not such as to curtail the importance of his discussion of the development of the world economy

and the agrarian crisis - not even appearing in the main body of the theoretical argument - this confusion by Parvus of absolute and monopoly rent marked an undoubted flaw in his attempt to carry through an analysis from the standpoint of Marx's theory of groundrent. It was, moreover, symptomatic of a failure to present systematically Marx's theory of groundrent as the completion of his analysis of the operation of the law of value. Moreover, although Parvus had a good grasp of Marx's method - perhaps better than that of any contemporary - his failure to conduct his analysis wholly in accord with Marx's theory of value was also related to his inability to overcome completely the prevalent methodological failure to distinguish clearly the level of abstraction of 'capital in general' from the concrete appearances of the realm of competition. At present, this criticism is no more than a minor qualification of an admiring assessment of Parvus' work. The significance of this criticism, however, will become more apparent in the course of discussing his later works.

In the vanguard theoretically, Parvus provided the first - and never completely superseded - defence of the orthodox agrarian programme, by way of analysing the development and crisis of capitalist agriculture from the point of view of Marx's theory of groundrent. Because he understood the development of the agrarian crisis on the basis of this final aspect of Marx's value analysis of capitalist relations of production, he was all the better able to defend the Erfurt Programme in relation to its demand for land nationalisation. In relation to agrarian politics, however, he did not go beyond the refutation of opportunism to suggest agitational demands or new tactics with which to correct the negative or purely passive implications of the orthodoxy he had so ably defended.⁹⁸ Yet paradoxically, when - in the works about to be considered - Parvus did come to challenge the political immobilism of the SPD-Centre's passive isolationism, his programmatic and tactical innovations were based on an economic analysis generally less consistent with Marx's theory of value than his earlier work on the

agrarian crisis. Whereas this earlier work had combined an economic analysis mainly in accord with the theory of value with a defence of social democratic orthodoxy, his later work presented a radical departure from the political orthodoxy of the SPD while becoming less consistent with Marx's value analysis on the theoretical plane.

In this section, I commented on Parvus' confusion of Marx's category of absolute rent with that of monopoly rent, in order to indicate his less than complete assimilation of value theory and, thereby, provide a clue as to the status of his later works in relation to Capital. In the following sections, I attempt to show that while Parvus' economic analysis was very far from retrograde - being, indeed, an advance over his contemporaries in many respects - its intended purpose of providing support for his proposed political reorientation was limited by the extent of its lack of an inner-relationship with the law of value.

4. Economic perspectives and political tasks

In his work on the agrarian question, Parvus demonstrated his ability to draw political conclusions from theoretically guided analysis. This was his main strength as a Marxist and was amply confirmed in his main ensuing works. As with the previous work, I will outline the course of his argument in combination with a critical commentary.

The works discussed in this section constitute the first attempts within German social democracy to apply Marxist theory to the concrete analysis of general tendencies of economic, social and political development, in order to gain a perspective on the current situation and, thereby, establish political strategy and tactics on a firm intellectual foundation. Accordingly, by way of theoretically guided but nonetheless 'concrete analyses of concrete situations', Parvus worked out his then truly innovative theory of social revolution: the conquest of power by the working class, according to Parvus, was not an indefinitely far-away 'end-goal' - the result of a future struggle too distant to be of present concern - but rather an 'actuality' which had to be consciously and actively prepared, and which thus informed and gave meaning to current tactics and all day-to-day activity.

Parvus was the first important social democrat to drive beyond the separation of social democratic politics into 'minimum' and 'maximum' programmes. The bridge connecting these previously isolated poles was the perspective and corresponding programme and tactics: the perspective identified the circumstances in which any particular 'minimum' demand might be fought for in such a way as to develop the consciousness and organisation of the working class towards socialism. In this way, Parvus was the first to propagandise the resolution of the apparent antithesis, between immediate working class needs and possibilities and the final aim of social revolution, in action. As such, he not only prefigured Luxemburg, but also the political method developed in the first four Comintern Congresses and precipitated in Trotsky's Transitional Programme.

Informing Parvus' political innovations was an equally original explanation of capitalist economic development. Apart from the hints provided by Engels in Capital III, Parvus was the first Marxist to differentiate systematically between the trade cycle (or decennial slump - boom cycle) and longer, fundamentally more important epochs of economic development. He identified alternating long periods of 'depression' and 'storm and stress' (i.e. of rapid and generalised economic expansion), and demonstrated how this changing tempo of economic development not only determined the form in which the trade cycle appeared but also conditioned the politics of the particular period. Thus Parvus pioneered a theory of capitalist development that continued to be of considerable political significance - notably within the Comintern during its early years. However, when it came to explaining this characteristic pattern of capitalist economic development, Parvus was handicapped by an under-consumptionist theory of crisis. We will see, therefore, how this particular shortcoming in his 'Rezeption' of Capital restricted the possibilities for internal development and, ultimately, even the political value of his substantial theoretical achievements.

4.1. 1896: upturn in the world economy, the coming 'breakdown' and the campaign for an 8-hour day

From studying the reports of Chambers of Commerce for 1895, Parvus drew attention to a generalised economic upturn. Pointing to the unprecedented expansion in trade and the rapid growth of profitability, he was able to correct any expectation of an imminent collapse of capitalism. Rather, the perspective was for a continuing 'powerful expansion' of production.⁹⁹ This expectation was supported, moreover, not merely by reference to current statistics but to longer-term, generalised movements in economic development.

The post-war expansion of industry, according to Parvus, came up against the limits of the home market as early as 1875. The resulting crisis gave way not to a period of renewed upswing on the same tempo but, after 1878, to a 15-year 'economic depression': "There were indeed periods of slight upturn, but these were so quickly replaced by downturn that neither prosperity nor crisis were sharply perceived."¹⁰⁰ Hence the need for overseas markets was particularly urgent for German capitalism after the crisis of 1875.

Correspondingly, the renewal of rapid economic expansion in Germany was referred back to the 'general situation of the world market'. Because the development of production and trade in the industrial countries of Europe was so closely bound together and interdependent, Parvus insisted that "the present industrial upturn cannot be explained from specifically German grounds but only on the basis of the development of the world market".¹⁰¹ In turn, Parvus identified four developments as the basis for the transformation of the world market: firstly, the increasing tempo and extent of Russian trade and industrial production; secondly, the emergence of Japan as an independent industrial state and the incorporation of China into the world market; and, thirdly, the emergence and recent upturn of US industry as a force competing with European industry, had combined into a massive extension of

the world market which, fourthly, was mobilised and boosted by a massive increase in gold production and the 'dishoarding' of funds accumulated in the depression. Consequently, concluded Parvus, the industrial upturn of 1895 marked the beginning of a colossal expansion of world capitalist production. Moreover, argued Parvus, it should be seen as inaugurating a new period of 'storm and stress', in which economic development would proceed in marked contrast to the depression: "The economic depression is at an end - a new period of storm and stress is beginning for capitalist industry. That should not be taken as meaning, however, that there will be no setbacks and pure prosperity will prevail. It is much more a matter of the tempo of development, to which the laws of the wave-like movement of capitalism still apply. Economic depression, of course, had its phases of expansion and contraction. But the overall fluctuation was very small ... From now on, however, the industrial upswing will obtain a far greater extent and proceed in a completely different manner, the collapse will set in more steeply and sharply and have a more devastating effect, the new upturn will assume even more colossal dimensions ..." ¹⁰² This new period of 'storm and stress', however, was not without limits: it could persist only "until the enormous area of production that has been started upon is thoroughly worked over and the unleashed, enormously developed forces of production again find no outlet". ¹⁰³

Here, Parvus not only gave an accurate prognosis for the development of the world economy, but also showed how this development determined the changing form in which the cyclical development of capitalist production proceeds. From the scattered remarks of Engels, Parvus advanced to the notion of epochs of capitalist development; of periods of depression (marked by short, faltering booms and longer periods of lingering recession) and periods of long-term expansion (in which successive booms each take place on a higher level, and are punctuated by recessions which do not retard the secular tendency of growth). In embryo, this is the first formulation by a Marxist of the theory of 'long-waves' of capitalist development.

In his further analysis, however, Parvus revealed the one-sidedness of an analysis based on the development of the market, while failing to take into account the contradictory process of capitalist production. For his correspondingly underconsumptionist theory of crisis led him back to the very theory of collapse he had been on the verge of rejecting.

The weakness of Parvus' analysis of the movement of the world economy was that it depended entirely on the geographical expansion or contraction of the available market. Conversely, he completely overlooked the barrier posed before profitable production by the social relation represented by capital, and Marx's corresponding theory that recurrent crises arise from the loss and restoration of the conditions underlying profitable production. Indeed, Parvus not only ignored Marx's LTRPF in explaining crises of overproduction, but even evinced a general lack of clarity concerning the concept and its measurement. For example, Parvus supported his view that from about 1895 the rate of profit was rising rapidly, by giving examples of unusually high shareholders' dividends and the mass of profit recorded by various companies.¹⁰⁴ Yet, as Hilferding was to demonstrate, the size of the dividend or level of quotation of a particular company's shares indicates only the state of its profitability in relation to other companies, and hence "facilitates for capital seeking investment a decision as to what branches of production to turn to".¹⁰⁵ Such a relative indicator, however, cannot provide an absolute measure of profitability throughout the economy as a whole: consequently, examples of unusually high dividends do not necessarily signify the generalised presence of the preconditions for profitable production. Further, insofar as the rate of profit figured in Parvus' analysis at all, it did so in a manner quite opposed to that of Marx. Firstly, Parvus treated economic crisis simply as a cause of a fall in the rate of profit, and not at all as its consequence.¹⁰⁶ Secondly, he treated a fall in the rate of profit as one of the prerequisites of renewed economic expansion.¹⁰⁷ This was because, at one point, Parvus considered profit as a cost of production: "In Europe, economic depression has depressed ... the rate of profit. Consequently ... capitalist production costs have

lessened ... Commodities became cheaper and, thereby, the competitiveness of European industry rose."¹⁰⁸ To treat profit as a cost of production, however, is to confuse, indeed reverse, the meaning of this category. Of course, a conjunctural excess of supply over demand in one sector can result in a self-imposed squeeze on profits in order to lower selling price and maintain sales: this will lower costs and increase competitiveness in other sectors. From the point of view of the system as a whole, however, a fall in the general rate of profit is not a fortuitous reduction of costs and a stimulant to economic activity, but rather reduces the incentive and means to invest for all capitalists. Parvus' failure to keep this in mind was thus a surprising lapse into the standpoint of the individual capitalist or the methodology of the very 'vulgar economics' of which he was a stringent critic.

This shortcoming in Parvus' 'Rezeption' of Capital was common to the leading theoreticians of the SPD at this time: it meant that while his work was a distinct advance over his contemporaries, he was unable to break from the limitations of the prevailing theory of 'breakdown'. With his contemporaries, he located the barrier to capital accumulation in the physical limitation of the market and not in the social relations of capitalist production. Consequently, although Parvus was able to lay to rest any expectations of an immediate collapse of capitalism, the logic of this position was that the final 'collapse' of capitalism could only be postponed until such time as the geographical expansion of the market reached its outer limits. Indeed, Parvus drew the inference that: "... the development of the world market also drives towards a world crisis which, at least for Europe, makes impossible the further progress of capitalist production. At this point, capitalism collapses."¹⁰⁹ Clearly this coming 'collapse' was not only quantitatively more massive but also had a qualitatively different significance to the crisis phase of the trade cycle: "There will be a 'storm and stress' period, characterised by the incorporation of such massive markets, such a raising of the forces of production and such a sharp struggle of interests as capital has not previously experienced. Quite apart from the regular

fluctuations between upturn and crisis, it must lead (in Western Europe at least) to a collapse of capitalist production."¹¹⁰

Proceeding to derive political perspectives from his economic analysis, Parvus commented that "the powerful onward drive of industrial development will also entail a shift of political relations".¹¹¹

During the depression - and especially in Germany under the 'Sozialistengesetz' - conditions were unfavourable to the wages struggle and for immediate reforms. Blocked on the trade union front, workers therefore tended to direct their attention towards their general position in society and politics. In England, a rebirth of socialism within the working class began, while in Germany social democracy developed into a great and unified Party. Already, however, the European industrial upturn of 1887-90 had encouraged the development of 'New Unionism', while in Germany the increased self-confidence of the workers undermined the 'Sozialistengesetz', ensured a reduction of the grain tariff and was precipitated in the huge electoral advance of the SPD in 1890.

The tasks of the working class in this "new period" were thus two-fold:¹¹² it should take advantage of the boom - and the employers' increased demand for labour - to win concessions; yet do so not just for their own sake (or as an immediate alternative to political struggle), but in order to prepare and strengthen working class organisation for that "historical moment which delivers political power into its hands".¹¹³ And this 'moment' would surely be provided by the future collapse of European capitalism: "This moment will come ... Because, although a market of almost immeasurable size is being opened, the forces of production - as is the law of capitalist production - will grow much more rapidly than sales. A massive competitive struggle will be unleashed ... it must end in a world crisis, which will smash to pieces capitalist Europe."¹¹⁴

In his expectation of a coming 'collapse' which, moreover, would 'hand over' or 'deliver' political power to the working

class, Parvus was entirely conventional. "We stand at the beginning of the end", concluded Parvus.¹¹⁵ The outcome, however, "depends essentially only upon the extent to which the working class in the individual countries has come together in class conscious organisations and there exists agreement between these national socialist parties".¹¹⁶ Apparently, Parvus shared the notion that consequent upon the future collapse of capitalism, political power would be surrendered to, or just be there for the taking by the working class. Nevertheless, although Parvus had not broken with the mode of expression of the then Marxist 'orthodoxy', he was beginning to transform the political implications of the theory of collapse. He did not reformulate the theory with a new content to the extent of Luxemburg's theoretical innovations, but nonetheless displayed an equal concern to reorientate the workers' movement in practice - towards active revolutionary tactics that could prepare the working class to take power during the collapse. In this way, the gap between day-to-day parliamentary and trade union work, and the overall aim of social revolution was to be bridged. As with Luxemburg later, Parvus derived tactical conclusions from his theory of collapse that were in stark contrast to the Party leadership. Leading theorists such as Kautsky indeed foresaw a coming period of crisis and revolution, but reduced this to a purely historical significance. Moreover, the actual activity of the Party consisted of a parliamentary orientation resting on mass organisations which came to be seen as an end in themselves. Sufficient for present purposes, the sporting, cultural, social and political organisations of the working class were expected steadily to gather strength for the time when capitalism would collapse and power would devolve to the working class. Accordingly, their organisational integrity was paramount and was not to be placed at risk by offensive tactics involving mass action. Through its isolationism the workers' movement largely avoided overt accommodation to the existing order before 1914, but at the price of refusing to engage in serious struggle at all - and, therefore, at the price of being unprepared for serious

struggle against the existing order when it actually would be beginning to collapse.

For Parvus, conversely - as we have seen in his warning against opportunism - revolution was always the most important and immediate question, and not the object of passive expectancy. He therefore campaigned against this 'negative integration' of the working class - whereby existing society was rejected and boycotted, but not seriously threatened. Consequently, the key question was how the new period of world economic development might facilitate, and in what forms, a new era of working class struggle. The political significance of Parvus' economic analysis was that it should serve as a signal for a new period of trade union and political struggle, with correspondingly new demands and forms of struggle.

Whereas the 'depression' had brought forth an independent political party of the workers, the task in the coming period of 'storm and stress', according to Parvus, was to build the trade unions and fight for improved wages and conditions.¹¹⁷ Against those sceptical of trade unionism, Parvus maintained that "the immediate future in Germany belongs to the trade unions".¹¹⁸ Insisting that the unions were the "combat organisations" of the working class, he sharply rebutted remarks made by Bebel casting doubt upon their future effectiveness and importance.¹¹⁹ Only the unions were able to fight the daily "guerrilla war" with the employers, for the ability to wage this struggle depended ultimately on the power of the strike.¹²⁰ Above all, Parvus rejected any strict separation of politics and trade unionism, emphasising instead the important role of strikes in 'politically educating' the working class as well as the opportunities they gave for the SPD to intervene with material and moral support, thereby helping to raise the general level of class consciousness.¹²¹ Far from being alternatives to each other, he argued that there was a 'reciprocal action' between the political and trade union movements: all trade union struggle was class struggle and all "class struggle is political struggle".¹²² In stressing the role of action in the formation of class consciousness, together with the importance of the coming

'collapse' in rousing and organising even the most backward sections of the working class, Parvus prefigured Luxemburg and the later Radical Left of the SPD. Accordingly, in his stress upon mass action - and hence upon trade unionism - Parvus began to cut a course at a tangent to the established positions of the Party Centre.

Parvus had no quarrel with conventional social democratic opinion on the importance of organisation. In addition, however, he argued that present mass action was the way to rouse, organise and raise the consciousness of the masses, so as to prepare the future revolutionary struggle eventually to be inaugurated by economic collapse. This, then, was the supreme significance of trade union struggle and political activity alike. It was with the intention of supporting mass action, therefore, that Parvus set out to correct a disparaging attitude towards trade unionism that originated with Lassalle and still persisted within the SPD. Parvus gave several examples of the prevailing negative attitude towards trade unionism.¹²³ This attitude was not merely born of sectarian prejudice, however, but corresponded to the typical social democratic separation of the 'political' from the 'economic' (which found expression in successive rounds of debate on the mass strike). Parvus opposed this separation from the point of view of a revolutionary strategy embracing trade union mass action.

Parvus argued that the rapid organisation of the working class was necessary to prevent their defenceless exploitation in the face of the increasing concentration and power of capital, but also to prepare for coming revolutionary struggles. However, Parvus scorned notions of a gradual organising of all workers and of a subsequent peaceful transition to socialism. He argued that the process of capital concentration and working class organisation worked only as a tendency and could, in reality, never be realised in the pure form of the organised working class confronting a socially isolated, tiny capitalist class: before capital concentration together with the organisation of the working class and the corresponding disappearance of the middle classes could develop to their logical end, the stage of economic collapse and of heightened

class struggle would supervene. Accordingly, Parvus warned against deriving tactics from tendencies considered not in their contradictory development, but as if they were already fulfilled: "We must take into account the tendencies of capitalist development in order to grasp the present in its process of becoming. It would be foolish, however, to establish tactics as though the condition had already set in that only the eventful future harbours."¹²⁴ Hence the conclusion that the perspective could not be one of a long term evolutionary process culminating in a 'pure polarisation of classes', but that rather the working class would have to be prepared for decisive struggles in the present.

Parvus then turned to the importance of Party organisation. In a period of economic collapse and social crisis, he argued, there "arises the necessity" to develop organisational potential "to the maximum".¹²⁵ This was particularly the case for the Party, which represents "the working class as a whole" and consequently must occupy the "leadership of the labour movement".¹²⁶ Although needing the support of the unions, the Party was of "special importance", because in a period of breakdown and decisive conflict it would be the only force that could rise above the confusion and turn the situation to the advantage of the working class by taking society forwards towards socialism: "... because the collapse of capitalist production takes place at a moment where class antagonisms are not yet pure and distinct, and where the task thus falls to the working class of organising the affairs of a new social order in the midst of a confusion of conflicting interests."¹²⁷

Having stressed the importance of strong organisation, however, Parvus was also aware of the dangers associated with the very success and consequent organisational strength of social democracy. The first danger confronting social democracy arose from the simultaneous political collapse of the German bourgeoisie and success of social democracy. The institution of German unity 'from above' fulfilled the main "political task of the bourgeoisie", while the crisis of the 1870's precipitated "a pact between industrial and agrarian interests with a view to exploiting the inner market".¹²⁸ At precisely the time therefore, that the working class had been enfranchised, the bourgeoisie was incapable of raising political questions of

great importance, with the result that it was unable to secure political hegemony over the working class. Moreover, trade unions were in no position to absorb the energies and achieve the demands of the workers: the structure and geographical spread of industry restricted trade union growth in the 1870's, while the 'Sozialistengesetz' was a crushing blow to their as yet weak organisation (only 45,000 members). Consequently, the SPD came to be "as good as the only form of the labour movement", at a time when the situation in Germany was confronting the working class with "independent political tasks" - "appropriate legislation for the protection of labour in the widest sense, and removal of the anti-socialist law".¹²⁹ Embittered and driven into opposition by illegality, moreover, social democratic agitation aroused class consciousness among the workers, while making the SPD "used to discipline and organisation".¹³⁰ On the other hand, the success of the SPD during this period was matched by the destructive impact of the 'Sozialistengesetz' on bourgeois liberalism, so that by 1890 only the Centre Party otherwise commanded reliable mass support. The resulting weakness of bourgeois liberalism and strength of social democracy had the result that it was becoming increasingly common to see social democracy as the representative of bourgeois oppositional interests, and that in fact the SPD was increasingly assuming the function of the bourgeois opposition: "From now on, social democracy confronted us in a double guise: as the parliamentary organisation of the class conscious proletariat and as the grand general party of opposition."¹³¹ In this context, Parvus was the first proponent of a revolutionary corrective - of a reorientation towards specifically proletarian mass action.

As a symptom of this problem, Parvus highlighted the concentration of the Party's parliamentary effort against militarism and taxation policy. Although for the Party only "determinant appearances of capitalist society", in parliamentary practice the Party proceeded in its attitude towards these questions no differently than would the "petit-bourgeoisie".¹³² As a mass parliamentary party, the SPD could not ignore those issues on which working class interests coincided with those of other classes: yet, in mass agitation,

the theoretical, specifically proletarian reasons for the particular stance were so much "ornamentation".¹³³ The problem that Parvus identified here was bound up with the nature of such issues and the constraints of parliamentary agitation. Reinforcing this impulsion towards the reduction of socialist class politics to the lowest common political denominator, Parvus argued, was the personal courting of Party leaders by members of other classes as well as a tendency to adapt to the interests of other classes where they were particularly strong (as for example in Southern Germany). Similarly there was the influence of the petit-bourgeoisie inside the Party itself. While resisting the tendency to ascribe all problems within the Party to the "petit-bourgeoisie", Parvus explained this by distinguishing those whose petit-bourgeois existence was gained by becoming a full-time functionary of the Party from those party members who were petit-bourgeois by background and actual social position. Parvus did not foresee the fully developed form and conservative influence of the labour bureaucracy. However, it must be noted that Parvus was attempting to intervene at an early stage of a process whose final result was by no means a foregone conclusion. He saw clearly that the bureaucracy would only react when under pressure - from either "above or below": "If there is none from either, however, routinism soon sets in."¹³⁴ Parvus saw far more clearly than, for example, Kautsky, that the only guarantee against the corrosive effects of bureaucratic routinism was an active and conscious rank and file. For with this, there would also be no need to worry about the second source of petit-bourgeois influence: he argued that the rapidly increasing industrial proletariat (the rise of heavy industry was especially powerful in this period), and their political development towards class consciousness and social democracy, would by far outweigh any increase of membership amongst the petit-bourgeoisie.

Parvus' economic perspectives revealed the possibility of mass action on the economic front. Now, in addition, the need to act on this possibility was posed by the situation within the SPD itself. The potentially corrosive impact upon revolutionary integrity of bureaucratic routinism, petit-bourgeois attitudes and the lack of strictly proletarian demands

in the Party's mass agitation, therefore, was to be counter-acted by mass action in pursuit of "practical policies" which would sharply define the "proletarian point of view".¹³⁵

Consequently, Parvus did not just criticise the Party's lack of activity but proposed a campaign for the 8-hour day as the main agitational thrust in the coming period. This was to be the main demand because: "There must be something that can be realised in capitalist society, the social-political consequences of which would be - at the same time - great enough to set the proletarian masses permanently in motion."¹³⁶

The point of a political perspective (although he did not use this term), according to Parvus, was "to foresee coming development and hold oneself prepared to exploit to the maximum promising circumstances as they set in".¹³⁷

Accordingly, the campaign for the 8-hour day would enable the Party to take advantage of the possibilities disclosed by Parvus' economic analysis - from the point of view of both the immediate and historical interests of the working class. It would drive into the background those issues on which the working class occupied the same ground as the petit-bourgeoisie, and thus enable a sharp line of distinction to be drawn between proletarian parliamentary tactics and those of the petit-bourgeois opposition: "What is necessary are principled parliamentary tactics, which would step into the foreground opposite the others. What is necessary, is that the working class comes into the situation of pursuing a purely proletarian class struggle."¹³⁸ Implicitly opposing Kautsky's passive conception of 'proletarian isolationism', Parvus understood that class integrity could only be fostered by engaging with bourgeois society and the state in a relationship of struggle.

The fight for the 8-hour day was to be waged not merely through "parliamentary action" but, above all, as a "trade union campaign against the employers".¹³⁹ Parvus conceived of the Party's activity as embracing the entire country and utilising all means of agitation, forcing all political parties to make their position clear on the issue, and constantly demanding the 8-hour day for public employes. It was the way to ensure a reciprocal development of the Party and trade union movement, since this would be the nature of their relationship in practice - so that, for example, as the

unions forced some employers into conceding the 8-hour day, this would tend to divide the bourgeoisie, thereby lessening opposition (for competitive reasons) to social democratic parliamentary action for legal regulation. Above all, however, Parvus' immediate proposals flowed from his perspective on future development and the approach of social revolution. From this standpoint, the mass action of the working class, as a combined campaign of trade union struggle and Party agitation, would ensure the proletarian integrity of the Party, as well as gather support from ever-wider layers of the working class - particularly enabling the separation of the Rhineland workers from the Centre Party. This would not only benefit the Party at the next Reichstag elections, but would also ensure that: "The Party becomes 'positive' in its parliamentary activity and thereby remains thoroughly social-revolutionary."¹⁴⁰ Thus the campaign for the 8-hour day was not only to rouse and organise the working class to fight for their immediate needs but, in so doing, to point the way towards and prepare for social revolution: "And should the collapse of capitalism occur even before the 8-hour day is achieved, precisely this activity will have most strengthened the class consciousness of the working class."¹⁴¹ Only in this manner, concluded Parvus could be fulfilled the "tasks of social democracy posed by the development of the world market itself".¹⁴²

The coupling of positive work by the Party and unions on immediate issues with the general preparation of social revolution was to remain the hallmark of Parvus' political approach, and the leading theme of his subsequent works. In an article published in 1903, for example, he insisted on: "Present demands but not politics confined to the present. Practical work but from a great point of view."¹⁴³ Otherwise, he concluded contemptuously: "There merely remains pure opposition. Hostility to the government becomes the guiding star of Party tactics."¹⁴⁴ In the meantime, however, in the face of incomprehension and procrastination on the question of the 8-hour day, Parvus updated his analysis of the world economy to take account of

the crisis that was well underway by 1901, and to argue that the matter was now more urgent than ever.

4.2. 1901: crisis in the world economy and the campaign for an 8-hour day

Parvus' next major work largely arose from a series of articles circulated by Parvus in his social democratic press service Aus der Weltpolitik. The enthusiasm with which they were received warranted their reworking into a pamphlet. This was a sign of the esteem in which Parvus was held by his contemporaries. (Yet, as we shall see, his success as theorist and publicist was never to be matched by a stable basis of political support.)

Concerned, as ever, with the combined action of the Party and the unions, he maintained that the only way to avoid mutual friction was by means of joint action and aims. But any such action, he insisted, could be successful only on the basis of a theoretical assessment of the conditions under which it must be carried out: "Neither the trade union struggle nor the political struggle can be successfully led without knowledge of the economic situation."¹⁴⁵ In order to be able to base his political conclusions on a correct estimation of the balance of class forces, therefore, he at first concerned himself with the course of the generalised economic crisis of 1901.

In a polemic directed against bourgeois commentators and 'social-reformists' alike - who, not understanding the exploitative relations underlying capitalist development, expected an "uninterrupted expansion of capitalist industry" - Parvus used the statistics of German iron production to indicate the actual development of the cycle since 1880, and to contrast the tempo of this development during and after the "great depression".¹⁴⁶ Having described the course of the cycle and characterised the recurring crises in terms of 'overproduction', Parvus continued his critique of bourgeois and reformist commentators by attempting to theorise the necessity of this mode of capitalist development.

Firstly, however, Parvus commented that the problem

with the "social-reformist train-bearers of capital" was not that they did not understand socialism, but that they had no idea of the nature of capitalism.¹⁴⁷ And in what could serve as an epitaph for the SPD leadership in the closing years of the Weimar Republic, he indicated the haplessness of reformism in a period of crisis severe enough for compromise and class conciliation to become incompatible with capitalist production: "Capital obviously has nothing against them (the reformists) sowing confusion amongst the workers, but will immediately cut them short in the case of a conflict between capital and labour should their favourable disposition towards the workers come to the fore (even if ever so cautiously): because in its class struggle capital brooks no compromise."¹⁴⁸ This was the unalterable fate of reformism because, argued Parvus: "If anything arises with necessity from the inner connections of the development of capitalist production, it is the periodic trade crisis."¹⁴⁹

Throughout history, the superfluity of the rich had its counterpart in the poverty of the masses. For this reason, Parvus began his analysis of the causation of crises by rejecting the underconsumptionist explanation. Indeed, under capitalism: "Not the surplus but the productive valorisation of the surplus is characteristic."¹⁵⁰

Parvus continued his polemic against reformism by refuting one of Bernstein's criticisms of Marx in the area of crisis theory. On the one hand, Marx had argued that 'underconsumption' was "the final cause of all economic crises" while, in complete contradiction to this, maintained Bernstein, he had repudiated those theorists who saw the cause of crises in underconsumption.¹⁵¹ Parvus proceeded to refute this suggestion by, in effect, distinguishing the basis of crises in 'the last instance' from their immediate causation. What was important, he insisted, was to understand Marx by examining what lay between underconsumption (from which crises arise 'in the last instance') and the actual causation of crisis. And this, argued Parvus, was the development of the world market which, in turn, enabled production to expand so as to create its own demand: "Between

underconsumption and the crisis, Marx discovered a whole world - the development of the capitalist world market ... Capital accumulation drives towards the expansion of production. The expansion of production itself creates additional demand."¹⁵¹ The underconsumption of the masses, moreover, far from being the immediate cause of crisis, was the prerequisite for capital accumulation, which itself created an expanding market.

This, however, was as far as Parvus was to proceed in reconstructing Marx's argument. Because he did not follow Marx's value theory of crisis, Parvus was unable to analyse convincingly what lay 'between' the constant presence of underconsumption and periodic crises. Having shown underconsumption to be the precondition of expanded reproduction, he was unable to demonstrate why the rate of accumulation eventually contracts, thereby no longer reproducing an adequate market but instead causing a lack of demand and bringing in its wake a crisis of overproduction. Because a contraction in the rate of accumulation brought forth by a declining average rate of profit never formed part of Parvus's understanding of Capital, he was forced to explain the development of crises by means of a retreat into a variety of the underconsumptionist theory he had begun by rejecting.

Parvus argued that of 'cardinal significance' for the understanding of capitalist development was the 'fact' that capital accumulation drove on the development of production which, however, not only gave rise to increasing demand but also tended to "continually outstrip the limits of the market".¹⁵² This was the crucial link in his argument, yet Parvus was never able to establish precisely why capital accumulation must sooner or later fail to bring forth a sufficiently expanding market and decline into a crisis of overproduction. Parvus did not consider Marx's theory that capital accumulation itself gives rise to a tendency for the rate of profit to fall and a consequent collapse of investment. Accordingly, he resorted to describing how, in spite of the striving of capital and the full mobilisation of state power to furnish an outlet by means of capital export, "capital increases to an ever greater extent" while, with the "development of technique", production increased at an even faster

rate, so that "capital more or less rapidly drives the increase of production beyond its immediate demand".¹⁵³

Why this should necessarily be the case, however was not established; only asserted.

Because it was based on a theoretically unfounded assertion, Parvus' theory of crisis marked a retrograde step in relation to Marx's theory (which was consistently derived from the operation of the law of value). The more capital accumulation increased production beyond the limitation of the market, argued Parvus, "the more the increase of production is transformed into an increase for the sake of an increase... the more the valorisation of capital arises from capital itself, until the disproportion becomes so strong that the whole edifice collapses".¹⁵⁴ Plainly, this 'disproportion' arose from the hypertrophy of Department I, whereby the tendency was to produce capital goods in order to produce more capital goods ad infinitum: yet why, and at what point this process would outstrip the market was not explained. It was undoubtably an illuminating insight on the part of Parvus to begin his criticism of underconsumptionist theories of crisis, by pointing out the need to analyse the process of capital accumulation which forms the dynamic connection between the constant fact of underconsumption and the periodic recurrence of overproduction crises. Yet he shared the contemporary neglect of Marx's LTRPF, and this expressed his inability to conduct an analysis of capital accumulation by the application of the law of value to the process of capitalist production. Consequently, he concentrated too exclusively on the problem of realisation and ended up with merely a variant of underconsumption theory: only modified, so as to be a special case of a theory of crisis based on the disproportionate development of capitalist production.

While not immediately apparent, the political implications of Parvus' neglect of the law of value in working out his theory of crisis will become increasingly clear in his later work.

In spite of the shortcomings in his theorisation of crisis, Parvus was at the forefront of Marxian economic theory in relating "the size and pace" of the cycle to changes in the longer-term general economic situation.¹⁵⁵ Quoting his earlier differentiation of alternating long-term periods (to which no precise time-scale was ascribed) of 'storm and stress' and 'depression', Parvus reiterated that "these great changes in the tempo of the development of the world market" constituted the context upon which depended the impact and character of the cycle: "There are times when developments in the capitalist economy - in terms of technique, the money market, trade and colonies - are so far matured that an eminent expansion of the world market must take place such that world production as a whole is raised onto a new, far more comprehensive basis. Then begins a new period of storm and stress for capital. The periodic change of upturn and crisis is not thereby eliminated, but rather the upturn develops more strongly while the crises, although having a sharper impact, are of shorter duration. Matters proceed in this way until the assembled potential for development becomes fully developed. At this point the sharpest outbreak of the trade crisis takes place, which finally carries over into economic depression. The economic depression is characterised by a slowing down of the development of production. It diminishes the size and scope of the upswing while extending the crisis (which thereby becomes less sharp)... Successive periods of 'storm and stress' and 'depression' thus comprise more than one upturn and more than one crisis."¹⁵⁶

Parvus maintained that: "Marx and Engels know only of the simple change of upturn and trade crisis, not the greater periods of accelerated and slowed development within which upturn and crisis take place."¹⁵⁷ Quite apart from Engels' remarks, however, it may be doubted that Marx's theory of crisis was intended to apply only to the business or trade cycle.¹⁵⁸ Nonetheless, in his theory of the 'greater periods', Parvus made an important initial contribution to the still live debate surrounding 'long-waves' of capitalist development, which - in my opinion - represents the most important advance in the theoretical understanding of capitalist economic

development since the time of Marx. Always theoretically innovative, his limitations as a Marxist in the field of economic theory still reflected the general limitation of contemporary Marxism in being able to defend but not consistently apply the law of value. Accordingly, Parvus did not so much theorise as merely describe the succession of these 'greater periods': the only explanation he offered was in terms of the coming together and subsequent exhaustion of either factors in circulation - the 'money-market' and 'trade' - or factors which must be seen as dependent rather than independent variables ('technique'). No more than in his analysis of the course of the trade cycle was the alternation of 'greater periods' of 'storm and stress' and 'depression' related to the inner-contradictions of capitalist production, and the expression of these in the movement towards loss and restoration of profitability. On the basis of the factors Parvus adduced as underlying the pattern of capitalist economic development, therefore, the transition from one phase to another could not be established in the determinate manner made possible by Marx's theory. (I will deal later with Parvus' subsequent attempts to bolster theoretically his illuminating insight into the nature of capitalist development.)

Parvus' conceptualisation of these 'greater periods' was, indeed, largely the result of his acute observation and empirical study of firstly the 'great depression' and then of the significance of the industrial upturn from the mid-1890's. In keeping with this, he completed his analysis of 'the period of storm and stress' largely by reiterating those factors which he had already, in 1896, analysed as making for an enormous and long-term expansion of the world market - only this time paying particular attention to the likely "revolutionary effect" of the electrical industry in the coming century.¹⁵⁹ In this context he was able to analyse the present crisis - correctly - as merely an interruption to and as a necessary preparation for - by way of furthering the concentration of capital - a new phase of upward development within the period of 'storm and stress'. Eventually, of course, this period of stormy development would extend to its outer limits and thus prepare an even greater 'collapse'.¹⁶⁰

Before moving on, it remains to be noted that in this work Parvus used the term 'collapse' to apply to the normal change of the cycle from upturn to crisis,¹⁶¹ as well as to the transition from a 'greater period' of 'storm and stress' to one of 'depression'. Revising his use of the term in 1896, however, but with no corresponding theoretical advance, Parvus no longer used the term 'collapse' in the sense of a final crisis beyond which capitalism could in no circumstances progress. (This theme will be continued in the next section.)

Much of the political argument of the present work was simply a reiteration and extension of that of 1896. Accordingly, I will deal only with the most salient points before discussing Parvus' contribution to the 'mass strike' debate.

Noting the changed and more positive attitude within the SPD towards trade unionism, Parvus insisted that just as social democracy was the true "ally", the "most important agitational and political support" of trade unionism, so the trade unions had proved themselves as "proletarian combat organisations".¹⁶² In support of this, Parvus provided, on the one hand, an indication of the prevailing degree of class solidarity and consciousness among social democratic workers, in that of the money paid out in support of strikes between 1895 and 1899, almost half as much had been raised through the efforts of the SPD press and militants as had come from trade union funds, while, on the other hand, in the period 1893 to 1899 trade union expenditure in support of strikes had risen from under a quarter of that spent on sickness and invalidity benefits to nearly three times that amount. The situation facing the trade unions was, however, a difficult one. Now there were many pressures combining to curtail the effectiveness of trade unions. In particular, they were increasingly confronted by state power mobilised in support of employers already becoming more powerful through the continual growth of capital concentration, while being faced with a continual inflow into industry of new, largely unskilled workers from the countryside, foreign workers, women and children.¹⁶³

If this was the situation during the upturn, and because strike action depended "above all on the economic situation", it was now necessary to discuss "the tasks of proletarian class struggle" during the crisis.¹⁶⁴ Whereas in 1896 'the immediate future' had belonged to the trade unions, the crisis had now turned the balance of forces against the unions. The proportion of successful 'offensive' strikes had declined, while an increasing proportion were purely 'defensive'. Accordingly, while strikes should be avoided as far as possible during the crisis, once undertaken they would have to be pursued with "the utmost energy".¹⁶⁵

Returning to his main theme of the coordination and reciprocal action of political and trade union activity as the two fronts of both the day-to-day struggle and of the overall fight for socialism, Parvus concluded that to the extent that trade unionism was blocked on the industrial front, so the interests of unionism would have to be secured politically. Although the 700,000 strong trade union movement was the greatest achievement of the German workers since the fall of the 'anti-socialist law', only the SPD united all sections of the working class and represented the general interests of trade unionism. Accordingly, if the Party was to assume the increased responsibility for trade union interests imposed on it by the crisis, it must above all direct its energies towards "the question of the legally enforced eight-hour day": "More than ever in a period of unemployment, the legal limitation and regulation of working hours stands in the forefront of trade union interests."¹⁶⁶ It was the best means of preventing unemployment - and hence of minimising divisions between employed and unemployed, older and younger workers. Yet little could be expected by way of concessions from the employers: "Therefore a legal regulation of working time is necessary."¹⁶⁷

Parvus envisaged the submission of/^adraft law in the Reichstag as a first parliamentary step in a mass campaign drawing upon trade union resources and political agitation alike - the kind of campaign outlined by Parvus in 1896, only modified in the light of changed economic circumstances.

The task of trade unions during the crisis was to strengthen their organisation. Trade unions did not weaken the capitalist class but rather strengthened the working class: trade

unionism was not the means of "a paradise on earth", but prevented extremes of exploitation as capital became more concentrated, and enabled limited gains to be made in boom periods.¹⁶⁸ Accordingly, even if such a campaign for the eight-hour day was unsuccessful, it could be expected to contribute towards "the expansion and consolidation of both trade union and political organisation, and to the unification of both forms of proletarian class struggle".¹⁶⁹ Parvus' aim was that both trade unions and the SPD should develop their organisation through struggle. It was only in this way, as he argued in 1896, that the proletarian character and social-revolutionary militancy of the Party could be maintained while, as he now concluded: "The proletariat succeeds to political power through organisation."¹⁷⁰

4.3. The 'political mass-strike'

A campaign led by the SPD for the eight-hour day would mobilise the proletariat on a specifically class basis, thereby heightening its class consciousness and strengthening its organisations in preparation for the social revolution. Although ultimately without consequence, this argument was urged upon the SPD through press articles and conference resolutions. For, according to Parvus, the organised working class was not to 'await' the collapse of capitalism (Bebel) or even 'prepare for' the revolution (Kautsky), but should rather prepare to carry out the revolutionary overthrow of capitalism by means of the 'political mass-strike'.

There is no doubt that Parvus shared the optimism of late nineteenth century social democracy. Yet even while still understanding social revolution as an eventual corollary to the economic 'collapse' of capitalism, he began to qualify the evolutionary scenario and passivity of 'proletarian isolationism' that such a perspective could so easily be used to justify. Thus, at the same time as his attempts to activate the labour movement around offensive campaigns for immediate demands, he warned that as the class struggle developed and the fear of social revolution increased among

the capitalist class, so the likelihood increased of political counter-revolution in the form of a coup carried out by military force.¹⁷¹ Instead of feeding a comfortable optimism by pointing out the eventual social isolation of the bourgeoisie in the face of 'proletarianisation', or the expected economic 'collapse', Parvus attempted to alert the SPD to face the political dangers brought forth by precisely these developments.

Parvus commented on a pamphlet in which a Reichswehr General had proclaimed the need for the Kaiser, backed by military force, to suppress social democracy - and, to secure this, suspend universal suffrage. Parvus concluded that such were the views not of an isolated 'Col. Blimp' but of the leading personnel of the state (and especially of the military). As had been demonstrated during the time of the 'anti-socialist law', the SPD's political activity and influence could not be suppressed as long as universal suffrage existed. Consequently, civil liberties, together with universal suffrage and the law-giving powers of the Reichstag, were to succumb to a coup conducted by military force. Believing themselves to be possessed of the means finally to suppress social democracy, the government was increasingly intolerant of opposition and prepared to use force rather than conciliate. Moreover, there were powerful "interest groups" now urging such a course of action.¹⁷²

The social basis of the gathering political reaction was to be found among capitalist landowners in particular, but also among the capitalist class generally. Facing bankruptcy and with little influence in the Reichstag, the 'agrarians' wanted to take advantage of their traditional link with the Prussian Monarchy so as to secure government aid without the threat of parliamentary interference. The capitalist class generally, however, was inspired by a fear of social revolution. Just as foreseen by scientific socialism, argued Parvus, "the further the class struggle advanced, the more it was a matter concerning the very existence of capital".¹⁷³ Accordingly, he cautioned against the well entrenched belief that capital "will peacefully submit to its fate": this, he argued contradicted "every historical experience" and "all political knowledge".¹⁷⁴ Supporting his warning, Parvus argued that no more than any previous social class would the bourgeoisie

voluntarily accept its own elimination: on the contrary, "they will use all available means and stop at nothing" in the defence of private property in the means of production.¹⁷⁵ Indeed, even if the complete victory of the proletariat were possible "on the legal road", then "at least at the decisive moment, the capitalist class will attempt to bar this road by armed force".¹⁷⁶ Not merely making an unfortunately all-too accurate forecast, Parvus insisted that the likely reaction of capital when seriously threatened was of immediate importance: it was not necessary to think as far ahead as the 'decisive moment', for already the opinion was abroad that as far as a "bloodbath among the proletariat" was concerned, "the sooner the better".¹⁷⁷ Accordingly, the question as to how "the people" could defend themselves was one of "enormous political importance".¹⁷⁸

While taking his point of departure from Engels and continually quoting him, in particular, on the futility of barricade fighting as the means of revolution (because military technique had so greatly advanced since 1848), Parvus insisted that Engels' Preface had been "much misunderstood".¹⁷⁹ Parvus was concerned to contest the use of Engels' 'testament' as a legitimisation of the reduction of social democratic politics to a sterile opposition, finding its only perspective in the apparently unstoppable increase of electoral support.

Accordingly, he analysed the function of barricades at the culminating point of bourgeois revolutions. They provided, firstly, a focus around which to collect, organise and inspire the otherwise atomised masses, by giving them a distinct aim. Secondly, barricades simultaneously provided protection against troops and the means of disorganising the military by exerting moral - even more than military pressure - on them. These functions were as necessary as ever in any clash with the state, maintained Parvus; whether in the course of carrying through social revolution or in defence of the constitution. Yet if barricades could no longer be the means of carrying out these functions, this was to be no excuse for passivity. For, argued Parvus, these functions could now be carried out - and even more effectively - by means of a political mass strike carried through by the organised labour movement.

As with Engels, the army was treated as a critical

question by Parvus. In discussing the army at length, from the point of view of how it could be undermined and neutralised, he arrived at two inter-related conclusions. Firstly, the exertion of moral influence over the soldiers depended upon the extent and intensity of politicisation generally: "Only where political life amongst the people is itself very weak can the soldiers be made into mindless machines."¹⁸⁰ Conversely, however, "a general, deep-going political discontent among the people" could engender an "oppositional frame of mind" among the soldiers.¹⁸¹ Although military service and the growing influence of social democracy amongst the youth increased the likelihood of disaffection in the ranks, this could never be the product simply of propaganda (the distribution of leaflets in the barracks, for example) but could only arise in any serious form from "the general political frame of mind of the people".¹⁸² Yet no matter how far advanced oppositional attitudes in the army might be, they would still be held in check by the power of military organisation, discipline and leadership to suppress any assertion of independence and secure obedience without question. To undermine and break this power had once been the function of barricade fighting. Accordingly, Parvus' second conclusion was that the function of causing confusion and giving pause to reflection must now be assumed by the mass organisations of the working class.

According to Parvus: "The power of discipline and organisation is great, but during a conflict with the people can scarcely be maintained in the long term."¹⁸³ Sent to carry out a coup but faced with mass demonstrations of unarmed men, women and children showing the courage to die for their cause, the morale of the soldiers would be undermined so severely as to force a withdrawal. The responsibility of 'gathering' and 'organising' such "passive resistance" was now that of the political, trade union and other mass organisations of the working class. And the means of carrying it through - the political mass strike.¹⁸⁴

Parvus used this term in distinction to the syndicalist 'general strike', because its aim was not better working conditions but political ends (which, moreover, could expect to win widespread support among the middle classes). At this

stage, Parvus envisaged the political mass-strike as a purely defensive means, to be employed "only as the answer to ... a forcible break with the constitution on the part of the government ... (which) affects not only the working class but the entire population".¹⁸⁵ It would enable, firstly, large-scale 'passive resistance', in the course of which soldiers would be confronted and appealed to by all possible means. Secondly, the strike - bringing the economy into crisis, disrupting communications and supported by a tax boycott - would rapidly disorganise the state apparatus. Facing "unrest and ferment" not just in the capital (as was generally the case with the barricade fighting of bourgeois revolutions) but throughout the country, and with the military "wavering", the government's attempted coup would end in demoralisation and confusion.¹⁸⁶

Now that barricade fighting had been established as obsolete, Parvus wanted to rearm the labour movement with the tactic of organised mass action. Warning that the mass strike was not "the only true means of political struggle", he was nonetheless - as ever - concerned to rouse social democracy from an attitude of 'passive expectancy'. In this case, he attempted to establish the political mass strike as the "inevitable answer" to a coup, which he regarded as implicit in the general political situation.¹⁸⁸ Moreover, while still confined to a parliamentary perspective - mass action being a last resort in the defence of the constitution, which would enable social democracy to secure its aims "in a legal manner" - Parvus can be seen straining at the limitations of a purely defensive means of defending political democracy.¹⁸⁹ Indeed, precisely because it was only the class conscious proletariat that was capable of "defending political freedom and the constitution against force", the success of a political mass strike in breaking the power of the government would mean the taking over of "political leadership" - "the seizure of political power by the proletariat".¹⁹⁰

Uttered mainly as a warning to the government, this perspective remained to be developed. It demonstrated, however, that whatever the matter at hand, Parvus always considered it in the context of preparing the working class for power. Moreover, when he again raised the possibility of

a mass strike in connection with the dispute over customs duties and the imposition of property-classes into the Saxon suffrage, he did so as an organic development of his position in 1896. Having previously raised the possibility of an uninterrupted escalation of the struggle for democratic rights into social revolution, in 1904 Parvus urged the SPD to abandon the "tactics of passivity" and undertake an active struggle to transform prevailing economic and political relations.¹⁹¹ The mass strike, previously a means of defence, should now be deployed, he argued, "for the conquest of political power". Transformed from a means of conducting 'passive resistance' into the means of a revolutionary offensive, therefore, Parvus concluded that: "The general strike in this sense is nothing other than unarmed revolution."¹⁹²

Parvus was not the first theorist to contribute to the contemporary discussion on the mass strike. Nonetheless, he was the first to propagate the mass strike as an effective - indeed indispensable - means of struggle for the social democratic movement. Helping to free the whole question from the taint of anarchism and syndicalism, Parvus illuminated two vital questions which were to be of great importance in all subsequent discussions - the use of the mass strike to demoralise the army, while disorganising the economy and state apparatus. The importance of these functions was amply demonstrated in the course of the November Revolution, while Parvus' whole analysis was to be particularly apposite in the case of the Kapp Putsch in 1920: the only element of the workers' resistance to the latter not foreseen by Parvus, was the coupling of strike action with armed struggle. The incorporation of the latter into a theory of revolution, however, was not a question that arose within German social democracy: instead, it was Lenin who, in the light of 1905, developed Engels' original articulation of the mass strike with armed insurrection.¹⁹³ Finally, the significance of the 'mass strike debate' in Germany between Parvus' final contribution and 1914 was not greatly underestimated by Scharlau: "What is summed up as the actual strike debate after 1903 is, finally, not much more than a polemic over the possibility and timing of its application."¹⁹⁴

4.4. 1907: the theory of imperialism

Parvus was the first notable social democratic observer and theorist of the world economy, and so was well placed to be one of the first to theorise imperialism for the purpose of political guidance. Since the mid-1890's he had commented upon the significance of trading and colonial policy for the development of the world economy. Yet it was only in 1907 - prompted by the dissolution of the Reichstag consequent upon the disagreement over colonial policy between Chancellor Bülow and the Centre Party - that Parvus published his analysis of colonialism. As one might expect from his previous works, he dealt with colonialism from the point of view of the structure and motion of capitalist economy and its political implications for social democracy. In so doing, however, he threw into sharp relief the limitations of the very theoretical approach which, in the past, had led him to original and brilliant results. For these limitations - above all his underconsumptionist interpretation of Marx's theory of crisis - now proved a barrier to advancing the theory originally worked out in the 1890's. Consequently, this study was not of the innovating and pioneering kind of his earlier works, and so was soon overshadowed by the achievements of younger theorists - of Hilferding and Luxemburg in particular. Moreover, political ambiguities previously latent in his economic theory now began to become manifest.

Parvus began with "private property in the means of production" as the "fundamental cause" of capitalist colonial policy.¹⁹⁵ He did not, however, identify this monopoly as the source of the fundamental contradiction of capitalist production - between social production and private appropriation. For Marx, this contradiction sums up the meaning of the basic social relations of bourgeois society in terms of the economic level, and is expressed in products taking the form of commodities or values, in the consequent contradiction between value and use-value and in periodic valorisation crises. Yet Parvus did not reconstruct this development of value form and its consequences which, in Marx's theory, lie between and

link the essential social relation of 'private property in the means of production' and economic forms of appearance. (Value theory, in other words, is the means by which economic crises - for example - are explained as a form of appearance or effect of the fundamental relations of capitalist production.) Instead, Parvus proceeded directly from the capitalist monopoly of the means of production to crises, without taking into account the theory of value.

By analysing the course of capital accumulation on the basis of the operation of the law of value, Marx demonstrates that the apparent inadequacy of the market to realise the commodity product, and consequent crises of overproduction, are determinate appearances of the inner-contradictions of capitalist production. Summed up in the TRPF, these contradictions were neglected by Parvus because he ignored Marx's value analysis. Instead, he treated the capitalist monopoly of the means of production as the immediate cause of wages that were insufficient to support a level of demand corresponding to output, and hence as the direct cause of underconsumption and crises of overproduction. This, however, was to remain at the level of appearance and thus mistake a consequence of crisis for its cause. This approach, moreover, informed the weaknesses of his theory of colonial policy as well as rendering his political conclusions problematic.

Because he did not proceed by way of value theory from basic social relations to complex economic phenomena in the manner of Marx, Parvus elevated the observable characteristics of the crisis - low wages, lack of demand - into an underconsumptionist explanation of its causation.¹⁹⁶ And from this, he derived the drive towards colonial expansion: "So long as this fundamental cause is not removed, the contradiction between the development of capitalist production and the development of the capitalist commodity market assumes ever sharper forms. Therefore the feverish search for markets which is - as with modern capitalist development generally - the most characteristic of modern capitalist colonial policy."¹⁹⁷ Colonies, concluded Parvus, were sought primarily as markets for European manufacturing industry.¹⁹⁸

Colonial policy was thus the outcome of capitalism's inherent need for an expanding market without which, argued

Parvus, crisis was inevitable.¹⁹⁹ Other explanations - which were becoming current amongst his contemporaries - were simply collapsed into his underconsumption theory or ranged alongside of it as secondary factors. The unmistakable rise of capital export, for example, was simply explained away by a modification of this underconsumption theory. In what was to remain, with certain elaborations, the final version of his theory of crisis, Parvus maintained that: "Capitalist crises of overproduction arise out of the excess of the income over the expenditure of the propertied classes."²⁰⁰ The result, therefore, is firstly the desperate search for new markets and eventually colonialism, but secondly, because "they do not know" what to do with the wealth they have already acquired, the capitalists' increasingly become rentiers (at first making state loans at home and abroad and then turning to direct overseas investment).²⁰¹ While this modified theory enabled the search for markets and capital export to be reconciled, rather than merely listed as disparate causes of colonialism, it raised problems which, while not confronted by Parvus, nonetheless led his analysis seriously astray.

The basic problem with this analysis is that Parvus one-sidedly concentrated on the problems of how to realise and dispose of surplus value, and neglected the problem of the production of surplus value - which was the key to Marx's theory of crisis, and the Marxist theory of imperialism later built upon it. According to Marx, capital export takes place either because it cannot be profitably invested at home, or simply because the rate of profit is higher abroad - but, in either case, because overseas production can proceed with a higher rate of surplus value. Thus capitalists export capital in order that more surplus value should return to them than would otherwise be the case. For Parvus, in contrast, the flow was entirely one-way; simply a means to dispose of surplus value: "The purpose of colonies is not to extract money from them, but to dispose of money in them."²⁰²

Because Parvus was unable to grasp capital export as a means of securing additional surplus value - and hence as a countervailing factor to the TRPF - he was led to complain: "Instead of placing the indigenous population in a position to

satisfy their needs through higher wages, attempts are made at all costs to move the excess abroad."²⁰³ Here was clearly expressed the politically ruinous logic of underconsumptionist theories of crisis. Because he neglected the rate of profit as the key variable of capital accumulation, Parvus could complain that the capitalist class had engaged in a policy not only harmful to the working class but also inimical to its own interests. After all, if the superfluous income of the bourgeoisie was used to raise real wages instead of capital export, then not only would the working class benefit but this would also ameliorate the threat of overproduction and remove the impulse to colonialism! Indeed, the logic of Parvus' theory led him to draw precisely this conclusion: "The wealth of the capitalist class has already become so great that it strives with might and main after means to be rid of the superabundant wealth. Hence the drive for colonies. On its own, the more exploitation grows the more overproduction rises. That is a vicious circle from which capitalism cannot extricate itself. Relief can be obtained only by improving working class living standards. The worker who receives a higher wage is a better consumer than the African."²⁰⁴

Because Parvus explained overproduction as a crisis of realisation rather than profitability, he was unable to understand that raising the rate of exploitation was an important factor in maintaining profitable production: and, consequently, that to raise real wages would actually reduce the rate of exploitation and curtail profitability, and thus engender or deepen crisis and the drive towards colonial expansion. Politically, his disregard of Marx's theory of crisis led him in the direction of offering advice to the capitalist class - and on the basis of a theory, moreover, that potentially pointed in the direction of class collaboration and thus ran contrary to his concern to mobilise the working class independently around a specifically proletarian programme. For only on the basis of an underconsumptionist theory of crisis was it possible to consider that already, within capitalism: "Workers' demands have already become demands for the development of production itself."²⁰⁵ This is, of course, a

position which has been eagerly clasped to the bosom of reformist trade unionism ever since.

As stated above, Parvus' analysis raised certain problems without solving them. Consequently, although Parvus himself did not proceed in a reformist direction at this time, implicit in his theory was this justification

for attempts to overcome capitalist crisis with reformist policies; for example, for ADGB publicists such as Tarnow and Naphtali in the late Weimar period, but also for subsequent generations of reformists. Thus while we have seen the previous contributions of Parvus prefiguring or at least pointing the way towards the future theory and practice of the SPD radical left (or even Bolshevism), the limitations of his underconsumptionist theory of crisis were now propelling him in a reformist direction. Whereas previously he had been able to draw lines of demarcation between the classes, his analysis of colonial policy pointed to a potential convergence of working class interests with those of the bourgeoisie - and thus prefigured the utopian schema of Kautsky's 'ultra-imperialism'.

Restricted by his superficial underconsumptionist theory, Parvus can be seen, in this work of 1907, to have reached the limits of his once unique ability to interpret the course of capitalist development on a global scale. Marx had laid the basis for a subsequent theory of imperialism in his analysis of crises of overproduction: in particular, by indicating the importance of the 'unequal exchange' involved between countries at differing levels of industrial development, of securing sources of raw materials so as to cheapen or at least restrict the rising costs of the circulating element of constant capital, and of capital export, as factors counter-vailing the tendency of the rate of profit to fall. Meanwhile, Hilferding had begun his study that was to lay the foundations for understanding the increasingly visible structural changes within the capitalist economy: these, together with transformations of internal politics, trading policy, international

relations and ideology, were analysed in terms of changes in form corresponding to the essential logic and conditions of capital accumulation at an advanced stage. According to Hilferding, moreover, these changes were not a matter of this or that policy but, taken together, amounted to a new stage of capitalist development. In this context, therefore, the modern drive towards colonialism was a result, but by no means identical with or even an essential part of, imperialism. Blinkered by his underconsumptionist theory of crisis, however, Parvus both neglected the important implications of Marx's analysis of capital accumulation and crisis, and was unable to participate in the qualitative leap in the theoretical understanding of the present stage and future tendencies of capitalist development inaugurated by Hilferding's Finanzkapital. The result is particularly clear in his identification of imperialism with colonialism, and his understanding of imperialism not as a necessary and total stage of capitalist economic development but rather as a freely chosen policy.²⁰⁶

If, as Parvus thought, crisis was the result of underconsumption, then the main aim of capitalism must be to secure an ever expanding market. Increasingly, therefore, as international competition intensified, each national capital waged the struggle by means of state power.²⁰⁷ At first, this meant, especially in the case of Germany, a turn towards protecting the home market by means of tariffs. The intention of each national capital was clear: "The home market for the 'national' capital - and the foreign market likewise."²⁰⁸ But in pursuing their individual interests through protectionism, however, the world market had been "narrowed".²⁰⁹ Thus began the second act of the process. Every national capital, in attempting to overcome the unintended consequences of their own actions, turned towards those areas of the world with no "capitalist state" and which, therefore, could be incorporated within their own customs area as colonial markets:²¹⁰ "The pressure for colonies is the flight of capital before its own system of tariff-protection which, however, at the same time, it transfers onto the colonies. That is imperialism. An industrial state with a colonial empire added, and together separated from the rest of the world by tariff barriers."²¹¹

Just as Parvus had previously considered protectionism not as an instrument but rather as a self-inflicted barrier to capitalist development so, by the same reasoning, imperialism was not a necessary consequence and stage of capitalist economic development, but only one of a number of conceivable policies.

The logic of his concentration on the market as the main problem facing capitalism, as well as his notion of imperialism as a policy, led Parvus to argue that from the capitalist point of view free trade was the more favourable policy. He also looked for sections of the capitalist class that might be well disposed towards such a position. Parvus warned against the consequences of protective tariffs brought about by the influence of the Junker landowners with the agreement of the iron and other industries: German tolls strengthened demands for protection in the USA, whereas a lowering of the bread tariff would enable a favourable trade agreement to be concluded.²¹² Similar arguments were advanced in relation to Canada - in general the policy of protection was a threat to economic development, and was leading to a dangerous political isolation of Germany amidst a situation of growing international tension.²¹³ The result was, according to Parvus, a growing tension between "free-trading and protectionist capital", which could weaken the bourgeoisie in the forthcoming Reichstag elections.²¹⁴ On the other hand: "The attempt will then be made in the Reichstag to bridge the antagonism over trading policy through colonial policy."²¹⁵ Instead of associating colonialism with the needs of capital accumulation in the first stage of the imperialist epoch, Parvus reduced it to the significance of a policy used as a bargaining counter - as the agrarian-industrial bloc favouring protection sought to appease the section of the bourgeoisie threatened by loss of markets, with the compensation of additional colonial markets. Parvus, however, did not leap directly from "a splitting and differentiation of interests within the capitalist class itself" into proclaiming a strategic alliance between the working class and a section of the ('liberal') bourgeoisie in the manner of later social democracy and its 'Eurocommunist' heirs.²¹⁶ Rather, he noted the internal weakness of the

bourgeoisie, its social isolation and fear of social democracy, as factors tending to enforce its dependence on the government. Consequently, given that the current opposition of the Centre Party was no more than the manoeuvre of a government party, progressive bourgeois policies - or the "popular opposition" - could be represented only through the SPD. It is clear however, that Parvus was being forced by the logic of his position on imperialism to confuse the clear lines of political demarcation between the classes, which previously he had been so keen to draw. Parvus ranged free-trade alongside the 8-hour day as "political tasks for the German working class in the coming period, which arise from the economic and political development of the Reich".²¹⁷ Consequently, he tended to merge the petit-bourgeois 'Volksopposition' with social democracy, whereas previously he had been concerned to separate them and, thereby, facilitate the organisational and political independence of the working class.²¹⁸

Given that the most important colonial areas had already acquired actual or de facto independence, Parvus insisted that: "Overseas trade and business with the colonies are thus unconditionally to be distinguished."²¹⁹ To refute the German proponents of colonialism, moreover, Parvus quoted statistics to demonstrate that European overseas trade was conducted mainly with independent states and not colonies. The means of ensuring an expanding market, therefore, was not colonial policy but the development of international trade.²²⁰ Consequently, the alternative to colonialism was free trade. Free trade, moreover, not only corresponded to the interests of the working class but also furnished the most favourable conditions for capitalist development: "Free trade will increase trade and will occasion the countries to mutually advance instead of fighting one another in their industrial development."²²¹ Imperialism, on the other hand, meant protectionism and colonialism with the strengthening of militarism and bureaucracy as its corollary.²²² Imperialism, therefore, could only lead to a "catastrophe on the world

market" and violent conflict:²²³ "... colonial policy in place of trading policy is the way to political collapse."²²⁴ In the wake of war would come social revolution. Similar to the Paris Commune but on a far greater scale, war would debouch in the "collapse of the state" and the "political rule of the working class".²²⁵

This conclusion that imperialism meant war and revolution clearly placed Parvus on the Marxist left of the SPD - and in foretelling the circumstances of the November Revolution, no contemporary was more accurate. Nevertheless, there was a tension within his work, between the conclusion and the logic of his theoretical analysis. Because he did not consider protectionism and colonialism in the context of imperialism as a structurally determined stage of capitalist development, but rather as politically contingent, he was able to treat free trade as a real option: indeed, not only as a possibility but actually the best policy for capitalist development and, therefore, a practical and necessary demand for working class action. Moreover, if his theoretical approach tended towards a dissolution of the dividing line between proletarian and petit-bourgeois politics which he had previously been so anxious to preserve, it also contained a potential for development which, although not pursued by Parvus himself, was capable of undermining or even reversing his conclusions in a manner similar to Kautsky.

If imperialism was merely a policy, then it could be relinquished in favour of free trade. This would inaugurate, according to Parvus, an era of peaceful, harmonious development: "Free trade will raise greatly not only the material but also the spiritual intercourse of the peoples. It will remove all national backwardness and narrow mindedness. With the falling away of the main economic conflict, the political rivalry between states will also give way. Militarism will thus be undermined."²²⁶ In particular, reiterating a position established in earlier articles on trading policy, Parvus held that: "Free trade will lead to an economic unification of Europe."²²⁷ The 'United states of Europe' foreseen in his earlier article was necessary, moreover, because European 'particularism', the "curse of political tradition", stood

in the way of economic development in the same way as it had in Germany prior to unification.²²⁸ Indeed, following the example of the USA was the only way to withstand the competitive struggle on the world market: without economic unity, the fate of European agriculture would be soon overshadowed by the defeat of European industry at the hands of US competition.

The logic of understanding imperialism as a policy led Parvus to a purely political explanation of the contradiction between the unrestricted international tendency of capitalist economic development and the trend towards protection in each nation state. He complained that "this particularism is the product of the political development of Europe".²²⁹ Consequently, although he recognised that "the state is intimately linked with private capital", he missed the new, specifically imperialist basis of this fundamental contradiction of capitalist economy - i.e. between the global tendency of economic development and the limitations imposed by the fragmentation of the world economy into nation states.²³⁰ Parvus failed to grasp that into this political 'tradition' had supervened the reinforcing and now decisive development of capitalism in the form of competing national capitals, each ultimately dependent on 'their' state power. This was because he did not grasp imperialism as a system signifying an epoch of heightened international competition and political tension - in which, therefore, each national capital becomes increasingly fused with and dependent upon the protection and support of its 'home' state power.

For the same reason, he overestimated both the possibility and potential impact of free trade within capitalism. On the one hand, according to theories of imperialism based on Marx and Hilferding, Parvus was wrong to see free trade as completely excluding imperialism - indeed, it could assist 'unequal exchange' and even capital export, while scarcely curtailing competition for raw materials. On the other hand, however, he was also wrong to hold forth an untrammelled development of capitalism through free trade. For a further aspect of imperialism not considered by Parvus was that it is bound up with uneven development. And uneven development, moreover, is accelerated by free trade, precisely because it facilitates

the internationalisation of capital and, therefore, the concentration of production around the most productive national capitals to the detriment of the least productive. Consequently, implicit in the very 'success' of free trade is its eventual curtailment, as the relatively weaker national capitals turn to their particular state as the ultimate guarantor. (This is particularly the case in periods of generalised economic crisis and consequently heightened competition on the world market.)

Because he treated imperialism as a policy and ignored uneven development, therefore, Parvus was able to suggest that no more than a change of political line was necessary to open up the possibility of a peaceful, internationalist development of capitalism. Correspondingly, all that stood in the way of this were "powerful interest groups and cliques".²³¹ Yet before long Hilferding was to demonstrate that out of free trade and peaceful competition on the world market arose, irreversibly, finance capital and its concomitant, imperialism. Parvus, however, now blinkered by the limitations of his theory of crisis, no longer occupied the most advanced positions in the development and application of Marxist theory. He did not analyse the rise of particular policies - protectionism, colonialism, militarism etc. - as the corollary of imperialism or a new stage of capitalist development. And because of this, he was unable to establish the most compelling argument for socialism - the logically determinant link between capitalism and war.

Finally, the logic of his underconsumptionist theory of crisis, and associated understanding of imperialism, forced a slippage in his notion of the 'collapse' of capitalism and ensuing social revolution. Earlier, as we have seen, Parvus foresaw an economic 'collapse'. Now, however, there was the new perspective of a political collapse due to war. And this, according to Parvus, depended upon the continuation of imperialist policy. Of course, this meant that crisis and collapse were no longer conceived as resulting from the inner contradictions of capitalism, but rather were contingent upon the choice of one or other policy within the existing system: "Germany is heading for a development, which ... can end only with an economic and political collapse if an energetic change

does not take place in the whole of Reich policy - in economic policy, trade policy, foreign policy and, above all, domestic policy."²³² Parvus also maintained that: "The representative of the new development can be still only the proletariat."²³³ Nevertheless, this position - together, now, with his social revolutionary programme - stood in no necessary or inner relationship with his analysis.

Whereas the constant characteristic of Parvus' previous works had been the direct relation of working class action, on whatever issue, to social revolution, his political approach was now contradicted by his economic analysis. Finally ensnared by the reformist logic of underconsumptionist theories of crisis, Parvus was now forced into undermining his own revolutionary perspective. Having once argued that the development of the world market precluded a 'collapse' of capitalism in the short term, there was no determinate reason - on the basis of underconsumption theory - why there should be economic crises at all. Indeed, he implicitly recognised this: "... industry develops or it collapses! Continually expanding production or - trade crisis!"²³⁴ It was just that he did not actually draw the conclusion himself, that if 'internal policy' underwent an 'energetic change' so as to permit working class 'living standards' to be raised, this would not only benefit the working class but save capitalism from crisis. Similarly. Parvus did not understand bourgeois politics in the imperialist epoch as conditioned by the need for ever greater forces - monopolies and the state - to mobilise the countervailing tendencies to the TRPF (in both the domestic economy and on the level of the world economy). Consequently, he could maintain that if 'external policy' was to undergo an 'energetic change' in the direction of free trade, then the ground would be 'cut from under the feet' of militarism, the danger of war would 'subside' and the development of the world economy facilitated so as to diminish the possibility of economic crisis.

According to the drift of Parvus' argument, therefore, there was no determinate or structural reason why crises and war could not be overcome without the overthrow of capitalism.

For while insisting that the 'agent' of the necessary 'energetic change' of policy could only be the working class, this was the case only because of the weakness and indecision of the bourgeois parties and the inability of the petit-bourgeoisie to occupy an independent position in the face of class polarisation.²³⁵ For Parvus, therefore, the leading role of the working class arose from a purely political analysis, rather than in accordance with the inner-logic of the imperialist stage of capitalist development. (In which, as Hilferding began to show, the objective basis for progressive policies on the part of the bourgeoisie and the petit-bourgeoisie disappeared with the growth of finance capital and the subordination of the interests of other classes to its own.²³⁶) Because he had not appropriated Marx's theory of crisis, Parvus was unable to grasp in a unitary manner the necessity of capitalist crises and, in this new stage of its historical development, the necessity of imperialism. Thus while not seeking to submerge the independence of the working class for the sake of alliances with other classes and strata, Parvus in effect prepared such a strategy politically, by leaving open the theoretical possibility of achieving the aims of economic progress and peace within capitalism.

4.5. 1911: the process of social revolution

In a series of six pamphlets published in 1911 as one volume, Parvus built upon positions established in his earlier works, and attempted to assess and draw political conclusions from developments in the intervening years. Together with a collection of three pamphlets published in the previous year, it presented Parvus' final contribution to Marxist theory as well as his final attempt to develop perspectives for the SPD and fight for a corresponding political reorientation.²³⁷

Returning to his explanation of economic development in terms of the slump-boom cycle proceeding within alternating long periods of 'depression' and 'storm and stress', Parvus revealed both the achievements and the limitations of his

theoretical framework.

Dealing first with the trade cycle, he noted that capitalism regularly produces increasing quantities of goods for which there is no market, until sufficient bankruptcies occur to reduce stocks and prepare renewed industrial expansion. The explanation for this alternation between upswing leading to overproduction and crisis clearing the way for renewed expansion, according to Parvus, "lies at the essence of capitalist production".²³⁸ In developing this Marxist 'truism', however, Parvus held fast to his underconsumption theory. As we have seen in his analysis of colonialism, Parvus still theorised crisis in terms of problems of realisation, but had nonetheless modified his theory, so that the cause of crisis was no longer the underconsumption of the masses but rather the propensity of the propertied classes to spend at a level lower than their income.²³⁹

The explanatory power of this theory depended upon demonstrating the necessity for capitalist demand - created by personal consumption but mainly by accumulation - to vary in such a way as to create, at more or less regular intervals, the conditions for crisis and recovery alike. This could have been done through reconstructing Marx's analysis of those factors - and their tendency - which determine the average rate of profit and its movement. Yet, in referring to increased profits resulting from the upturn as a "new incentive to the expansion of production", Parvus laid stress solely on increased profitability as the effect rather than the cause of upturn and, therefore, assumed precisely that which needed to be established.²⁴⁰ Instead of analysing the conditions determining the movement of the rate of profit and hence of the cycle, Parvus presented profitability as itself a factor determined by the cycle. Consequently, because he reversed Marx's theory of determinate changes in the rate of profit as ultimately governing the pattern of accumulation, Parvus was left with the intractable problem of how to theorise underconsumption as the dynamic factor rather than a constant presence in crises of overproduction.

In turning to discuss his differentiation of alternating long periods of 'economic depression' and 'stormy development',

Parvus made his final contribution to the theoretical foundations of the 'long-wave' interpretation of capitalist development.

Previously, Parvus had identified the development of the world market as the context within which proceeded the cyclical motion of capitalist development: consequently, moreover, it was the decisive determinant of the general tendency of economic development within a given period towards either stagnation or expansion. Now, Parvus added technical development as an equal co-determinant of the general economic tendency in a particular period. Accordingly, the preconditions of a period in which rapid economic expansion was interrupted but not negated by crises, as had been the case since c.1895, arose "when a technical revolution comes together with a revolutionary period in the development of the world market".²⁴¹

Whereas formerly Parvus had discussed technical development as merely one factor within the development of the world market, he now treated it as an independent, determining factor.²⁴²

Parvus was forced into this modification of his theory of 'long periods': because, although his analysis of the world market encompassed new developments, it proceeded on the same theoretical level as 15 years previously.²⁴³ This meant that the same weaknesses were still in evidence: for insofar as the stability or expansion of the world market depends on factors that are contingent as to their timing and operation, it was not possible for Parvus to demonstrate the necessity of, or even to periodise, the alternation of stagnatory and expansionary periods. With the introduction of technical development as a co-determinant of this pattern of economic development, however, it was possible for Parvus to theorise this alternation in a more convincing manner.

Parvus described the pattern of technical development in its inner-connection with the manner of progress in natural science. From periods of exploiting established axioms through detailed research arise 'critical periods', in which the key results of such research burst into scientific consciousness, and from which arise new methods of research and wholly new perspectives. Consequently, giving the examples of steam-power and the contemporary impact of electricity: "Revolutionary periods of technical development follow critical periods in the development of natural science."²⁴⁴

Moreover, concluded Parvus, the economic consequences of scientific and technical development were of prime importance: "Technical revolution that brings with it an enormous raising of the forces of production becomes an equally great means of capital accumulation, capital concentration and capitalist overproduction in addition to following crisis."²⁴⁵ Parvus did not elaborate to any extent upon the manner in which the course of technical development conditioned the alternation of stagnatory and expansionary periods of economic development. Nonetheless, it is clear that he considered rapid technical innovation to exert its economic influence by stimulating the development of the world market in a manner equal in effect, but different in character to the geographical extensions of the world market he was concerned with in his earlier works.²⁴⁶

One consequence of this modification of his theory of 'long periods' of capitalist development was that Parvus finally rejected the belief in a future economic 'collapse of capitalism'. Whereas the geographical expansion of the world market had ultimate and insurmountable limits, the development of the market through successive periods of technical innovation had no inherent limitation. Consequently, there was now no longer any theoretical obstacle to his conclusion that: "The theory of collapse is just as false as the hypothesis of growing into (socialism)."²⁴⁷ While the immanent tendency towards overproduction drove capitalism to overseas expansion and to the transformation of the whole world, it was also driven to an increasingly revolutionary 'inner-development'. Old investments were discarded and new ones made on^{an} increasingly large scale, in accordance with the endless transformation of the technical basis of capitalist production. Hence: "The geographical expansion of the world market is limited, yet this still presents no barrier to the development of capitalist production."²⁴⁸ Capitalism might progress through ever stronger crises of overproduction; but: "In and of itself, capitalist production will never cease."²⁴⁹

The inclusion of technical development within his theorisation of alternating stagnatory and expansionary phases of economic development was important for Parvus' political

conclusions. For these rested upon a rejection of a future 'collapse of capitalism', and marked his last words on the subject. Before discussing the politics of this final round of his economic theory, however, it is worth commenting on his treatment of technical development from a theoretical point of view.

Previously, Parvus had only been able to locate the dynamic of this alternation in a purely empirical way, in the geographical stability or expansion of the world market. Consequently, Parvus' one-sided emphasis on the market as the determinant of capitalist development led him to introduce technical progress as the factor underlying and necessarily creating this alternating pattern of development. For if, as Parvus believed, the only barrier to capitalist production was that of realisation, then the geographical expansion of the world market could explain only how capitalism temporarily overcomes the contradiction between limitlessly expanding production and limited markets: ultimately, this theory pointed towards an inevitable economic 'collapse'. The alternation of periods of scientific research with periods of its rapid application to production, however, pointed to a long cycle of technical development which, in and of itself, caused the stagnation or expansion of the market and, therefore, posited the possibility of limitless economic development.

The problem with this theorisation was that it forced Parvus to accord scientific and technical development not only its own internal laws of development (which was unexceptional),²⁵⁰ but also a completely autonomous progression to which economic development was subordinated. Economic development, in other words, was collapsed into technical development. Yet in treating technical development as independent of the economic development it influenced, Parvus reversed his position on this question. In 1907, Parvus had written: "Technical development is not a leading but a derived law of capitalist production."²⁵¹ Because the dynamic and periodisation of 'long periods' of capitalist development could not adequately be explained on the basis of the development of the world market understood in a purely geographical sense, the logic of his theory led Parvus to abandon his previously orthodox Marxist conception of the role of technique in the process of capital accumulation.

Ultimately, Parvus resorted to technique as a deus ex machina with which to explain the dynamic of capitalist economic development, because he was unable to make good the lacuna in the contemporary 'Rezeption' of Capital with regard to Marx's LTRPF and crises of overproduction. For it was here that Marx theorised capitalist development as conditioned by the successive loss and restoration of the conditions for profitable production and capital accumulation. Within this context, moreover, while technical development is certainly an important factor in periods of generalised economic expansion, the initial application of previously acquired scientific knowledge to technical progress in production is dependent upon the socio-economic preconditions for profitable production. Technical progress, therefore, can reinforce but not create economic expansion. It is a conditioned or dependent variable, which plays a prime role only insofar as it exerts an influence on the average rate of profit, which is the conditioning or independent variable in economic development.²⁵²

Proceeding to draw political conclusions from his economic analysis, Parvus indicated the increasing unity of the capitalist class and its direct domination of the state apparatus. Noting the concentration of industry and trade on the one hand, and bank concentration on the other, Parvus drew attention to their increasing unity. The role of the banks was no longer that of merely collecting and mediating money capital, but increasingly that of independently promoting industry and trade.²⁵³ Simultaneously, while partly financed by the banks, cartels were buying their way into the banks through share purchase. These tendencies were, of course, the subject of Hilferding's massive investigation published the year before. But this brief account by Parvus is worth mentioning, because his formulation of the emergent relationship between banking and industry was more satisfactory than Hilferding's simple 'dominance', and anticipated what is generally seen as the empirically more accurate 'coalescence' of Lenin: "Thus the business activities of these institutions of world capitalism overflow into one another and they become bound together in manifold ways."²⁵⁴

In turning to discuss the monopolies' "sway over the states", Parvus also anticipated later theorists of 'state monopoly capitalism'. Parvus began conventionally enough, analysing the tight relationship between the bourgeoisie and the state in terms of the financial leverage implied by loans to the state.²⁵⁵ In one of those illuminating insights with which Parvus' works are replete, however, he also began to analyse the class nature of the state in terms of the logic of capital. He did not approach the class nature of the state, and corresponding limitations to parliamentary action, in terms of the sociology of its personnel or the directly political power of the bourgeoisie (which was limited in Wilhelmine Germany), but in terms of structurally imposed demands on state activity. Because of "capitalist property", argued Parvus, "the economic relations - which determine all other social relations - are to a great degree removed from the sphere of parliamentary activity".²⁵⁶ Although the "capitalist state" sees itself as forced to intervene into the economy, such initiatives are imposed on the state by "the development of capitalist production" itself, which "confronts parliament with accomplished facts".²⁵⁷ Consequently, concluded Parvus, "a policy is dictated to it (parliament and the state), which it often goes along with in antithesis to its own political presuppositions and intentions".²⁵⁸ (Parvus went on to discuss the growing economic role of the state in some detail.²⁵⁹)

Politically, this insight might have provided a point of departure from which to develop the Marxist theory of the state: and, in so doing, challenge the prevailing social-democratic notion of the state as merely 'influenced' by the bourgeoisie, together with the political corollary of this position, that the state is potentially open to the 'influence' of the proletariat. (I will return to this question in Chapter 5.) For the time being, however, (and Parvus was already near the end of his time as a revolutionary socialist), he did not pursue the political implications of these insights on the state.

Instead, Parvus restricted himself to the conclusion that as banking and industrial concentration proceeded to subordinate smaller capitalists and dominate the world economy, so the tendency was towards undifferentiated centres of capitalist

power controlled by only a few people and served by the state: "The bourgeoisie thereby reaches the supreme summit of its class rule."²⁶⁰ At the same time, protective tariffs were coming to be a "premium on backwardness" and, in combination with colonialism, amounted to an increasingly war-like imperialism.²⁶¹ Desperate for markets, competition between capitalist powers for colonies was giving rise to an arms race and the threat of war, while the colonial peoples were resisting the destruction of their traditional social relationships or, in the more developed colonies, fighting for political independence. There was nothing substantially new in Parvus' treatment of imperialism. His conclusion, however, was all the more urgent in that war now occupied a central role in his perspective, alongside the once unique role of economic crises: "Capitalist development itself creates world production with increasing economic power in order, at the same time, to dam it up by way of political power through protectionism and imperialism. It makes its way, however, through powerful eruptions: economic crises, wars, revolutions."²⁶² This was the perspective confronting social democracy. According to Parvus, capitalism was not approaching 'collapse' but, instead, was entering a stage in which it could develop only through crisis and war. Revolution, therefore, could no longer remain in the realm of a far-distant future but must be the uppermost concern of present political action. This explained the sharp tone Parvus adopted towards the reformists, characterising any attempt to obscure the opposition of bourgeoisie and proletariat as "deceit or treachery".²⁶³ This was because it was only the action of the working class that was capable of averting the impending crises and wars: "The way out of this contradiction is manifested in the development of the political struggle of the working class."²⁶⁴

Above all, the situation would become particularly acute as the expansionary phase of economic development gave way to stagnation and an intensification of competition between national capitals: "The situation will become more critical than ever when the period of industrial 'storm and stress' comes to an end."²⁶⁵ Parvus predicted that in this situation, the growing competition from American industry and the

industrial development of Asia would have a disastrous impact upon European domination of the world market, thereby heightening class conflict internally and international tension externally.²⁶⁶ And in this event, concluded Parvus, the working class would be confronted by war and revolution within a period of 10-15 years: "War drives all capitalist antagonisms to the utmost. A world war, therefore, can culminate only with a world revolution."²⁶⁷ Consequently, it was from the point of view of preparing for power that Parvus now examined the concomitant transformation of the political conditions under which the class struggle was developing. With this perspective, he argued the case for tactical reorientation. This was to be his final attempt to influence the SPD in a revolutionary direction.

Contrary to prevailing wisdom within the SPD, Parvus argued that it was not so much the capitalist system as the tactics of the labour movement which had reached the outer limits of their possibilities. In spite of the past achievements of socialism, the tactics of its "parliamentary period" were no longer capable of contributing to the revolutionary transformation of society.²⁶⁸

Parliamentary action provided a means of agitation and organisation, but could play no more than an auxiliary role in the class struggle because of the development of the state: for, on the one hand, the state was becoming wholly bound up with the ever more concentrated power of capital while, on the other hand, it was becoming independent from parliamentary control.²⁶⁹ Indeed, concluded Parvus: "At the moment when the proletariat prepares to win the upperhand in Parliament, it confronts a political void ... it sees how the capitalist class withdraws to other positions: the government, the army and, above all, that terrible power given by the concentration of all economic interests into capitalist property."²⁷⁰ The very struggle throughout the 19th Century for the suffrage, together with the impossibility of indefinitely excluding the proletariat from Parliament, had conditioned the efforts of the capitalist class to do away with or at least circumvent parliamentary decision-making.²⁷¹ Furthermore, the concentration of capital and the international interlocking of capital

meant that employers' associations increasingly had the power to weaken the unions by means of generalised lock-outs.²⁷² Consequently, strikes were tending to diminish in number but increase in magnitude and length. They tended to transcend the level of disputes between individual employers and their workers to become generalised social struggles which, moreover, increasingly involved confronting the power of the state. Under these new conditions, concluded Parvus: "Strikes become political acts. Trade union struggle becomes political struggle."²⁷³ And: "Every strike is made into a political matter by the employers' organisations: into the matter of the entire capitalist class and the capitalist state."²⁷⁴ Together, these developments had altered the terrain of the class struggle in such a way as to undermine the effectiveness of both traditional trade union and political action. Accordingly concluded Parvus, the time of isolated trade union or political struggles had passed: social democracy now had to learn "to use all or several means of struggle simultaneously ... in the 20th Century the working class conducts its greatest struggles with a combination of arms".²⁷⁵ The transformation in the structure of capitalist economy and in the role of the state demanded a tactical reorientation not just as a response to the growing strength and aggression of capital but, rather, as part of a fundamental shift of perspective. No longer merely the preparation, but now the carrying out of the overthrow of capitalism was to be the aim of social democracy. The era in which the organisations of the labour movement had been built up, argued Parvus, was giving way to a "period of mass action", in which the attention of the Party should be directed towards the "social revolution".²⁷⁶

From this point of departure, Parvus proceeded to give his most complete account of the process and method of revolution. The keynote of this exposition, was given in an aphorism which may be taken to define Parvus' approach to historical materialism: "Historical development proceeds not outside of us but through us, if we want to achieve a goal, we must act."²⁷⁷ Accordingly, while undertaking his most comprehensive analysis of the gathering of the objective conditions for social revolution, Parvus continually emphasised the crucial importance of the subjective factor. Insisting

that "20th Century social democracy must reckon with itself as a political factor", Parvus made political initiative into the most important factor of revolutionary development.²⁷⁸

A strategic corollary of Parvus' perspective was that he now openly condemned the principle of 'proletarian isolation' and the associated assumption of the steady proletarianisation of the petit-bourgeoisie. In practice, insisted Parvus, this meant "inactivity, stagnation and, ultimately ... regression".²⁷⁹ He argued that the old tactic of merely opposing the bourgeoisie was inadequate, and that it was necessary to win over the petit-bourgeoisie; not by way of making political concessions, however, but by demonstrating the power of social democracy and, thereby, providing a rallying point for "all democratic elements".²⁸⁰ In this manner, precisely by means of the class struggle: "In place of the tactic of politically isolating the working class steps the tactic of isolating the capitalist class."²⁸¹

Because the very success of the SPD and trade unions had consolidated and hardened the opposition of the bourgeoisie against even the slightest concession, the fighting power of social democracy was now at a premium.²⁸² Accordingly, Parvus analysed a number of factors tending to corrode the revolutionary potential of the working class: petit-bourgeois influence within the SPD; careerism and the ministerial ambitions of some social democrats; the growing accretion of intellectuals with no real socialist convictions; the loss of proletarian independence in standing for "a democratic formula ... without content";²⁸³ the loss of socialist perspective by "the specialists of detail work" (so that their aim becomes "smaller and smaller" while, correspondingly, their effectiveness appears to them as "greater and greater");²⁸⁴ and "parliamentary cretinism".²⁸⁵ Now recognising the danger of these tendencies more clearly than in 1901, Parvus counterposed the weapon of "socialist criticism": socialism, argued Parvus, was not only to be a means of struggle against the bourgeoisie but, at the same time, must be applied reflexively as "a means of self-criticism".²⁸⁶ Criticising those whose attitude to the clash of opinion was to admonish the participants to "rather criticise our enemies ... and leave the Party in peace", he insisted that at stake was not just "theoretical understanding": it was rather the means of coming to grips with the experience

of a growing movement in an increasingly complicated situation, as well as combatting "disruptive influences on its tactics" by means of "the collective intellectual labour" of the working class.²⁸⁷ Only in this way could independent proletarian politics be maintained against the powerful influence of bourgeois ideology, or the limited horizons of trade unionism.²⁸⁸ Organisationally, political clarification had to be supported by the continuing subordination of parliamentary representatives to the Party, the development of the inner-life of the Party and by actively pursuing the class struggle - "the most effective corrective ... (to the) limitations of parliamentarism".²⁸⁹ Thus, although interesting as an example of contemporary understanding of the reformist pressures at work within social democracy, Parvus' analysis is of wider relevance for understanding the development of radical working class organisations: for contrary to the 'iron laws' of sociology, Parvus suggested that effective countervailing pressure can arise from a theoretically educated, active and combative mass membership. To the extent that this prescription was not carried out in the SPD - to a great degree the opposite was the case before 1914 and especially in the Weimar period - tendencies towards oligarchy and reformism gained the upper hand.

Having discussed the means of ensuring their revolutionary integrity, Parvus extended his previous assessment of the importance of the organisations of the labour movement. In particular, trade unions were not to be seen as having their function confined to capitalism or that of a preliminary school of social democracy.²⁹⁰ Like De Leon, Parvus insisted that while trade unions arose from the struggle with capitalist exploitation, their future role was that of the fundamental institutions of the socialist order.²⁹¹ Just as trade union struggles tended to become political, so - when the working class was possessed of state power and hence in a position to make trade union interests those of the state - trade unions would have "the tendency to develop into political institutions".²⁹² Accordingly, concluded Parvus: "Trade unions and social democracy do not come to an end with the conquest of state power by the working class. Rather, they form the

most important supports for the exercise of this state power by the working class."²⁹³ Moreover, Parvus once again displayed his ability to propose solutions when the problems were still well over the horizon for most of his contemporaries: trade unions were not only to exercise state power but, together with a differentiated approach to nationalisation (using forms of public ownership such as municipalisation, supporting cooperatives etc), were to constitute centres of economic power forming a counterweight sufficient to limit "the economic power of the state".²⁹⁴ And in stating a position of some relevance to the 'trade union' polemic in the early years of the Soviet Republic and subsequent alarm at the pretensions of even a 'workers' state', Parvus concluded: "Neither in the political nor in the economic field does socialism mean centralisation at any price."²⁹⁵

So far, Parvus had established the present as a period of 'mass action' preparatory to the 'social revolution', identified social democracy as the mainspring of revolutionary development, analysed and proposed counter-measures to developments tending to prevent social democracy from fulfilling this role, as well as extending his analysis to encompass some of the problems of socialist construction. Finally, Parvus turned to the 'method of revolution'.

In accord with his previous rejection of the theory of the 'collapse' of capitalism, Parvus opposed "the illusion of the final struggle".²⁹⁶ Although this had once helped maintain "revolutionary beliefs" in a "non-revolutionary" period, the notion of the 'final struggle', argued Parvus, belonged to a previous period.²⁹⁷ Yet now it was no longer necessary as a means of recruitment, because the emphasis should now be on "the use of the power of the working class organisations" as the best means of gathering support.²⁹⁸ Indeed, in this new period, which required a reorientation towards mass action, "concentration of thought on the final struggle" could only lead to "opportunism" and "stagnation" in the present. Because it led to an "underestimation" or even induced a fear of present action as a dangerous "diversion", the perspective of a 'final struggle' was, in practice,

incompatible with resolute action: "Its eternal refrain", according to Parvus, was "not yet; let's wait a while; the more time proceeds, the more strength we gather."²⁹⁹

While passing what may be seen as an ironical judgement on Kautsky's position in the famous 'mass strike polemic', Parvus nonetheless proceeded to outline an independent perspective by no means wholly assimilable to that of Luxemburg.

For Parvus, social development had to be grasped as a process embracing both catastrophic upheaval and periods of "gradual transitions": "Great revolutionary periods", give way to "times of peaceful development, carrying humanity forward until the unseen transitions and changes have again become concentrated into the clash of great contradictions and ... give rise to a new period of revolution which ... undergoes a development as a historical process and does not appear as a single action."³⁰⁰

In the actual course of the struggle for power, Parvus still expected that the strongest display of proletarian power would come about through a mass strike. Discussing the effect and conditions for the success of a mass strike in much the same terms as in 1896, Parvus was no longer, however, so certain that the general strike was 'nothing other than unarmed revolution'. On the basis of the 1905 Revolution, Parvus had concluded that, "all means of political struggle serve the revolution ... because the revolution is no particular method of struggle, but a historical process".³⁰¹ And now, he argued, the "struggle for state power" could be waged only with a "combination of arms".³⁰² Above all, it was necessary to widen the basis of the struggle by involving increasing numbers of workers and winning the support of at least sections of the middle classes. This widening of the social basis of the struggle could best be secured if it was pursued around demands "as general and as easy to realise as possible".³⁰³ Of course, whatever the demand, Parvus considered that under present circumstances the tendency of struggle could be nothing less than social revolutionary. Consequently, Parvus distinguished the 'beginning' from the 'development' of 'great historical revolutions', while emphasising the present

strategic relevance of the generalisation that: "There was never a revolution which set in immediately with its most advanced demand, but every revolution undergoes an escalation."³⁰⁴ Moreover, just as the dynamic of the struggle was towards greater and more radical demands, the struggle itself developed the confidence and strength of the working class so as eventually to enable it to take state power into its own hands: "... the main emphasis of revolutionary struggle lies in the potential for struggle created by the struggle itself."³⁰⁵

The idea that the working class "first learns to know its strength in struggle", was wholly in accord with Marx's concept of 'revolutionary praxis' and, in effect, ranged Parvus alongside the emergent Left.³⁰⁶ Indeed, much of his theory of revolution as 'process' clearly separated him from Kautsky. In particular, Parvus did not share Kautsky's fear of a defeat: he argued that because the working class, supported by its organisations, came to consciousness through victories and defeats alike, any defeat could be at most "provisional".³⁰⁷ The same perspective, however, also led Parvus to differentiate his position from that of Luxemburg. (Although Parvus did not refer to either her or Kautsky by name.)

In accord with his view of revolution as a process, Parvus opposed an immediate intensification of the struggle to a critical stage. Instead, he favoured an 'organic widening' of the struggle (as Scharlau appropriately puts it). In present circumstances, argued Parvus, it would be folly to "immediately transform every political struggle into a great revolutionary struggle".³⁰⁸ Necessary was rather the "social widening" of the struggle, together with every effort to make apparent the need for social revolution. Increasingly, this would be possible, argued Parvus, because - as we have seen - the tendency of world economic development was towards depression and war, under which conditions socialist interests became those of culture and society generally. To prepare for this period of "great struggles", the working class had to develop its organisations to the utmost and, "above all", undertake "political and intellectual schooling" in order to "ennoble and generalise the hopes of the working class into general human ideals".³⁰⁹ By thus securing its hegemony, the working class would be prepared for the social revolution.

Although Parvus scorned Kautsky's fear that the movement must be checked in order to avoid a disastrous defeat, he nonetheless opposed heightening the struggle to a critical stage because, in current circumstances, an unnecessary and demoralising defeat would be incurred.³¹⁰ While prepared to countenance defeats, Parvus did not differ from Kautsky in wanting to prepare the movement for a decisive struggle. For the coming war would "drive all the contradictions of capitalism to the extreme" and culminate in social revolution: consequently, the state would have to be deprived of control over the army before the working class could take power.³¹¹ While now doubtful as to the capacity of the mass strike alone to disarm and overthrow the state, Parvus still held forth the vision of an unarmed - yet by no means bloodless - revolution: "Calm persistence under fire by each individual and also the masses; with and without leadership, resolute, unremitting unto death ..."³¹² ("A revolutionary victory", he wrote in 1896, would be owed not to "the courage to kill, but to the courage to die."³¹³) Thus Parvus did not so much disagree with Kautsky on the inevitability of an ultimately decisive struggle or, necessarily, on how it would be carried out (although Parvus was more concrete on the army as the problem of problems and how it could be overcome). Their disagreement was rather over how this final struggle was to be prepared. In his perspective of revolution as a historical process, Parvus saw the culminating point as the conclusion to previous struggles - some victorious some ending in defeat, but with a general tendency of mounting intensity and widening social support. Kautsky, on the other hand, tended to see the final struggle more abstractly, as a single event unrelated to previous struggles - which, moreover, were seen as a possible waste of the energies better conserved for the act of 'overthrow'.

While opposing Luxemburg's tactic of driving the struggle forward in 1910-11, however, the logic of Parvus' position was plainly to oppose Kautsky's attempt to divert the existing struggle into purely parliamentary channels. Nonetheless, it was a weakness on his part, that he did not come to terms with Luxemburg's central conception of the dynamic of the mass strike. Particularly because he shared her conception of the mass strike as an escalating reciprocal action of economic

and political struggles, it is notable that he did not attempt to show how the struggle could be 'socially widened' if Luxemburg's tactics were rejected and, in effect, Kautsky's judgement accepted that current circumstances were inauspicious for a revolutionary offensive. Similarly, Parvus made no attempt to answer the likely objection that, given the dynamic of mass struggle once begun (no matter how unfavourable the objective conditions), the effect of breaking off a struggle could be as confusing and demoralising as an open defeat. Nonetheless, even if he did not recognise the necessity under certain conditions of a temporary and possibly severe curtailment of the tempo of the struggle, Parvus was at once more realistic than Luxemburg in his assessment of the current balance of forces and the likely outcome of an immediate offensive, but also more dialectical and concrete than Kautsky in his understanding of how a decisive struggle was to be prepared.

5. Conclusion

For Parvus, Marxism was a science of 'perspectives' and thus the means of guiding action. While it is possible to discuss separately his seminal contributions on the nature of capitalist economic development and on the strategy and tactics of the socialist labour movement, it would be misleading to forget that there were intimately related parts of a political intervention.

However, in spite of the quality of his pioneering efforts to derive strategic and tactical guidance from theoretically guided analyses of economic and political developments, and in spite of being acknowledged within the period under consideration as an important influence by many leading Marxists - Kautsky, Mehring, Lenin and, in particular, Trotsky (the list is far from exhaustive) - Parvus made no directly enduring impact on the course of the German labour movement. As Editor of the Sächsische Arbeiterzeitung (1896-98), Parvus had been influential in the Dresden Party organisation and popular among the activists throughout Saxony: by 1901 his writing had made him (in the words of Bebel) "a leading Party comrade".³¹⁴ Yet repeated exile, a lack of material resources throughout his time as a revolutionary socialist and,

above all, his lack of capacity for - or interest in - organisation, meant that he remained an isolated intellectual.

Parvus had exactly the characteristics of 'the intellectual' in the SPD outlined by Kautsky in 1903: "He fights not by means of power, but by argument. His weapons are his personal knowledge, his personal ability and his personal convictions ... It is only with difficulty that he submits to serving as a part which is subordinate to the whole ... He recognises the need for discipline only for the masses, not for ... himself..."³¹⁵ Because of this, the consequences of being unable to integrate within the Party, added Kautsky, were particularly severe: "... friction, disappointment, conflicts." This, of course, applies precisely to Parvus. For whereas Kautsky, for example, was reassuring, reliably confirming what was 'tried and tested' whatever the circumstances, Parvus was challenging and disconcerting, constantly demanding change in order to keep ahead of circumstances. This was liable, however, to arouse real hostility amongst those who did not share his vision and understanding (particularly as he was not a little arrogant). Consequently, because of his sustained attempt to 'revise' the tactics of the SPD leftwards - towards revolutionary activism - Parvus could not fully integrate into the Party. Instead, constant 'conflict', together with 'disappointment' at the neglect of his last and - in his view - major works, eventually forced him out of revolutionary politics.

If Parvus was the victim of his situation as a critical intellectual in an inimical environment, this was at least partly due to his failure to attempt to organise an oppositional tendency - or even pressure group - within the SPD. Instead, Parvus' isolation was self-inflicted inasmuch as he shared the prevailing social democratic conception of the role of intellectuals in the labour movement. This was expressed by Mehring, for example, who considered that as "practical fighters" intellectuals cannot fail to be "altogether insignificant": rather, their value lay in the elaboration of theory, so as to maintain the "vigor of the workers in their movement towards their great goal" and "elucidate for them the social relationships which make the approaching victory of the proletariat a certainty".³¹⁶ The corresponding

attachment to influence rather than organisational power meant that, in particular, left intellectuals in the SPD lacked the means to convert intellectual energy into practical and sustained political force. (Within the SPD, there was no equivalent of Lenin as theorist, architect and builder of political organisation.) For Parvus, moreover, this was even more disabling than it was in the case of Luxemburg and the 'Left Radical' group she represented. For Parvus was even incapable of building up a stable network of political friendships and allies. And without even the 'discipline' of such a peer group, his "characteristic blend of ambition and carelessness" led him into personal and business scandals, which still further isolated him.³¹⁷

By 1911, therefore, lacking the support of like-minded comrades united by a collective struggle (even if only that of a faction), Parvus was isolated and - which made his situation far worse - his best work misunderstood or simply ignored. (It is also worth noting that, impecunious at the best of times, Parvus fell foul of the SPD leadership's immense powers of financial patronage.) Consequently, in the words of Trotsky (who knew him well): "... his optimism was undermined by the failure of all his efforts to push the German Social Democracy in the direction of a more resolute policy. Parvus grew increasingly more reserved about the perspectives of a socialist revolution in the West." Eventually, concluded Trotsky, "the sceptic had completely killed the revolutionist".³¹⁸ It was in this situation, then, that Parvus was more or less frozen out of the SPD and left Germany for Austria and then Turkey. Once denied active participation in socialist politics, however, his previously subordinate desire for personal wealth emerged untrammelled by any higher considerations, while his immense talents were freed to be dedicated to this end. Once removed from revolutionary politics, therefore, Parvus was 'doomed to prosper', and by 1918 had become one of the richest men in Europe. Of course, this was not wholly unconnected with his becoming an agent for the German war-effort, while it undoubtedly helped him into the position of political confidant to President Ebert and other leaders of the Weimar SPD before his death in 1924.

Parvus made sustained use of Marxist theory - especially Marxist economic theory - in order to establish a perspective on economic and political developments alike, and thus to guide political action. Increasingly detracting from his pioneering efforts, however, was a consistent failure to carry through his analysis of capitalist economic development wholly on the basis of Marx's theory of value. And politically, the consequence of this weakness was that by 1907 his conclusions in the realm of economic analysis were compatible with reformist positions and thus gave only implicitly ambiguous support to his revolutionary efforts within the SPD. It could be said, therefore, that although Parvus did not himself develop the reformist implications of his theory, from the point of view of revolutionary consistency his early departure from the German labour movement was a theoretical necessity! Nonetheless, in spite of a very tight connection between his economic theory and political thought in the period under consideration, and whatever the conclusions Parvus might have gone on to draw from his economic theory, Parvus' political behaviour after about 1910 cannot be related primarily or directly to his economic theory. (As is possible, for example, in the case of Hilferding throughout his career.) Rather, this was a function of his isolation and acute demoralisation which was in large part the consequence of his failure to move beyond the conventional role of intellectuals on the left of the SPD.

1. Parvus made his contribution under the earlier pseudonym Unus, 'Die preussischen Landtagswahlen', NZ, Vol.12, pt.1 (1893/94), pp37-46.
2. *ibid.*, p43.
3. *ibid.*, p44.
4. *ibid.*, p45.
5. While Parvus was the only theorist or leader to support Bernstein's position in 1893, Kautsky expressed his support for participation when the issue again came to the fore in 1897; see Kautsky 'Umsturzgesetz und Landtagswahlen in Preussen', NZ, Vol.15, pt.1 (1896/97), pp265-282. Kautsky argued that only by active participation in the Landtag would it be possible to make contact with the "broad masses" (p276) and, by representing their interests against reaction, prepare the way for "great popular actions" against the three class suffrage (p277). In putting forward this argument, moreover, he openly acknowledged the inspiration of Parvus (p278). (Of course, when - in 1910 - the 'broad masses' were ready for 'great popular actions', Kautsky seemed to wish otherwise: he could envisage breaking out of passivity into parliamentary activity, but not breaking out of parliamentary routine into mass action.)
6. *op. cit.* (emphasis added).
7. "The idea of the social revolution is simply that the working class siezes state power in order to transform property relations with its help and socialise production." Parvus, Der Klassenkampf des Proletariats, Berlin, 1911, p132.
8. 'Keinen Mann und keinen Grosschen. Einige Betrachtungen über das bayrische Budget', NZ, Vol.13, pt.1 (1894/95), pp80-87. This article set off a controversy which was to come to the fore several times in the period up to 1914.
9. *ibid.*, p85.
10. *ibid.*, p87.
11. *ibid.*, p86.
12. *ibid.*
13. *ibid.*, pp86/87.
14. *ibid.*, p87.
15. Quoted by Z. Zeman and W. Scharlau, The Merchant of Revolution: The Life of Alexander Israel Helphand (Parvus) 1867-1924, London, 1965, p38 and p39.

16. 'Kapitalistische Tendenzen und Sächsische Einkommensverteilung' NZ, Vol.13, pt.1 (1894/95), pp206-15.
17. *ibid.*, p215.
18. 'Die Vernichtung und Proletarisierung des Kleinbauertums in Württemberg', NZ, Vol.13, pt.2 (1894-95), p818. This was Parvus' contribution to the debate opened up by Kautsky in the pages of NZ while the Party Commission was formulating its proposals on agrarian policy for the next Congress.
19. *ibid.*, p821.
20. *ibid.*, p824.
21. 'Der Weltmarkt und die Agrarkrisis', NZ, Vol.14, pt.1 (1895-96), pp197-202, 276-83, 335-42, 514-26, 554-60, 621-31, 654-63, 747-58, 781-88, 818-27.
22. *ibid.*, p198.
23. *ibid.*, p748.
24. Parvus was acutely aware of the shortcomings of contemporary German Marxism in relation to the phenomena and dynamic of the world economy: "From the point of view of questions of trading policy, as in many other matters, the founders of scientific socialism died all too soon for us." Die Handelspolitik und die Doktrin, NZ, Vol.19 pt.1 (1900/01) p587.

The pioneering nature of Parvus' work may be gauged by the fact that as late as 1907, Robert Michels could write of the "extraordinarily little" knowledge concerning the affairs of foreign socialist parties, and that "the 'naivety ... the absolute ignorance over what is going on abroad' - as Engels said - persists to this day". 'Die deutsche Sozialdemokratie im internationalen Verbande', in Archiv für Sozialwissenschaft und Sozialpolitik, Vol.25, 1907, p164; Michels gives his source for the quotation from Engels as Briefe und Auszüge aus Briefen von Joh. Phil. Becker, Jos. Dietzgen, Friedrich Engels, Karl Marx u.a. an F.A. Sorge und andere, Stuttgart, 1906, p315.

25. *op. cit.*, p197.
26. *ibid.*, p281.
27. *ibid.*, p198.
28. *ibid.*, p199.
29. Quoted by W, Scharlau, Parvus Helphand, als Theoretiker in der deutschen Sozialdemokratie und seine Rolle in der ersten russische Revolution (1867-1910), Phil. Diss, Münster, 1964, p149.

30. 'Die Handelspolitik und die Doktrin', NZ, Vol.19, pt.1 (1900/01), pp580-89; 'Die Landwirtschaftlichen Einfuhrzölle', NZ, Vol.19, pt.1 (1900/01), pp612-19; 'Die Industriezölle und der Weltmarkt', NZ, Vol.19, pt.1 (1900/01), pp708-16, 772-84.
31. 'Die Handelspolitik und die Doktrin', p586.
32. 'Die Industriezölle und der Weltmarkt', p716.
33. *ibid.*, p783.
34. *ibid.*, p772. Parvus argued that protection was of no use even for industry at an early stage of development: on the contrary, he stressed the necessity for industrially undeveloped countries to exchange with the more technologically advanced. This of course was before Marxists began to develop a theory of 'unequal exchange' from Capital III (the credit for this goes to Otto Bauer), and long before imperialism was linked systematically with its counterpart, 'underdevelopment'.
35. *ibid.*, p783.
36. 'Marineforderungen, Kolonialpolitik und Arbeiterinteressen', (1898); quoted by W. Scharlau, *op. cit.*, p154.
37. *ibid.*
38. See 'Die Landwirtschaftlichen Einfuhrzölle', p619.
39. *ibid.*
40. At the SPD's 1898 Congress; quoted by W. Scharlau, *op. cit.*, p154.
41. Quoted by *ibid.*, p155 (note 121).
42. Quoted by *ibid.*, p156 (note 123).
43. *ibid.*, p156. Hilferding was to provide the most developed analysis of the changing pattern of capitalist trading policy; see Finanzkapital, Frankfurt, 1968, pp406-21; also 'Der Funktionswechsel des Schutzzolles', NZ, Vol.21, pt.2 (1902/03), pp274-81. Unlike Parvus, however, Hilferding did not see the tariff question as a lever with which arouse political mass struggle.
44. Along with cartels and trusts, Kautsky referred to the agrarian crisis as the most important new appearance in economic life since the death of Marx. Bernstein und das sozialdemokratische Programme, Stuttgart, 1899, p80.
45. 'Der Weltmarkt und die Agrarkrisis', p514.
46. This achievement should not be underestimated. After the importance of agrarian policy was recognised, the first works appeared in which social democratic theorists attempted to lay the basis for agitation in the countryside. Yet without the most important work of Marx on landed property and groundrent (Capital III was published

first in 1894), these works merely "dealt with 'the social question in the countryside' in a superficial and unscientific manner, while attempting to extend the validity of Marx's investigation of English agricultural development to German relations". Max Kemper, Marxismus und Landwirtschaft (1929), Stuttgart, 1973, p46.

47. Parvus followed Marx in using wheat to represent agricultural products generally; see Capital III, p615.
48. 'Der Weltmarkt und die Agrarkrisis' p519.
49. *ibid.*, p555.
50. *ibid.*; see also pp628/29.
51. *ibid.*, p559.
52. *ibid.*, p560.
53. *ibid.*, p623/24 and p627.
54. *ibid.*, p629 and p657
55. *ibid.*, p625.
56. *ibid.*, p624.
57. *ibid.*, p623 and p627.
58. *ibid.*, p629.
59. *ibid.*, p627.
60. *ibid.*, p629.
61. *ibid.*, p631.
62. Also the USA where, in the absence of an established class of large landowners, the continual widening of the area under cultivation allowed production to increase without a corresponding growth of groundrent; see *ibid.*, pp820-21.
63. *ibid.*, p626.
64. *ibid.*, p629.
65. *ibid.*, pp628-30.
66. *ibid.*, p661.
67. Capital III, p756.
68. Parvus, *op. cit.*, p825.
69. *ibid.*, p655.
70. *ibid.*, p656.
71. *ibid.*, p656 (note 1).

72. *ibid.*
73. *ibid.*, p660.
74. *ibid.*
75. *ibid.*
76. *ibid.*, p821.
77. The price of land, as Parvus made clear, "was the capitalisation of groundrent", or - in the case of fallow land - "the realisation of anticipated rent". *ibid.*, p661; see also Capital III, p623.
78. *ibid.*, p661.
79. *ibid.*, p662.
80. *ibid.*, pp662/63; see also p560 and p629.
81. *ibid.*, p747.
82. *ibid.*
83. *ibid.*, p748.
84. *ibid.*, p750/51.
85. *ibid.*, p751.
86. *ibid.*, pp756/57 and pp781/83.
87. *ibid.*, p788.
88. *ibid.*, p825.
89. *ibid.*, p755.
90. *ibid.*
91. Capital III, p762.
92. *ibid.*, p765.
93. *ibid.*, p762.
94. *ibid.*, p764.
95. *ibid.*, p633.
96. *ibid.*, p861.
97. *ibid.*, p764.
98. Parvus had been the first to publicly attack the draft proposals of the Party Agrarian Commission (July 1895), maintaining that peasants could be protected only when they had ceased to be "private owners and commodity producers". Consequently, he argued, demands for better welfare and educational facilities in the country-

side would mean a "turn towards petty reform", because a meaningful improvement of rural conditions was not possible under capitalism. (See W. Scharlau, op. cit., p51) In his anxiousness to give no quarter to agrarian revisionism, however, it seems that Parvus' position was such as to preclude the programmatic means of the rural agitation he had earlier been keen to facilitate by way of participating in Prussian Landtag elections. No more than his contemporaries was he able to reconcile the orthodoxy of the Erfurt Programme with the demands of practical political activity amongst the peasantry. Later, however, Parvus cut through this problem by assessing the peasantry as a reactionary force and arguing (against Bernstein in 1896), that they would have to be won over by means of a successful revolution carrying through measures to eliminate their indebtedness and nationalise land. (See W. Scharlau, op. cit., p97) Only after the revolution, in other words, could the lever of the peasantry's "material interests" be used to secure their support. (Quoted *ibid.*) The only 'practical' politics in the countryside, therefore, were social revolutionary politics. For in order to be in a position to carry through such measures, it was necessary "to struggle for social revolution". (Quoted *ibid.*)

99. Die Gewerkschaften und die Sozialdemokratie, Dresden, 1897, p10. This originally appeared as an article series in the Sächsische Arbeiterzeitung (1896), which Parvus edited 1896-98.
100. *ibid.*, p11. Parvus cautiously characterised 'economic depression' as "relative" and "temporary"; see *ibid.*, p27.
101. *ibid.*, p14.
102. *ibid.*, p22.
103. *ibid.*
104. See *ibid.*, p10.
105. R. Hilferding, Finanzkapital, p252.
106. See op. cit., p18.
107. See *ibid.*, p18 and p21.
108. *ibid.*, p21.
109. *ibid.*, p45.
110. *ibid.*, p57.
111. *ibid.*, p25.
112. *ibid.*, p22.
113. *ibid.*, p25.
114. *ibid.*

115. *ibid.*, p26.
116. *ibid.*
117. *ibid.*
118. *ibid.*, p81.
119. *ibid.*, p32; see also pp36-39 and pp33/34; see note 123.
120. *ibid.*, p35. Elsewhere, Parvus also explained that whereas the Party was dependent upon "political disposition", which could be "fickle and loose", trade unionism was "tough", because it "took hold of workers on the basis of their economic situation"; unions affected workers not on the "general" political plane but in the workplace and home. 'Staatsstreik und politischer Massenstreik', p85 (see note 171 for publication details).
121. *op. cit.*, p29.
122. *ibid.*, p29 and p54; see also p57 and p81.
123. *ibid.*, p63. G. Roth comments that in the 1890's many social democrats "looked with misgivings at their (the trade unions') purely ameliorative activities". (The Social Democrats in Imperial Germany, Totowa, New Jersey, 1963, p161.) This was the attitude at least in part responsible for the SPD's disastrously negative response, in 1889, to the appeal of the predominantly Catholic coal miners of the Ruhr for financial support during their strike. (For details, see V.L. Lidtke, The Outlawed Party: Social Democracy in Germany, 1878-1900, Princeton, New Jersey, 1966, pp193-95) Bebel, who was one of those most responsible for this lost opportunity to influence an important group of non-socialist workers, argued before the 1895 Party Conference, that: "... once capital has generally conquered such power as is possessed by Krupp ... then it is all up for the trade union movement, then only political struggle can help." (Quoted by M. Scharrer, Arbeiterbewegung im Obrigkeitsstaat, Berlin, 1976, p49; part of this speech was quoted by Parvus.)
124. *op. cit.*, p45.
125. *ibid.*, p46.
126. *ibid.*, p47 and p81.
127. *ibid.*, p57.
128. *ibid.*, p59.
129. *ibid.*, p59 and p62.
130. *ibid.*, p62.
131. *ibid.*, p64.

132. *ibid.*, p71.
133. *ibid.*
134. *ibid.*, p66.
135. *ibid.*, pp68/69.
136. *ibid.*, p69.
137. *ibid.*, p74.
138. *ibid.*
139. *ibid.*, p82.
140. *ibid.*, p86:
141. *ibid.*
142. *ibid.*
143. Quoted by W. Scharlau, *op. cit.*, p85.
144. Quoted *ibid.*, p84.
145. Die Handelskrise und die Gewerkschaften, Munich, 1901, p5. (Pages 7-31 are reprinted in Parvus - Kautsky - Trotsky - Kondratiev - Mandel, Die Lange Wellen der Konjunktur: Beiträge zur Marxistischen Konjunktur - und Krisentheorie, Berlin, 1972.)
146. *ibid.*, p10 and pp11/12.
147. *ibid.*, p14.
148. *ibid.*
149. *ibid.*, p15.
150. *ibid.*, p16.
151. *ibid.*
152. *ibid.*
153. *ibid.*, pp16/17.
154. *ibid.* p17.
155. *ibid.*, p26.
156. *ibid.*
157. *ibid.*
158. Indeed Marx remarked that "the cycles in which modern

industry moves ... fall beyond the scope of our analysis". (Capital III, p360) On the other hand, Marx emphasised that "any real change in the general rate of profit ... is the belated effect of a whole series of fluctuations extending over very long periods". (p166; see also p169 and p366) From this, it would seem that Marx related his theory of the rate of profit and its movement precisely to the long term pattern of capitalist economic development.

159. op. cit., pp30/31.
160. ibid., p31.
161. ibid., p10.
162. ibid., p39; see also p49.
163. ibid., p38 and pp43/44.
164. ibid., p46 and p44.
165. ibid., p47.
166. ibid., p50.
167. ibid., p51.
168. ibid., p42.
169. ibid., p52.
170. ibid.
- 171: 'Staatsstreik und politischer Massenstreik', NZ Vol.14, pt.2 (1895-96), pp199-206, 261-66, 304-11, 356-64, 389-95; I refer to the reprint in A. Grunenberg ed., Die Massenstreikdebatte: Beiträge von Parvus, Rosa Luxemburg, Karl Kautsky und Anton Pannekoek, Frankfurt/M., 1970, pp46-95. Shortly after completion, this article series was published as a pamphlet: Wohin führt die politische Massregelung der Sozialdemokratie - Kritik an der politischen Reaktion in Deutschland, Dresden, 1897.
172. ibid., p65.
173. ibid., p68.
174. ibid.
175. ibid.
176. ibid., p69.
177. ibid.
178. ibid.
179. ibid., p49.

180. *ibid.*, p75.
181. *ibid.*, p77.
182. *ibid.*, p79.
183. *ibid.*, p81.
184. *ibid.*, p86.
185. *ibid.*, p87.
186. *ibid.*
187. *ibid.*, p88 and p89.
188. *ibid.*, p95.
189. *ibid.*, p68; see also pp67/68.
190. *ibid.*, p95.
191. Quoted by W. Scharlau, *op. cit.*, p75.
192. Quoted *ibid.*, p76.
193. Engels gave his view (but without further elaboration) in a letter to Kautsky in 1893: "You say yourself that barricades are obsolete (they could, however, become useful again as soon as between a third and a fifth of the army are influenced by socialism, and it is a matter of giving them an opportunity to capitulate): but the political strike must either immediately win - merely by means of threat (as in Belgium, where the army was very shaky) - or end in a colossal disgrace or, finally, lead straight to the barricades." (Friedrich Engels Briefwechsel mit Karl Kautsky; quoted by W. Scharlau, *op. cit.*, p64).
194. W. Scharlau, *op. cit.*, p73.
195. Die Kolonialpolitik und der Zusammenbruch, Leipzig, 1907, p86.
196. *ibid.*, pp11-15.
197. *ibid.*, p86.
198. *ibid.*; see also p14, and cf. Der Klassenkampf des Proletariats, Berlin, 1911, p43.
199. *ibid.*, p15.
200. *ibid.*, p11.
201. *ibid.*
202. *ibid.*, p15; see also p17 and cf. Der Klassenkampf des Proletariats, p63.

203. *ibid.*, p12; see also p16.
204. *ibid.*, p39.
205. *ibid.*
206. See *ibid.*, p51.
207. *ibid.*, p15; see also p100 and cf. Der Klassenkampf des Proletariats, p40.
208. *ibid.*, p97; see also p17.
209. *ibid.*, p17; see also p97 and cf. Der Klassenkampf des Proletariats, p43.
210. *ibid.*, p17.
211. *ibid.*, p97; cf. Der Klassenkampf des Proletariats, p43.
212. *ibid.*, p18 and p19.
213. *ibid.*, p25 and p21.
214. *ibid.*, p24; see also p38.
215. *ibid.*, p24.
216. *ibid.*, p38.
217. *ibid.*, p39.
218. Cf. Hilferding: "... capital can pursue no other policy than imperialist policy ... it is certainly not in the interests of the working class to counter to advanced capitalist policy the antiquated policy of the era of free trade ... The answer of the working class ... must be not free trade, but socialism." Finanzkapital, p502.
219. *op. cit.*, p89.
220. *ibid.*, p89 and p91.
221. *ibid.*, p40.
222. *ibid.*, pp13/14 and pp147-52.
223. *ibid.*, p98.
224. *ibid.*, p24 (and repeated p147).
225. *ibid.*, p155.
226. *ibid.*, p40.
227. *ibid.*; cf. 'Die Industriezölle und der Weltmarkt', p778.

228. *ibid.*, pp22/23.
229. *ibid.*, p40.
230. *ibid.*, p105.
231. *ibid.*, p22.
232. *ibid.*, p37.
233. *ibid.*, p97.
234. *ibid.*, pp14/15 (emphasis added).
235. *ibid.*, pp37/38.
236. See Finanzkapital, Part 5.
237. The former - Der Staat die Industrie und der Sozialismus, Dresden, 1910 - attempted to look beyond the revolution and the overthrow of capitalism to present a concrete picture of the structure of socialist society. As such, it lies beyond the scope of this chapter.
238. Der Klassenkampf des Proletariats, p33.
239. *ibid.*, p33; Parvus repeated the quotation from Die Kolonialpolitik und der Zusammenbruch referred in note 200.
240. *ibid.*
241. *ibid.*, p34.
242. Cf. Die Handelskrise und die Gewerkschaften, p26.
243. See *op. cit.*, pp45-56.
244. *ibid.*, p34.
245. *ibid.*, p59.
246. See *ibid.*, p34.
247. *ibid.*, p121.
248. *ibid.*, p63.
249. *ibid.*
250. See *ibid.*, p34.
251. Die Kolonialpolitik und der Zusammenbruch, p125.
252. For an exemplary treatment of this question from an orthodox Marxist point of view, see E. Mandel, Late Capitalism, London, 1975, pp114/15, p140 and pp144/45.

253. op. cit., p64.
254. ibid.; earlier, however, he characterised this emergent relationship in much the same way as Hilferding (see p17).
255. ibid.
256. ibid., p101.
257. ibid.
258. ibid.
259. See ibid., pp115-19. Parvus also commented on the tendency for bourgeois interests to be articulated directly by interest groups at the expense of political parties (p107 and pp122/23), and on the corresponding displacement of power from parliament to the state apparatus (p139). Anticipating later theories of 'corporatism', Parvus commented that, increasingly, "important decisions" on "trading and economic policy", and even "general political questions", were "regulated" by direct meetings "between the government and the capitalist interests" before coming to parliament (if they did at all). (p139).
260. ibid., p64.
261. ibid., pp43/44.
262. ibid.
263. ibid., p65.
264. ibid., p70.
265. ibid., p146.
266. ibid., pp146/47.
267. ibid., p147.
268. ibid., p3.
269. ibid., p78, p82, pp101-3 and p108.
270. ibid., p108.
271. ibid., p139.
272. ibid., pp13-17.
273. ibid., p19.
274. ibid., p91.
275. ibid., p109.
276. ibid., p4; see also W. Scharlau, op. cit., p261.

277. *ibid.*, p216; see also p121.
278. *ibid.*, p88; see also W. Scharlau, *op. cit.*, p261.
279. *ibid.*, p88.
280. *ibid.*
281. *ibid.*; cf. 'Staatsstreich und politischer Massenstreik', pp87/88.
282. *ibid.*, pp89-93.
283. *ibid.*, p99.
284. *ibid.*, p100.
285. *ibid.*, p101.
286. *ibid.*, p103.
287. *ibid.*, p104.
288. *ibid.*, p104 and p106.
289. *ibid.*, p105.
290. *ibid.*, p133.
291. *ibid.*, pp133/34; cf. David Herreshoff, The Origins of American Marxism, New York, 1973, p155.
292. *ibid.*, p134.
293. *ibid.*
294. *ibid.*, p135.
295. *ibid.* Parvus' awareness of the danger of an unchecked, all-powerful post-revolutionary state was an important feature of Der Staat, die Industrie und der Sozialismus; see W. Scharlau, *op. cit.*, pp274-76.
296. *ibid.*, p136.
297. *ibid.*
298. *ibid.*
299. *ibid.*, pp136/37.
300. *ibid.*, p136.
301. Quoted by W. Scharlau, *op. cit.*, p262.
302. *op. cit.*, p138.
303. *ibid.*, p145.
304. *ibid.*
305. *ibid.*

306. *ibid.*, p147.
307. *ibid.*, p144.
308. *ibid.*, p147.
309. *ibid.*, pp147/48.
310. *ibid.*, p145.
311. *ibid.*, p144 and pp143-45.
312. *ibid.*, p149.
313. 'Staatsstreik und politischer Massenstreik', p83.
314. Quoted by Z. Zeman and W. Scharlau, *op. cit.*, p46.
315. Extract from a NZ article translated as "The Intellectuals and the Workers", in Fourth International, April 1946, pp125/26.
316. Quoted by R. Michels, Political Parties, New York, 1968, p301/2.
317. Z. Zeman and W. Scharlau, *op. cit.*, p279.
318. What is the Permanent Revolution?, New York, 1970. p10.

CHAPTER 5: RUDOLF HILFERDING

"I certainly belong to those who are of the opinion that it is very useful, indeed necessary, for politicians to be possessed of theoretican insight."

Hilferding

1. Introduction and remarks on Hilferding's method

A clue to the apparent dichotomy between Hilferding the leading economic theorist of orthodox Marxism and inspirator of Lenin's Imperialism, and the Hilferding that was to emerge as the doyen of right-wing social democracy and coalition government minister, lies in the separation of 'fact' and 'value' expressed in his 'Preface' to Finanzkapital: "... for Marxism the study of politics ... has as its objective the disclosure of causal interconnections ... The politics of Marxism, like its theory ... does not in any way mean handing down moral judgements, nor is it a precept for practical conduct."¹ Clearly stated, then, was a separation of 'fact' and 'value' tantamount to a separation of theory and practice.

For Hilferding, therefore, there was no reason - in principle - why Marxist theory should not precede or even develop alongside reformist politics. Nonetheless, it will not do to explain Hilferding's political evolution simply by charting the opening up of a supposed gap between initial Marxist theory and reformist practice. For although Hilferding posed the possibility of this separation in principle, his political positions were always developed in close association with theoretical understanding. Moreover, even if Hilferding had not been a self-conscious proponent of theory in politics, it would be misleading to deny the presence and influence of value-judgements and theory - indeed, of underlying assumptions of all kinds - within the investigation, evaluation and judgements from which arise political practice. Consequently, if we are not merely to lapse into the jejune notion that 'the difference between theory and practice' is sufficient explanation of social democracy generally or - in this case - of Hilferding in particular, it is necessary to penetrate more deeply in order to reveal that Hilferding's Marxist 'orthodoxy' was not a theoretical standard from ^{which} he diverged in practice, but was rather the intellectual seedbed of both his later political reformism and theoretical revisionism. My intention in this chapter, therefore, is to demonstrate by means of a critique of his pre-1914 political positions and, above all, of Finanzkapital, that the later Hilferding - the theorist of 'organised capitalism' and Weimar politician - was already

present, albeit in embryo, in the earlier theorist of the old 'Marxist Centre'.

Finally, although Hilferding's separation of theory and practice was not the direct cause of his political evolution, this separation was certainly significant as an expression of the sometimes undialectical Marxism which conditioned his intellectual and political development alike. Indeed, Hilferding's undialectical separation of theory and practice was symptomatic of a tendency to consider separately, and thus abstractly, phenomena which Marx conceived of as in a contradictory but nonetheless inner-relation. This tendency can be illustrated further by reference to Hilferding's view of the dialectical method generally, and of the economic significance of use value in particular. The importance of these methodological differences with Marx, will become apparent when we come to discuss Finanzkapital.

In an article of 1911 on the pre-history of Marxian economics, Hilferding pointed out that Hegel had originated a "method of research" which Marx had "consciously carried ... into the field of economics".² After these remarks, however, Hilferding proceeded to interpret Marx's method in an idealist manner.

In effect, Hilferding reduced Marx's method (as Schimkovsky notes) to "a plausible form of presentation of complicated problems".³ The dialectical method, according to Hilferding, was not to be found "where it is normally looked for, in the presentation of the real antagonisms of the classes and in the discovery" of the contradictions of capitalist production.⁴ Instead: "... (Hegel's method) fulfils its specific logical role in the mode of constructing and presenting economic concepts."⁵ For Hilferding, therefore, Marx's method had more to do with a dialectic of concepts than the movement of social reality itself. Yet this was to prise apart that "identity of the becoming of experience with the self-development of the concept", which he had begun by recognising as an advance achieved by Hegel.⁶ Moreover, Hilferding proceeded to consolidate his incipient separation of method and social reality by quoting fellow Austro-Marxist Max Adler: "... the method, i.e. the demonstrating of the antithetical nature

of thought in the succession of its contents, we call dialectic ... but the antithetical nature of being in the succession of its real processes we call antagonism."⁷ Adler concluded that these were "totally different things". Of course, according to this interpretation, Marx's achievement did not lie in his materialist reworking of Hegel's idealist dialectic - "in which", as Adler realised, "dialectic was presented simultaneously as antagonism".⁸ Instead, according to Adler, Marx overcame Hegel's idealism simply by discarding the moment of being (dialectic as antagonism within reality) while keeping the method (dialectic as 'a mode of thought'). Indeed, for Adler, it was Marx's "illuminating insight" that "the self-movement of the logical category was only the movement of the individual thought".⁹ By way of Adler, therefore, Hilferding deepened his own idealist separation of the movement of thought from the movement of reality.

Once Hilferding had confined the dialectic to the realm of thought, its importance was easily downgraded or neglected. This was even more the case because, as Rosdolsky explains: "At that time the attention of Marxist theoreticians was so totally absorbed ... with the concrete content of Marx's work that even the most important of them (with the exception of Lenin, Luxemburg and the young Hilferding) scarcely gave any attention to the unique method of Marx's economic work..."¹⁰ However, even in those early articles in which Hilferding had discussed methodological questions, he had done so only to reduce method to the way in which the problem of 'theoretical economics' was posed - as one of "distribution" by Ricardo, as one of the "analysis of commodity form" in the case of Marx.¹¹ Alternatively, Hilferding had subsumed the problem of method beneath his focus on the historical and social standpoint of Marx as compared to the ahistorical and subjectivist standpoint of Böhm-Bawerk: "... we are not concerned at all with two different methods, but with contrasted and mutually exclusive outlooks upon the whole of social life."¹² Of course, Hilferding was right to stress the importance of the 'commodity form', as well as Marx's thoroughly social and historical 'outlook'. Yet he did so in such a way as to marginalise the unique dialectical method by which Marx arrived at and proceeded from these positions in the course of his analysis.

In Capital, value form is progressively unfolded as

Marx proceeds from and develops the contradiction latent in the commodity form - between use value and exchange value - through successive stages including money, capital and crises of overproduction. Hilferding, in contrast (as we will see), did not proceed by means of developing this contradiction. One reason why it was possible for Hilferding to diverge from Marx in this quite fundamental way, was that he curtailed the importance of dialectics to that of a form of thought and, correspondingly, marginalised the importance of Marx's method. An additional reason for Hilferding's divergence from Marx in this respect was his view that use value "lies outside the domain of political economy".¹³ Marx, in contrast, maintained that "use value plays a far more important part in my economics, than in economics hitherto, but N.B. that it is only ever taken into account when this arises from the analysis of given economic forms".¹⁴ For example: "... in the development of the value form of the commodity, in the last instance of its money-form and hence of money, the value of commodity is represented in the use value of the other, i.e. in the natural form of the other commodity ... surplus value itself is derived from a specific and exclusive use value of labour power..."¹⁵

Hilferding's blindness to the economic significance of use value was thus an additional obstacle to building upon Marx's theory, because it ran counter to developing the contradiction between use value and exchange value. In the following critique of Finanzkapital, we will be able to see the effect on Hilferding's analysis of, firstly, his marginalisation of Marx's dialectical method and, secondly, his virtual elimination of one term in this fundamental contradiction of capitalist production. His consequent inability to reconstruct and apply systematically Marx's value analysis is particularly evident in his theory of money and, later, in his theory of crisis.

2. Hilferding's political position before 1914: the mass strike, the parliamentary tactic and the state

Before becoming an editor of Vorwärts in 1907, Hilferding had - at Kautsky's invitation - worked on the staff of Die Neue Zeit. He was one of the main theorists of the Marxist-Centre:

the basics of his political thought were particularly clear in his articles on the mass strike (the issue around which the positions of the SPD's Centre and Left were to be eventually differentiated).

Hilferding's starting point on the mass strike was that as the SPD advanced towards the legal conquest of Parliament, so the very existence of Parliament - or at least the suffrage - came under threat from the enemies of the SPD.

Hilferding's parliamentarism, together with the theory of the state with which it formed a seamless whole, can be seen in his discussion of the common interest of the bourgeoisie and the state in keeping the working class powerless. For the method he envisaged being adopted to enforce this was that of maintaining or reintroducing an unequal, property-based suffrage: "Because it is only this that prevents the transformation of the parliamentary system from an instrument of bourgeois domination into an instrument of proletarian dictatorship."¹⁶ Conversely, should the franchise be maintained, the working class was assured eventual success: "The gradual and peaceful transition which could be carried out through the conquest of parliament is, however, of especially great importance for the working class. Only the maintenance of universal suffrage guarantees a continually progressing development."¹⁷ Indeed, progress towards socialism was completely bound up with winning parliamentary influence: "... its conquest is the most important aim and precondition of further progress. Only on the basis of parliament is it continually possible to transform the economic power of the proletariat into political influence."¹⁸ In addition, Hilferding believed parliamentary work to be "the best and most important means of politically educating the people".¹⁹ Consequently, the power of the workers had to be committed to the defence of Parliament and universal suffrage.

Although Hilferding raised the "parliamentary tactic" into a more or less exclusive strategic principle, he proposed the "general strike" as the means to defend "universal suffrage".²⁰ He emphasised that the working class had "power over the living-process of the whole of society", and left no

room for pessimism as to the outcome of/^a general strike: for the economic indispensability of the working class was the foundation of "the necessity of its ultimate victory".²¹

Mass action of this kind, however, was restricted to the role of guarantor of the parliamentary tactic.

In spite of the 'irresistible power' of the working class, Hilferding attempted to forestall the inference that the working class could proceed towards socialism along the lines of mass action (as was later proposed by Luxemburg). Hilferding argued that the general strike was not to be thought of as an independent means of attack or defence in the 'normal struggle': "No! It is not to take the place of another tactic ... it is only to make this tactic possible once again."²² Indeed, if the preparedness to undertake a general strike was restricted to the defence of 'parliamentary action', then probably such action would never be necessary: because the enemies of social democracy would be too frightened by the possible consequences to launch an attack on the socialist position in parliament, the "mere idea" of the general strike would suffice.²³

In this article, Hilferding displayed a lack of any strategic conception able to embrace a flexible combination of tactics. Political power, he insisted, could be gained 'only' through Parliament, and the general strike was permissible 'only' to protect the parliamentary tactic against threats to universal suffrage. Accordingly, he attacked not only those who saw the general strike as a means of carrying out a "pseudo-revolutionary putsch", but also those who proposed it as a weapon for "economic demands" or "preventing war".²⁴ It was, he reiterated, "only" a 'means of defending' "peaceful development".²⁵ Hilferding's continual references to the parliamentary 'tactic', therefore, involved something of a misnomer.

This article is also revealing as to Hilferding's theory of the state. One reason, perhaps, for his refusal to countenance the general strike as a means of offence, was his understanding that, in bourgeois society, political power derived from but did not directly coincide with economic power.²⁶ However, this understanding was important for his

political thought in another way, because it led him to maintain that the modern state had assumed an existence independent of its economic base. And, from this premise, Hilferding proceeded to the conclusion that the bourgeoisie was politically dominant while, nonetheless, structurally distinct from the state.

Hilferding developed this argument via the example of feudalism, a social order in which economic and political power coincided. At first, the bourgeoisie sought the political expression of its economic power through supporting and exercising influence on absolutist monarchs: its political power, in other words, was purely indirect. In this way, argued Hilferding, "economic and physical-political power were separated".²⁷ Even under capitalism, the bourgeoisie possessed no individual means of political coercion. Instead, the necessary single expression of bourgeois interests was achieved through a parliament whose members exercised control over state institutions: economic power, therefore, was still only "indirectly transformed into political power".²⁸

At this point, however, there was an untheorised slippage in Hilferding's argument: a demonstration of the structural separateness of the bourgeoisie and the state in a sociological sense, emerged as an implicit conception of the state as neutral in relation to class interests or, at least, as not inherently bound up with the class interests of the bourgeoisie. And, from this leap in the argument, Hilferding was able to conclude that once the working class had a parliamentary majority, the state could be made to serve its interests. "It is this separation ... which makes it possible to change the nature of the parliamentary system itself from bourgeois parliamentarism, from the instrument of the domination of the state by the bourgeoisie that is, so as to make it into an instrument of the dictatorship of the proletariat."²⁹

Hilferding saw the state apparatus as simply 'influenced' by the bourgeoisie, speaking of the "economic power of the bourgeoisie and the state power influenced by it".³⁰ Correspondingly, Hilferding argued that as working class parliamentary representation increased, so: "The influence of the bourgeoisie over the state apparatus threatens to decline."³¹ In consequence of the threat of increasing working-

class representation in parliament, however, the bourgeoisie increasingly abandoned its previous commitment to legality, claimed Hilferding, and looked towards a regime of personal dictatorship to protect and extend its interests. This tendency was strengthened by the growing dependency of the bourgeoisie on the state, consequent upon the imperialist developments which Hilferding had analysed elsewhere in some detail.³² The national economy had become dominated by modern financial organisation, cartels and trusts, which increasingly could only carry through a struggle for the world market by using the power of the state. Turning away from their previous opposition to militarism and the bureaucracy, the bourgeoisie now strove to increase the power of the state against both the working class nationally and rival capitalist states internationally. Accordingly, concluded Hilferding: "The interests of the social strata actually exercising state power - the bureaucracy and the military - in extending their sphere of activity thus coincides with the interests of the bourgeoisie."³³ And this tendency was reinforced, commented Hilferding, by the fear of these groups that their independence would be removed in the event of the victory of the proletariat.³⁴ Consequently, the former antagonisms between the bourgeoisie and the state apparatus disappeared, as their respective 'interests' came to coincide in opposition to the interests of the working class.

Even so, in Hilferding's view, the state was not principally the repressive apparatus of class society, but rather a separate entity with interests that simply came to coincide with those of the bourgeoisie. Because, therefore, the state was not structurally bourgeois, it could be amenable to the dictates of a socialist majority in parliament and need not be overthrown. Of course, the theory of the state underlying this strategic principle owed more to Lassalle than Marx. Moreover, as we shall see, it had a pervasive effect on the whole of Hilferding's theoretical work.

In a second article on the question, Hilferding appeared to qualify his previous unconditional attitude towards parliamentary and mass-strike tactics.³⁵

From a purely parliamentary angle, admitted Hilferding, it was a contradiction that a growth in voting strength should not be matched by a corresponding growth in power.³⁶ Moreover, he questioned the assumption that the class struggle could be contained within parliament, or that power was necessarily to be gained there. It all depended, he now argued, on the nature of the antagonisms reflected in parliament: for when these became too great to be contained within the parliamentary arena, then the parties would be forced to use their "real power" to maintain "their positions".³⁷ Consequently, Hilferding warned that parliament did not guarantee a peaceful conquest of power and that, therefore, a trial of strength may take place regardless.

Hilferding argued that the struggle could not be contained within parliament, just so soon as the majority could no longer contain the minority through concessions: and this point began to be reached when the principal antagonism within parliament was no longer between fractions of the ruling class, but between the major classes. Consequently, the weaker the proletariat, the stronger the 'bourgeois parliamentary system'. Conversely, the bourgeoisie turned away from parliament, to the degree that the working class organised into a political party with the purpose of transforming "the democratically elected parliament from a means of bourgeois rule into a means of proletarian rule".³⁸

Hilferding used this analysis to parry the accusation of impotence directed at the SPD by critics such as Jaurès. At first, argued Hilferding, the parliamentary majority found that concessions did not strengthen its own position but rather the prestige and power of the socialist minority. And because of the growing strength of the minority, therefore, the tactics of the majority became intransigence and counter-attack. Paradoxically, then, a party could come into a position of apparent impotence precisely because it had grown to be a major threat to its enemies. It was in this situation, concluded Hilferding, that the SPD - in spite of its electoral strength - seemed powerless to influence the government or otherwise win concessions. Indeed, this lack of influence really reflected a stage in which "the realisation of socialism appears ... as merely a question of political power".³⁹ For social democracy in Germany, therefore - but not for the weaker parties of

France or Austria - concessions were now meaningless "measured against the possibility of doing away with the class-state and exploitation".⁴⁰

However, as was usual with the apparently revolutionary positions of the Marxist Centre, Hilferding's conclusion justified the immobilism of the SPD in the present. Indeed, Hilferding's was a sophisticated but nonetheless economic-determinist argument, to prove that the SPD was beyond reproach. For any problems flowed from the present stage of economic and social development: "The lack of parliamentary influence of (the SPD) is thus not the result of a bad tactic. It is rather the necessary product of a historical development, which must first bring the contradiction in bourgeois society to its fullest development before it can be overcome."⁴¹ In these views, of course, Hilferding was wholly a man of the orthodox, Kautskyan Centre: on the one hand, he talked of "the moment of proletarian revolution" while, on the other hand, defending unconditionally the traditional parliamentary tactic.⁴²

In the final section of this article, Hilferding returned to the question of the mass strike. Against the Revisionists, Hilferding repeated his argument that the ruling classes were turning away from parliament and seeking power through direct influence on the "executive", as well as indirectly through the economic power of employers' associations.⁴³ Yet, although the SPD was blocked on the parliamentary front, Hilferding reserved the mass strike for the "last step to the conquest of political power".⁴⁴ Hilferding argued that whereas in Austria the mass strike could be used as an especially powerful demonstration against a divided ruling class and for a particular aim, in Germany, with a strong working class facing a united ruling class, the mass strike would be a matter of survival on both sides and, therefore, could come only as the "final" and "decisive phase" of the class struggle.⁴⁵ In Germany, it was a "dangerous self-deception" to envisage the mass strike as a means of achieving partial aims.⁴⁶ For there was only one task and one occasion for the mass strike - the "moment of the proletarian revolution".⁴⁷ And in the meantime, therefore, the 'tried and tested' practice of the SPD was secure against its critics from both right and left, home and abroad.

Finally, Hilferding emphasised that after the mass strike had overcome the bourgeoisie and the government, the 'proletarian revolution' would mean a "complete transformation" of "a bourgeois parliament" into "a means of proletarian rule".⁴⁸ Hilferding added nothing, however, as to the nature of the state after the 'proletarian revolution'. This was particularly serious, because it was typical of the lack of clarity on the nature of the state that undermined the effectiveness of the Marxist Centre during and after the November Revolution. For it was only in writing the SPD's Prague Manifesto - in exile in 1934 - that Hilferding came to terms with the "grievous historical error" of "taking over the old, almost unaltered state apparatus".⁴⁹

Hilferding shared and propagated the political traits of the Marxist Centre - unconditional parliamentarism, the associated neglect of tactics and a lack of any rigorous position on the class nature of the state. He also supported them with an argument involving a high degree of economic determinism.

These themes will reappear in Section 4 of this Chapter, when I deal with Hilferding's position in the very different circumstances of the Weimar Republic. Yet, while it is not difficult to link the reformist implications of some of his positions in the Wilhelmine period with the fully blown revisionism of the later period, I will first of all undertake a critical analysis of Finanzkapital (his major work). For, by means of this analysis, we will be able to see that his earlier political positions were not simply 'carried over' from one period into another. Yet neither was there any simple 'break' in Hilferding's theoretical and political development. Rather, Hilferding's original political positions - in particular, his theory of the state - exerted a strong influence on his economic analysis, and thus indirectly helped to determine the political conclusions that Hilferding was subsequently able to derive from Finanzkapital. Consequently, Finanzkapital is the mediating link by means of which we can uncover the continuities between the apparently very different positions occupied by Hilferding before and after the War.

3. Finanzkapital

3.1. Hilferding's project

Hilferding's aim in Finanzkapital was "a scientific analysis of the economic phenomena of the latest phase of capitalist development".⁵⁰ Most characteristic of these were, according to Hilferding, firstly the formation of cartels and trusts (which appeared to 'abolish free competition') and, secondly, the increasingly intimate relations between banking and industrial capital, through which capital came to assume its "highest and most abstract manifestation" in the form of finance capital.⁵¹ Together, the concentration of capital and, in particular, the ascendancy of finance capital amounted to a new stage in capitalist development. However, remarked Hilferding, analysis of the "rapid growth and the increasingly powerful influence exercised by finance capital in the present phase of capitalism" was as difficult as it was urgent.⁵² Difficult, because: "The mystical glow which surrounds capital relationships generally becomes most impenetrable in this latest development. The peculiar movement of finance capital, apparently independent and yet only a reflection; the manifold forms which this movement assumes; the severing and self-liberation of this movement from the movement of industrial and commercial capital..."⁵³ And urgent, because it was "impossible to understand current economic trends and, consequently, scientific economics and politics, without knowledge of the laws and functions of finance capital".⁵⁴

In his analysis of the new processes, interconnections and institutional structures of capitalist development, Hilferding focussed on banking capital and its relations to other forms of capital - above all, industrial capital and, in particular, its juridically preeminent form, the joint-stock company. For, according to Hilferding, "the dominance of the banks over industry (is) the most important feature of recent times".⁵⁵ Nevertheless, he insisted that finance capital was the latest phase in the development of the forms of appearance of capital, and thus wrote in opposition to those theorists who spoke of 'modern capitalism' as a new form of society which no longer corresponded to the competitive capitalism supposedly analysed by Marx. Indeed, he characterised the new relations associated with finance capital as

"merely the perfection of relations that already existed between the most elementary forms of money capital and of productive capital".⁵⁶ Accordingly, Hilferding approached these phenomena and processes of finance capital by way of analysing the character and role of credit in the light of its historical development which, in turn, "could only be solved by clarifying the role of money".⁵⁷ The first of the five Parts of Finanzkapital began with a recapitulation of Marx's theory of money and credit, and continued with a discussion of the circulation of industrial capital and the periodic formation of disposable funds which, in the form of credit, flow into general use as money capital. This discussion formed the basis of the actual analysis of finance capital which began in Ch.5, 'The Banks and Industrial Credit'.

Before turning to the exposition and critique of Finanzkapital, beginning with Hilferding's theory of money, it should be noted that the following is not a critical reconstruction of the whole work. Consequently, the ensuing judgments are not an assessment of Finanzkapital in its entirety. Much of Hilferding's argument - which still can scarcely be said to have been superseded - will be treated in the barest summary, if at all. Other aspects, however, will be subject to more or less detailed critique: Hilferding's theory of money; his theory of credit, insofar as it relates to his theory of Central Bank and of the General Cartel; his theory of crisis; and those themes - above all, his partial succumbing to the dangers of centring his analysis on circulation, and his Lassallean conception of the state - which to a greater or lesser extent relate to and link all of these. Although this approach leads to a somewhat lop-sided view of Finanzkapital, it is the one I have pursued because, in this thesis, it is my intention to survey those aspects of social democratic economic/^{theory}which, firstly, warrant critical comparison with Marx, and, secondly, can be shown to have been associated with particular political developments.

3.2. Hilferding's theory of money

Hilferding's attempt to apply Marx's theory of money to the case of paper money with compulsory circulation was an attempt to develop Marx's limited comments on this question into the outlines of a theory of money under finance capitalism. Hilferding outlined the process whereby money becomes detached from its commodity-base: firstly (in Ch.2), as banknotes come to function as the medium of circulation and, secondly (in Ch.3), as this initial separation is consummated by bills of payment (credit money) assuming the function of money as means of payment, thus making "a rapid extension beyond the metal money basis possible".⁵⁸ The relevance of his argument lay in establishing the significance of this separation and the importance of paper money as the precondition for the development of credit, the finance market, joint-stock companies and the stock exchange: indeed, all those phenomena Hilferding was concerned to analyse as aspects of the system of finance capital.

In terms of Hilferding's main theme, it is sufficient just to note the separation of money from its commodity-basis, and the dominant role of paper money in circulation and payment. Nevertheless, in the course of analysing how these developments came to pass, Hilferding concluded that the value of paper money is derived directly from the value of commodities in circulation. And this contradicts Marx's labour theory of value, which explains the value of money by way of the socially necessary labour embodied in the production of the money-commodity. In Finanzkapital, therefore, in making the value of money arise from circulation rather than production, Hilferding delineated a theory of money clearly opposed to that of Marx.

Although Hilferding's theory of money is not one of the main themes of Finanzkapital, it is wrong to dismiss his revision of Marx in this respect as theoretically and practically unimportant.⁵⁹ Hilferding himself considered the theory of money as "the empirical evidence for a theory of value ... which must afford the foundation of every economic system", and hence an indispensable part of the groundwork for understanding the nature and role of credit and, thereby, the dominance of banking over industrial capital.⁶⁰ Conse-

quently, the main themes of Finanzkapital cannot be considered in isolation from the method and assumptions whereby Hilferding develops his theory of money. For through considering these, we can gain insight into the whole of his theoretical and political orientation.

Marx's approach to money was different from that of Hilferding. Marx proceeded from the logical and historical demonstration of how money develops as a corollary of the commodity-form, as a measure of value, and only then acts as the means of circulation. Hilferding, however, focussed directly on the function of money as the means of circulation, while neglecting the problem of how money could come to fulfil this function in the first place. Unlike Marx, therefore, Hilferding did not start with the subject of exchange as it arises from production, but rather neglected the commodity form and its fundamental contradiction - between use value and exchange value - to concentrate directly on the process of exchange.

Marx's analysis of the 'two-fold' nature of the commodity provides the key to understanding the genesis of money as a form of value. Proceeding logically but always in conjunction with its historical evolution, Marx emphasised the development of money as a commodity sui generis.

Because abstract labour or value has a "purely social reality", according to Marx, it can be given tangible form only through the use value or material form of another commodity.⁶¹ And it is this 'equivalent form' - in which concrete labour and use value become "the form of manifestation, the phenomenal form" of abstract labour and value - that Marx finds the germ of the developed money form.⁶² For Marx develops the contradiction internal to the commodity, between use value and exchange value, to the point where two commodities in exchange represent the same contradiction in an external form: "The opposition or contrast existing internally between use value and value is, therefore, made evident externally by two commodities being placed in such a relation to each other, that the commodity whose value it is sought to express

figures directly as a mere use value, while the commodity in which that value is expressed figures directly as mere exchange value."⁶³ Eventually, this external opposition of use value and value involved in the simple exchange of two commodities is metamorphosised into the fully developed money form.

Marx's analysis of the money form of value is not only derived logically from the contradiction between use value and exchange value, but also reflects the historical development of money. Historically, money came into existence "as soon as a particular product of labour ... is no longer exceptionally, but habitually, exchanged for various other commodities".⁶⁴ According to Marx: "The historical progress and extension of exchanges develops the contrast latent in commodities, between use value and value. The necessity for giving an external expression to this contrast for the purpose of commercial intercourse, urges on the establishment of an independent form of value and finds no rest until it is once for all satisfied by the differentiation of commodities into commodities and money. At the same rate, then, as the conversion of products into commodities is being accomplished, so also is the conversion of one special commodity into money."⁶⁵ One commodity, therefore, comes to be excluded from the rest and converted into the 'equivalent form' of the value of all other commodities: the money commodity, in other words, is the "universal equivalent" or "a form of value in general".⁶⁶ In principle, any commodity can become the universal equivalent or money, because - as values - all commodities are alike. Because of its physical properties however, the universal equivalent form of value comes to be - by force of social custom - gold. As such, gold becomes the money commodity and hence the "direct incarnation of all human labour".⁶⁷

Money is an external use value or material which measures and expresses the values of all other commodities in the form of prices. Fixed quantities of the money commodity, gold, become the units of a standard or scale according to which the values all other commodities can be measured and compared. Because it is the "socially recognised incarnation of human labour", the money commodity, gold, expresses the value of commodities as a quantity of gold: as such it is a measure of

value.⁶⁸ But insofar as quantities of gold are themselves measured as weights fixed according to an unvarying unit, these quantities of money are the standard of price.

For Marx, the "two-fold nature" of labour - concrete, useful labour and abstract, value-creating labour - which underlies the 'two-fold nature of the commodity', is "the pivot on which a clear comprehension of Political Economy turns".⁶⁹ Accordingly, logical analysis in tandem with historical investigation of the development of the contradiction between use value and exchange value is the foundation of Marx's theory of money. Conversely, it can be established that the neglect of this contradiction and its dialectical development conditioned not only Hilferding's departure from Marx in the monetary field, but also more widely in relation to the theory of crisis and the laws of motion of capitalist economic development,

Hilferding's discussion of the genesis of money followed that of Marx.⁷⁰ He continued with the process of circulation; commodity - money - commodity: commodities continually drop out of circulation into consumption, while money remains within the sphere of circulation. "The circulation process of the commodity", concluded Hilferding, "thus forms the circulation of money."⁷¹ Consequently: "The question now arises of the quantity of money that is necessary for circulation."⁷² At this stage, Hilferding's answer was the same as that of Marx: "It is, then, a matter of the real opposition of money and commodity. The quantity of the means of circulation is thus above all determined by the price-sum of the commodities."⁷³ The sum of money in circulation is determined by the price-sum of the commodities in circulation and by the velocity of circulation. In other words: "... with a given value-sum of commodities and a given average velocity of their metamorphoses, the quantity of money or of the money-material depends on its own value."⁷⁴ However, this was as far as Hilferding followed Marx. For, as Hilferding proceeded to deal with paper money (or money-tokens), a number of significant differences emerged between his analysis and that of Marx.

The first reason for this was the influence of Hilferding's basic methodological considerations on his theory of money. In line with his idealist interpretation of Marx's dialectical method - his separation of concept and reality - Hilferding worked out his theory of money on the basis of separating logical and historical development: "The fact that historically paper currencies arose out of metal currencies is no ground for regarding them in that manner theoretically."⁷⁵ Of course, the categories with which Marx analyses capitalism do not reflect directly the order of importance of their historical appearance: yet the complex relationship of the historical and logical in Marx's method excludes their radical separation in this manner. Consequently, when Hilferding disclaimed the relevance of Marx's historical analysis, he deprived Marx's dialectical analysis of its umbilical relationship to historical reality, and thus downgraded it so as to be no intellectual obstacle to his conviction that: "The value of paper money must be open to deduction without resort to metal money."⁷⁶ In departing from Marx's method, however, Hilferding opened the way to depart from Marx's labour theory of value. Methodologically, Hilferding proceeded from the point of view of function: he began his analysis directly with money as the means of circulation, and concluded that the value of money arose from its function in circulation.

Secondly, and decisively, there was the influence of his theory of the state on his approach to paper-money. The quantity of the money commodity needed to circulate the commodity product fluctuates according to both the total price sum of the commodities and the velocity of circulation.⁷⁷ However, Hilferding argued that so long as the minimum quantity of money necessary for circulation is not exceeded, the state may economise on the heavy overheads of commodity-money, by substituting paper money for gold. This, of course, was on the condition that the quantity of paper money always remains under - or at - the "minimum quantity of money required for circulation".⁷⁸ Thus stated, Hilferding was simple repeating Marx.⁷⁹ Subsequently, however, Hilferding displayed an emphasis on the role of the state in circulating paper money radically different from that of Marx.

With Marx, Hilferding defined money as "a social relation expressed in a thing" which "serves to express value directly".⁸⁰

Yet Hilferding's argument ran completely contrary to Marx, when he argued that: "This social side ... however, can be directly expressed through conscious social regulation or, because the state is the conscious organ of commodity producing society, through state regulation."⁸¹ Or: "Within the extent of/^{the}circulation-minimum, therefore, the material expression of social relations is replaced by a consciously regulated social relation."⁸² For, according to Marx, the process of commodity exchange "develops a whole network of social relations spontaneous in their growth and entirely beyond the control of the actors".⁸³ State action, then, merely recognises and regulates what is already accomplished socially and imposed in reified form upon civil society and the state alike. In the case of "inconvertible paper money issued by the state and having compulsory circulation", Marx maintains that the state merely regularises a tendency which is already latent in the historical development of money: "The natural tendency of circulation to convert coins into a mere semblance of what they profess to be (i.e. through physical wear and tear), into a symbol of the weight of metal they are officially supposed to contain, is recognised by modern legislation, which fixes the loss of weight sufficient to demonetise a gold coin or to make it no longer legal tender."⁸⁴ Moreover, adds Marx: "The fact that the currency of coins itself effects a separation between their nominal and their real weight ... implies the latent possibility of replacing metallic coins by tokens of some other material, by symbols serving the same purposes as coins."⁸⁵ The possibility for the state to issue paper money, then, is subject to prior and socially objective determination. And the same is true for the extent to which the state can issue paper money: for, according to Marx, this "must not exceed in amount the gold ... which would actually circulate if not replaced by symbols".⁸⁶ Because the money form of value is only a developed expression of reified social relations, the state is not exercising social control in any fundamental sense when it circulates paper-tokens in its place. Moreover, the state can issue paper money only within the limit that would otherwise be given by the minimum quantity of commodity money required for circulation: should the state exceed this limit, its attempt to exert 'conscious social control' over the money-supply will depreciate

the currency and, thereby, disrupt the very process of reproduction it was trying to influence in the first place.

For Hilferding, "this compulsory action of the state" represented the 'direct' expression of the social relations mediated through money.⁸⁷ For Marx, on the other hand, the state merely bases itself on what has already become apparent through the objective development of the money form itself: its 'conscious' intervention amounts to no more than the circulation of notes to act as tokens for the minimum quantity of money needed for circulation, and this level is "easily ascertained by actual experience".⁸⁸ The difference is that whereas Hilferding saw state circulation of paper money as a step towards conscious social control over the economy, Marx saw the state as servicing rather than controlling the reified forms of economic life. At a particular stage of economic development, the problem of having the actual money commodity function directly as the means of circulation confronted the state as an accomplished fact and, moreover, with already established limits within which it could be solved.

For Marx, the replacing of the money commodity by paper tokens did not begin to extend social control over capitalist reproduction, but merely removed an obstacle to its still unplanned and thus crisis ridden development. From the point of view of Marx, therefore, even less justified than his view of state circulated paper money as a 'consciously regulated social relation', was Hilferding's complementary assertion that: "The elimination of the effects of anarchistic production appear in the possibility of replacing gold by mere value-tokens."⁸⁹ Quite why the state provision of paper notes within the minimum level necessary for circulation should represent an encroachment on the anarchy of production, is not clear. For it leaves untouched the essential social relations from which arises the commodity form and thus, according to Marx, both the money form (and hence the separation of sale and purchase, giving the possibility of crisis) and the capital form (from which arises the production of surplus value and hence the necessity of crises of overproduction). However, as we will see, Hilferding did not broach the 'anarchy' of capitalism in terms of fundamental social relations of production. Meanwhile, it is sufficient to note that to the extent

Hilferding evaded the fundamentals of Marx's critique of capitalist economy, he elevated the role of the state in a way that had more in common with Lassalle than Marx. This will be a constant theme in the present critique of Finanzkapital.

The immediate consequence of Hilferding's notion that the state could express social relations directly, by circulating paper money, was that he separated the value of money from its determination by the labour embodied in the production of the money commodity. Once in circulation, argued Hilferding, paper money becomes "completely independent from the value of gold, and reflects directly the value of the commodities".⁹⁰ In other words, once having been placed in circulation by the state, virtually valueless paper obtains value directly and merely through playing a role in circulation: money "obtains a value that is not determined by its own infinitesimal value, but by the mass of commodities which reflect their value onto the paper-tokens".⁹¹ For Hilferding, then, money obtained its value through its function, in circulation. Consequently, paper-tokens assumed not only the function of money as medium of circulation, but also its underlying function as measure of value.

The difference between Marx and Hilferding on money is sharp. However, the case against Hilferding's theory of money rests on more than his 'deviation' from Marx. For it is also logically unsatisfactory.

According to Marx the quantity of circulating money is derived from the price-sum of the commodities in circulation. Moreover, this price-sum can be determined only through the prior measurement of commodity values by gold, and their consequent expression as prices. For Marx, paper can function only as a money-token, while gold is money and circulates as the 'universal equivalent' because it is itself produced as a commodity: and its use value is that it embodies value, which is commensurable with and so able to measure and express the values of all other commodities in the form of price. Hilferding, on the other hand, tended to conflate value and price: "The value of paper money", he argued, is "determined by the sum

of commodity prices ... and directly reflects the value of commodities."⁹² Indeed, his fully-developed theory of the 'socially necessary circulation value' failed to take the distinction between value and price into account. Instead, Hilferding derived the quantity or value of the circulating medium directly from the value-sum of the commodities in circulation; independently, therefore, of the money commodity or standard of price.

Hilferding argued that the quantity of money or "the size of the value of this 'measure of values' is ... determined by the total value of the commodities to be circulated".⁹³ Yet, in this case, how is the 'total value of the commodities' expressed in the first place? Plainly, it cannot be measured and expressed in the form of price, because money, according to Hilferding, has no intrinsic value, and can derive value only from the value of the commodities in circulation - which, of course, is still undetermined! Hilferding's theory demanded that the value sum of the commodities in circulation be expressed prior to the value of money (otherwise, the latter could scarcely be derived from the former!). Yet values can only be measured and expressed in price form, while money can only function as a standard of price if it is already a measure of value and thus possessed of value. The problem with Hilferding's theory, therefore, is its incapacity to demonstrate how commodities can assume a price before the value of money is determined. Accordingly, Hilferding's theory either leaves the value of the circulating medium indeterminate or threatens to reduce to tautology. Having abandoned Marx's theory of commodity-money as an independent measure of value and standard of price, Hilferding collapsed the levels of value and price into one another. In his theory, it is as if commodities not only have a value before they are confronted by money but also a price, i.e. a fixed exchange relation with money. Yet without money first of all having value as a produced commodity, commodity values cannot be expressed as prices.

To determine the value of the total money necessary for circulation, the velocity of circulation must be considered. This velocity depends on the number of sales completed in a given time. However, for the velocity of circulation to have

been established, implies that money must already have functioned; firstly, as a measure of value and, secondly, as means of circulation. According to Hilferding's theory, therefore, sales have to take place before the value of money is determined. In other words, Hilferding's formula - whereby "the socially necessary circulation value" is equal to the "sum of the commodity values" divided by the "velocity of circulation of money" - presupposes its result in its divisor.⁹⁴ It is tautology because, as Kautsky pointed out: "The value of money - that must be certain before commodity circulation, the exchange of commodity and money, can begin - is made into the result of exchange!"⁹⁵

Hilferding's substitution of his theory of the 'socially necessary circulation value' for Marx's theory of money based on the labour theory of value, entailed the origin of value in the sphere of circulation. This not only contradicted Hilferding's own insistence that value arises exclusively in the process of production, but his theory was also logically too flawed to be considered an advance over Marx.⁹⁶

Finally, it would be unsatisfactory to carry through a critique of Hilferding's theory of money without reference to the concrete, contemporary phenomena which he regarded as empirical proof of his theory.⁹⁷ Hilferding dealt with two countries, Austria and India, in which the value of their silver currency began to move independently of the value of the metal, so that the price represented by each coin came to be greater than that of the silver contained in the coin. This development arose as the governments of Austria and India suspended the right of individuals, banks etc. to coin silver, in an attempt to combat the long-term decline in the value of silver. This reduced the quantity of silver coins available for circulation, with the result that the price represented by silver coins came to be detached from their metal value. Hilferding took this as proof that the value of money is determined not like all other commodities but, uniquely, by the 'socially necessary circulation value'. Kautsky, however, denied this, pointing out that the circumstances under which these developments took place were those in which gold currency was becoming dominant among the major capitalist countries and on the world market, so that the external trade of those

remaining countries with a silver currency was becoming ever more bound up with those having a gold-based currency. Hence, on the one hand, the free coining of silver was stopped in order to counteract the continual devaluation of silver as compared to (and measured by) gold. On the other hand, meanwhile, because of the increasingly important role of gold in the world economy, silver was being displaced in its monetary function of measure of value and survived merely insofar as it continued to fulfil the function of means of circulation. On the world market gold was the measure of value: consequently, where silver continued to circulate it did so only as a gold-token, and was no different in this respect from a paper token. Consequently, concluded Kautsky, silver money "becomes independent from its own metal value, but only because ... silver is displaced as measure of value by another noble metal".⁹⁸ In a critique of quantity theories of money, Hilferding commented on "the too-powerful influence of empirical impressions on abstract thought".⁹⁹ This is also apt for Hilferding's own theory of money, which relied on empirical evidence from the exceptional circumstances of countries maintaining a silver currency - Austria, the Netherlands and India. Described by Kautsky as "a real Austrian theory", Hilferding's theory ignored the context of a world economy in which gold had become the dominant currency, and was thus unduly influenced by the empirical facts of developments in Austria, his country or origin.¹⁰⁰

If Hilferding's theory of money was too closely bound up with particular developments in Austria, this was because he failed to obtain the necessary perspective on immediate impressions that Marx's theory permits. Moreover, if we look back to his treatment of the state as simply 'influenced' by the bourgeoisie, or - to anticipate the argument - forward to his one-sided stress on the dominant role of the banks in modern capitalism and, later, on elements of 'organisation' within the wartime and Weimar economy, then similar departures from Marx's theory can be seen to have gone hand in hand with a similar over-readiness to theorise on the basis of empirical, immediately given development which were more transitory and

thus different in significance than they first appeared to be.

Meanwhile, we can conclude that the too-close entanglement of Hilferding's theory of money with particular, contemporary appearances, was conditioned by his underlying method and his theory of the state. Firstly, his belittling of the dialectic to a form of thought, together with his rejection of the economic significance of use value, rendered Hilferding all the less inclined to analyse appearances in the monetary sphere in the light of Marx's dialectical analysis of money as a form of value. Secondly, however, whereas Hilferding's methodological divergence from Marx made possible substantive differences in the interpretation of capitalist economy, it was Hilferding's theory of the state which actually forced him into this and other departures from Marx's value analysis.¹⁰¹

Hilferding's central premise was that of the essential nature of the state - even the state in capitalist society - as 'the conscious organ of society'.¹⁰² This, of course, indicates the extent of Hilferding's ideological debt to Lassalle. Indeed, once this is grasped, Hilferding's work can be seen as an attempt to ground and hence legitimise this premise in terms of Marxist theory.¹⁰³ Unfortunately, Lassalle and Marx proved mutually exclusive and not, as Hilferding would have hoped, complementary.¹⁰⁴

The influence of this more or less Lassallean conception of the state was the displacement of Marx's theory of value, and a consequent inability to analyse capitalist development from the point of view of value in process. This is clearly demonstrated by his theory of money, and will be further illustrated under the heading of Hilferding's concept of the General Cartel and his theory of crisis. Accordingly, the displacement of the law of value by a theory of the state alien to Marxism will be demonstrated to have been by no means merely contingent - isolated to the theory of money and without wider import - but rather a general trait of Finanzkapital. Finally, as we shall see, such departures from the theory of value eventually permitted Hilferding to envisage a capitalist society 'organised' and planned by the state.

3.3. The Central Bank and Hilferding's theory of revolution

In Chapter 3, Hilferding completed his analysis of 'socially necessary circulation value'. He showed that the increasing "preponderance of the medium of payment over the medium of circulation", together with the increasing concentration of payments in the turnover of commodities, were effectively "making circulation independent of the barrier of the available gold".¹⁰⁵ Hilferding mentioned banks as the institutions in which demands for payment can be mutually exchanged and compensated. But it was only in Chapter 4, 'Money in the Circulation of Industrial Capital', that Hilferding began to demonstrate "how, out of the circulation processes themselves, that power grows which, as capitalist credit, finally obtains domination over the whole social process".¹⁰⁶

By way of an analysis of the circuit of industrial capital, Hilferding pointed to the influence of the rate of turnover on the periodic release and idleness of a portion of capital in its money form, as the impulse to a new function of credit - "the transformation of idle into functioning money".¹⁰⁷ This 'production credit' arises from the turnover of industrial capital. The supply (as money capital is released) and the demand (as additional funds are required to maintain continuity of production) for such credit, however, comes to be mediated by the banks, which assume the role of "money capitalists".¹⁰⁸ In Chapter 5, 'The Banks and Industrial Credit', Hilferding showed how the banks had come to dominate both circulation credit (as bank credit came to be substituted for commercial credit) and production (or capital) credit. By means of their control over credit, together with their power of credit expansion and additional function of collecting the income of all other classes so as to place it at the disposal of the capitalist class, the banks come increasingly to participate in the fate of industrial enterprises - to the extent that they endowed them with credit not merely for circulating constant capital, but also for the acquiring of additional fixed constant capital.¹⁰⁹ Consequently, banks come to be interested less in the present ability of the enterprise to make repayments than in long term profitability, and - particularly as the tendency to concentration in the banking sector proceeds - there develops "the dominance of the banks

over industry, the most important feature of recent times".¹¹⁰

After an analysis of interest and the determination of its rate in relation to industrial profit and the state of the business cycle (in Chapter 6), Hilferding linked his examination of credit to the theory of the joint-stock company and to an analysis of the position occupied by banking capital in relation to industrial capital. This forms the substance of Part II. Here, the nature of dividends and the issuing of shares (involving the new concept of "promotor's profit") - consequently, the role of the stock exchange and, via an analysis of the function of speculation according to the rationale of the capitalist system, the commodity exchange - are analysed to an extent and in a detail unparalleled in Marxist literature.¹¹¹ Hilferding's central concern, however, was the financing of joint-stock companies, and the ways in which this was secured so as to confirm the tendency to transform relations between banking and industrial capital already associated with the development of credit. Hilferding concluded that as money was socialised and concentrated by banks, and as the banks came to compete less the more they disposed over the application of 'all capital' in industry, the tendency arose for the banks to dominate industry.¹¹² Indeed: "In the end this tendency would lead to one bank or to one group of banks having control over the entire money capital. Such a 'Central Bank' would in that way exert control over all of social production."¹¹³

After tracing the development of the dependency of industry on the banks from the role of money, credit and financial relations generally, Hilferding proceeded to the actual concept of finance capital: "I call that bank capital, that is, capital in the form of money, which in this fashion is really transformed into industrial capital - Finance Capital."¹¹⁴ However, he only arrived at the fully developed concept of finance capital towards the end of Part III, in which he discussed the qualitatively new limitations on competition posed by the formation of monopoly associations on the basis of the process of capital concentration and centralisation. Before discussing this, however, we must take account of the political implications of this tendency towards a central bank coming to control production.

In his articles on the mass strike, Hilferding insisted that 'proletarian revolution' was to be accomplished by means of parliament and the existing state apparatus, but did not specify how it was to be effected. He made good this shortcoming, however, with his analysis of the development of money and credit relations coming together with the process of the concentration and centralisation of capital in the historical tendency towards finance capital. From this, he derived an evolutionary transition to socialism: "Finance capital tends towards the establishment of social control over production ... The socialising function of finance capital facilitates enormously the surmounting and conquest of capitalism. Once finance capital has brought the most important branches of production under its control, it is sufficient for society through its conscious executive organ - the state conquered by the proletarians - to seize finance capital in order to gain control at once over the most important branches of production. All others depend upon these branches, and - in fact - domination over key mass industries is the most effective way of exerting social control even without any further direct nationalisation."¹¹⁵ Indeed, this tendency was already so far advanced that: "Seizure of the property of six big Berlin banks would mean seizure at the same time of the property of the most important spheres of big business."¹¹⁶ However, insofar as this was Hilferding's theory of 'proletarian revolution', it was completely abstract in relation to the real social forces and concrete situations which could bring it about. Indeed, he drew no distinction between the abstract tendencies of political economy and the concrete tasks of social revolution. In this of course, the theoretical sophistication of Hilferding's analysis did not advance the social democratic theory of revolution, but simply gave form to and legitimised the initial social democratic 'Rezeption' of Capital which reduced problems of revolutionary strategy into epiphenomena of objective laws of economic development. For, according to Hilferding, social revolution arises from the evolution of finance capital itself: "And in the transition period, as long as capitalist accounting proves opportune, this would facilitate enormously the policies of socialism in its initial period ... It is therefore possible to let

the process of expropriation mature slowly ... for finance capital has already done the work of expropriation to the extent that it is necessary for socialism."¹¹⁷

To turn to the theory as such, Hilferding's view of social revolution was ultimately based on the theory that credit not only facilitated the socialisation of production, but was also the means whereby the banks established social control over production. Yet probably no aspect of Finanzkapital has been subjected to as much qualification if not outright rebutted as the notion of banking capital obtaining 'dominance' over industry.

Insofar as Hilferding's analysis of the primacy of finance capital in modern capitalist society can be interpreted as resting upon an analysis of the community of interest or symbiosis of banking and industrial capital, his concept of finance capital may be seen as an apt expression of this key relationship. Yet expressed as it usually is, in terms of the subjection of industrial by banking capital, Hilferding's concept has been the object of - in my opinion - conclusive theoretical and empirical refutation.¹¹⁸ These arguments need not be rehearsed here: my concern is rather to illuminate the sources of Hilferding's theory.

Recalling Kautsky's characterisation of Hilferding's theory of money as 'genuinely Austrian', it can be seen that, in much the same way, Hilferding's theorisation of the relationship between banking and industrial capital was consequent upon too ready a generalisation of their particular relationship in his country of origin. Because of the industrial backwardness of Austria, the development of large-scale industry was even more beholden to the banks than was the case in Germany, so that, as Hilferding maintained: "It is in Austria, therefore, that the direct and conscious influence of bank capital on cartelisation is the easiest to show."¹¹⁹ Although plainly reinforced by developments in the era of the transition to monopoly capitalism in Germany, Hilferding's concept was nonetheless too much under the sway of contingent and transient phenomena. Finally, however, it remains to be shown that Hilferding's theory was conditioned not only by too great a bent

towards empiricism, but also by an un-Marxian understanding of the role of credit in the process of capitalist development.

Whereas Hilferding identified in credit the means, once at the disposal of the banks, of bringing 'the whole of social production under control', for Marx the development of credit provided the means of fully developing and mediating rather than overcoming the contradictions of capitalist production.¹²⁰ From the standpoint of Marx's analysis, Hilferding portrayed credit one-sidedly as the means of gradually introducing into capitalism an increasing element of the socialist principle of social 'control' over production. For, according to Marx, while the credit system acted to drive forward the socialisation of production and, in that sense, constitutes "the form of transition to a new mode of production", it cannot overcome the contradictions of capitalist production:¹²¹ at most credit retards their repercussions, but only by modifying their forms of appearance and at the cost of increasing the suddenness and impact of crises.

In his treatment of credit, Hilferding lost sight of the contradictions of capitalist production, to identify in credit 'that power' which 'grows out of the circulation process' and 'finally obtains domination over the whole social process'. As we have seen, this led Hilferding to see in the dominance of banking capital the foundation upon which socialism could be built. This led, firstly, "to profound illusions about the nature and difficulty of the task involved in achieving a socialist society" (Sweezy) while, secondly, posing the possibility that such a 'central bank' could be directed by the capitalist state so as to establish a planned capitalist economy.¹²² In Finanzkapital this possibility was posed theoretically, preparing the way for it to be posed as a fully blown practical possibility according to the later theory of 'organised capitalism'.

3.4. The General Cartel and Hilferding's theory of crisis

Hilferding argued that technical advance and an expanding level of production entails a "gigantic ballooning" of constant capital, and of fixed capital in particular, which becomes a barrier to the free, inter-sectoral movement of capital and

hence to the equalisation of the rate of profit.¹²³ Consequently, in those sectors involving the largest capital investment, above all heavy industry, each new investment enormously increases productive capacity: and because these sectors are the least able to transfer capital, their rate of profit threatens to decline below the average more or less permanently. Accordingly, those industries with the greatest mass of fixed capital are the most sensitive to, and thus generate the strongest tendency to exclude, competition. But although arising in the most developed spheres of industrial capital, this tendency is also "promoted by the interests of banking capital".¹²⁴

Hilferding emphasised the frailty in periods of depression of agreements to limit industrial competition made in periods of prosperity.¹²⁵ He then proceeded to describe the various institutional forms in which capitalists seek to maximise profitability through the monopolistic exclusion of competition. Nevertheless, according to Hilferding, it is the banks which come to occupy the prime role in the development of this tendency.

Hilferding had already shown that, together, the concentration of banks and their command over industrial finance had given them an interest in the elimination of industrial competition. Because the victory of one enterprise meant the defeat of another in which the bank was equally interested, it could have no interest in competition amongst its customers: "Therefore the banks' absolute aim is to eliminate competition between the concerns in which it participates... All other conditions being equal, bank profit will reach its highest peak with the complete elimination of competition in a branch of industry. That is why the banks do all they can to establish monopolies."¹²⁶ At this stage, Hilferding spoke of a "coming together" of the tendency of bank capital to exclude competition with that of industrial concentration, in which, however, the banks had gained the upper hand to become the decisive factor in the exclusion of free competition.¹²⁷ Indeed, once having discussed the forms taken by this tendency in industry - and having demonstrated that technical advantages accruing to large scale production were subordinate to an economic rationale - Hilferding concluded that "monopoly combinations of industrial enterprises are generally prepared by the common

interest which couples a bank with the enterprises".¹²⁸ Accordingly, while the tendency towards monopoly is already present in the "direction of development of industrial concentration", the banks "anticipate" the result of the competitive struggle by intervening to carry through this process by "other means".¹²⁹ The result of this is that competition is eliminated.¹³⁰ However, it is enforced by the banks in such a way that: "This kind of intervention by banks speeds up and facilitates a process implicit in the direction of developing industrial concentration. But it carries this out with other means. The result of the competitive struggle is anticipated. On the one hand, needless destruction and waste of productive forces is saved thereby. On the other, however, there is no concentration of property as an immediate result of the cut-throat competition. The owner of that other factory is not expropriated in the process. We get a concentration of plant, of enterprises, without a concentration of property."¹³¹ Accordingly, large scale industrial enterprise 'is scarcely capable of existence' without the help or against the will of the banks.¹³²

Hilferding's analysis of the relations between banking and industrial capital too readily generalised a particular stage of capitalist development, particularly in Germany, at which industrial capitalists were not yet able to generate sufficient capital to meet the possibilities of valorisation. Moreover, his overestimation of the role of the banks in the tendency towards industrial monopoly is illustrated not merely by concentration and elimination of competition in industry independently of banks but, above all, by the concentration and centralisation of capital which entails the maintenance of competition - albeit, often in its 'non-price' form - and even the intensification of competition at the international level.

Hilferding's position involved neglecting the possible significance of competition between the banks for the industries they dominated: he simply derived - without further grounds - the exclusion of competition from the banking principle of the "greatest security".¹³³ Secondly, and of greater theoretical import, is that while mentioning Marx's theory of concentration and centralisation in the sphere of production, he subsumed the

organic development of industrial monopoly arising from this process beneath his primary concern with banking capital in the sphere of circulation. In Capital I, Marx showed how rising productivity and an increasing rate of surplus value gives rise to an "accelerated accumulation" and concentration of social capital which, being in the hands of competing individual capitalists, results in the process of centralisation - the "concentration of capitals already formed, destruction of their individual independence, expropriation of capitalist by capitalist, transformation of many small into few large capitalists".¹³⁴ Marx, therefore, regarded monopoly as arising on the basis of competition. Hilferding, in contrast, maintained that monopoly arose from a prior suspension of competition in accord with the "inclination" of the banks.¹³⁵ Finally, there is another way in which Hilferding's theory of monopoly was conditioned by his fixation on processes at work in the sphere of circulation and corresponding neglect of Marx's account of the process of capitalist production. For Hilferding did not attempt to theorise the development of monopoly capital as an organisational response of capital occasioned by the constraints of the accumulation process and, above all, by its structural corollary, the tendency of the rate of profit to fall.¹³⁶

Having established the priority of the banks in the causation of industrial monopoly, Hilferding deepened his discussion of the organisational forms in which it may proceed.¹³⁷ From this vantage point, monopoly capital was discussed in relation to trade and commercial capital, and in terms of the opposed interests of industrial and commercial capital.¹³⁸ Commercial profit was identified as a deduction from the profit that would otherwise accrue to industry in the sphere of production, and hence as leading to the tendency of the monopolies to "eliminate the independence of trade" and, thereby, the "diminution" or, at least, the reduction of commercial capital to a condition of dependency.¹³⁹ This, however, was only part of the larger process of the unification of industrial, commercial and banking capital, under the hegemony of the banks, into finance capital - "the highest form of capital".¹⁴⁰ Thus, after a final discussion of the interests of the banks and the importance of 'promotor's profit'

in encouraging industrial monopoly, Hilferding finally came to the historical development and definition of finance capital.¹⁴¹ "Finance capital developed with the development of the joint-stock company and reaches its climax with the monopolisation of industry": an ever greater part of industrial capital is finance capital and industry becomes increasingly dependent on the banks - "monopoly industry is itself monopolised by finance capital".¹⁴² On this basis, and after an excellent discussion of price determination under monopoly conditions, Hilferding discussed the "historical tendency of finance capital".¹⁴³

Because of their subordination to banking interests, Hilferding excluded the possibility of competition between industrial monopolies. From this, he drew the conclusion that there was "no absolute limit" to the process of monopolisation, and that the result of this process would be a "General Cartel": "... there is no absolute boundary for cartelisation ... The result of the process would then be a general cartel. All of capitalist production is consciously regulated by one authority, which designates the extent of production in each sphere. ... Along with the anarchy of production the objective appearance vanishes, the objectivity of value disappears, money therefore disappears. The cartel distributes the product. The objective elements of production are reproduced and are utilised for new production. Of the new product a part is distributed to the working class and the intellectuals, another is left with the cartel for utilisation according to its desire. It is a consciously regulated society but in antagonistic form. But this antagonism is an antagonism of distribution. Distribution itself is consciously controlled and therefore the necessity of money dispensed with."¹⁴⁴ From the unification of the tendency towards the formation of a central bank (the conclusion of Part II of Finanzkapital) and the tendency towards the establishment of a general cartel (the conclusion of Part III) arises "the tremendous power of concentration of finance capital".¹⁴⁵ This, then, is the 'power' which 'arises out of the circulation processes themselves', and 'finally obtains domination over the whole social process'. For once the tendency of this 'power' - finance capital - becomes realised in the form of the 'general cartel', "the restless circulation of money has

reached its goal, the controlled society and the perpetual motion of circulation has at long last found its resting place".¹⁴⁶

Mediated by the banks, finance capital united all forms of capital "into a totality" appearing as a "unified power which controls sovereignly the whole process of social life".¹⁴⁷ The tendency towards the establishment of a general cartel had by no means been accomplished as yet, the means of production still being "concentrated and centralised in the hands of several great capital concentrations".¹⁴⁸ Nonetheless, concluded Hilferding, "the question of the organisation of the social economy is itself ever more subject to a better solution by the development of finance capital itself".¹⁴⁹

Having outlined the operation of the General Cartel, however, Hilferding did not yet definitely commit himself on the possibility of it coming to pass as an actually functioning state of affairs. At this stage, the concept was introduced in a somewhat speculative manner; as the projected end of the present tendency of finance capital (which Hilferding anyway expected to be cut short by the dictatorship of the proletariat). Nonetheless, in hindsight, the General Cartel obviously constituted the conceptual gateway to Hilferding's later theory of 'organised capitalism'. It could only be fully opened, however, by means of a theory of crisis so constructed/^{as}to enhance his conception of the organising 'power' of finance capital. Accordingly, it was only at the end of Part IV of Finanzkapital - 'Finance Capital and Crises' - after subordinating Marx's method of applying value theory to the analysis of capital accumulation to his methodologically unsound disproportion theory of crisis, that Hilferding unambiguously confirmed that he regarded the advent of a General Cartel as a theoretical possibility.¹⁵⁰ To obtain this conclusion it was necessary for Hilferding to develop his own theory of crisis, because Marx's theory is incompatible with any theory of the conscious social organisation of capitalist economy: indeed, according to Marx, capital accumulation can only proceed at all by way of crises. Consequently, before undertaking a critique of the whole notion of the General Cartel, I will examine the way by which Hilferding incorporated at least elements of Marx's theory

of crisis into his own, so as to construct a theory of crisis compatible with the General Cartel.

3.4.1. Hilferding's theory of crisis

Hilferding began by rejecting underconsumptionist theories of crisis. Underconsumption, according to Hilferding, was not a cause of crisis - let alone the cause - but was merely one among the general conditions or presuppositions from which arises the possibility of crisis.¹⁵¹ "Underconsumption", insisted Hilferding, was a "term without meaning in economics": for so long as production proceeded in the correct proportions, there was no reason for either 'underconsumption' or 'overproduction', i.e. for more goods to be produced than could be sold.¹⁵² To state the existence of 'underconsumption' explains nothing, least of all the periodic appearance of crises. Rather, the narrow basis of consumption in relation to capitalist production is a general condition of crisis, because the impossibility of widening it is a general presupposition of the interruption of the sales process: "If consumption could be extended at will, overproduction would not be possible".¹⁵³ "Under capitalist relations, however," argued Hilferding, "expansion of consumption means lowering the rate of profit - because expanding mass consumption is bound up with rising wages. And this means lowering the rate of surplus value and, therefore, also the rate of profit."¹⁵⁴ Having identified what has been referred to as the 'horns of the capitalist dilemma', Hilferding set this inverse relationship of real wages and profitability in the context of the tendency for capital accumulation to exhaust the available reserves of labour power: "If, through accumulation, demand rises so powerfully that a reduction of the rate of profit ensues, so that (at the extremes) increased capital does not bring a greater profit than capital which has not been increased, then accumulation must cease, for the purpose of accumulation, increase of profit, is not achieved. This is the point at which one necessary premise of accumulation, that striving for expansion of consumption, comes into contradiction with another premise, that which strives for realisation of profit."¹⁵⁵

Concluding, Hilferding appeared to outline the fundamentals of a theory of crisis: "The conditions of valorisation conflict with those of consumption and, because the former are decisive, the contradiction sharpens to the point of crisis."¹⁵⁶

Hilferding was here restating an argument presented earlier in an article for Die Neue Zeit.¹⁵⁷ Whatever the merits of this particular variant of Marx's theory of crisis, it at least has the virtue of being rooted in the accumulation process. Indeed, Hilferding laboured just this point. Under capitalism, he argued, consumption is determined through the process of production: this, however, is limited by the available possibilities of valorising capital, i.e. the necessity that capital and its expansion gives rise to a certain rate of profit: "Expansion of production clashes in this case only with a purely social barrier originating in this definite social structure and peculiar only to it."¹⁵⁸ Hilferding argued that, whereas the possibility of crisis arises out of the socially unregulated nature of commodity production, crisis becomes a necessity because, 'inserted' between production and consumption, is the socially determined condition of capital valorisation and an adequate rate of profit.¹⁵⁹ Throughout Finanzkapital, Hilferding insisted on profitability as the regulating principle of capitalist production, as well as on the need to be 'clear' that the course of capitalist crises and their periodicity was to be sought in the "character of capital".¹⁶⁰ Although crises entail the disruption of circulation (appearing as unsaleable commodities), the process of realisation is determined by the "conditions of capital valorisation".¹⁶¹

The problem I now wish to consider has been posed (but not solved) by Mandel: "Despite these correct insights, Hilferding is later misled by the reproduction schemes into a theory of crises based on 'pure' disproportionality."¹⁶²

There can be no doubt that Hilferding was misled by the reproduction schemes. He lavished praise on their analysis of the 'social process of reproduction' as the "most brilliant" aspect of the economic argument of Capital, but mistakenly interpreted them as the principal means of analysing the "conditions of valorisation".¹⁶³ "Above all", proposed

Hilferding, "a knowledge of the cause of crises is only possible when the results of Marx's analysis (meaning the reproduction schemes) are brought to mind."¹⁶⁴ Accordingly, Hilferding developed his theory of crisis by way of an analysis of firstly simple reproduction and then expanded reproduction.¹⁶⁵ In the main, this was a recapitulation of the relevant sections of Capital II, while paying particular attention to the mode of reproduction of the fixed component of constant capital as a "factor sharpening crisis" under certain circumstances, and to the role of money capital in the process of reproduction, as well as emphasising throughout the possible disproportions - even under conditions of simple reproduction - which constantly arise from the "anarchy of capitalist society".¹⁶⁶

In delineating his theory of money, Hilferding began by outlining Marx's theory but, because he brought to bear non-Marxian methodological principles and assumptions, he ended up as the proponent of a theory quite incompatible with that of Marx. Similarly, in the present case, Hilferding began by outlining Marx's theory but, because he nowhere perceived the LTRPF clearly as a developed expression of the value form and thus as the essential motor of crisis, he easily reduced Marx's theory to a secondary factor within a disproportion theory of crisis when he came to what he already considered the prime role of the reproduction schemes in the Marxian analysis of accumulation. I will now demonstrate the stages through which Hilferding co-opted Marx's theory as a component of his disproportion theory of crisis.

The starting point of a critique of Hilferding's theory of crisis must be his basic premise that the reproduction schemes convey Marx's analysis of the "conditions of valorisation" of capital.¹⁶⁷ This is at best half true. The schemes in Capital II reveal the conditions of valorisation only insofar as these relate to realisation, and then only at the most abstract level. It is only in Capital III that Marx analyses

the fundamental conditions of valorisation that pertain to the sphere of production - all those factors, that is, that influence the rate of surplus value and the organic composition of capital. Furthermore, it was a common methodological error amongst social democratic theorists to confuse the reproduction schemes with the reality of capitalist economic development. In the case of Hilferding, this is particularly clear: "On the condition that production proceeds in the correct proportions, as was earlier presented in the schematic forms (i.e. in the reproduction schemes), then these need not experience any changes and consequently there need arise no disturbances."¹⁶⁸ According to Hilferding, therefore, crises can arise only "if factors enter from the nature of price rises which exclude this kind of evenness".¹⁶⁹ For, concluded Hilferding: "The changed formation of price will then be able to bring about a change in the proportionality of the branches of production, since price and profit change have a decisive effect on the distribution of capital to the various branches of production."¹⁷⁰ In other words, Hilferding deduced from Marx's reproduction schemes that capitalist reproduction could proceed indefinitely, and in a harmonious manner, so long as proportionality was maintained: and by definition, therefore, crises arise only as proportionality is lost. However, as we shall see, Hilferding's basic approach to crises arose from his conflation of the levels of abstraction involved in Marx's method of analysis. By deriving conclusions about capitalist crisis directly from the reproduction schemes, he confused the means of illuminating the abstract possibility of capitalist reproduction with the object of analysis. It was this approach to crises, moreover, which forced Hilferding to rupture Marx's theory by transforming the TRPF into a contributory source of disproportion crises.

It would be possible to identify, even if Hilferding had not openly proclaimed, the influence of Otto Bauer and Tugan-Baranovsky on his disproportion theory of crisis.¹⁷¹ This is not to say, however, that he simply reproduced either of their theories. Rather, his preoccupation with problems of circulation, together with his methodologically misinformed and misleading understanding of the reproduction schemes, progressively led him to displace Marx's value analysis of

capital accumulation and crises of overproduction, in favour of/^adisproportion theory of crisis.

At first however, in moving from 'The General Conditions of Crisis' (Ch.16) to 'The Causes of Crisis' (Ch.17), Hilferding began by analysing the 'wave-like' movement of the industrial cycle in terms of the successive loss and restoration of a rate of profit sufficient for continued accumulation.¹⁷² "Crisis means insufficiency of sales" but, continued Hilferding, an insufficiency of sales under capitalism "presupposes" the "cessation of new investments of capital".¹⁷³ In turn, the retarding of accumulation was caused by a falling rate of profit which, at this stage, he treated as a function of changes in the organic composition of capital arising from the process of accumulation. Moreover, Hilferding no longer regarded the depression in the rate of profit associated with rising demand for labour power as the primary motor of crisis: instead, he treated this competitively induced fall in the rate of profit as a moment reinforcing, while contingent upon, the development of the business cycle which was itself determined independently by the influence of the organic composition of capital and, to a lesser extent, turnover time on the movement of the underlying rate of profit.¹⁷⁴ In this, of course, he was faithful to Marx.¹⁷⁵

Hilferding had already implied that proportionality was the only condition on which undisturbed reproduction depended.¹⁷⁶ In Capital III, in contrast, Marx demonstrated that even if capitalist reproduction could proceed with the different branches of production in proportional equilibrium, the TRPF must eventually outstrip the expansion rate of total capital, and thus bring about the suspension of accumulation as further investment is unable to raise, and even threatens to diminish, the mass of profit. This, in turn, occasions the form of appearance of crisis as collapsing demand. Hilferding, however, truncated Marx's theory by omitting all reference to his analysis of the crucial relation between the rate and mass of profit, and their respective movements. Consequently, he fell into the error - which was prevalent in this period - of simply equating the TRPF with crisis: "... this crisis signifies nothing other than the moment when the fall of the rate of profit sets in."¹⁷⁷ In other words, Hilferding simply

missed out the whole of Marx's explanation of how the TRPF is related to crises of overproduction. In so doing, however, he tore the TRPF out of the context it occupies in Marx's theory and was thus able to insert it as a component within his own disproportion theory of crisis. In this way, he reduced the TRPF from the 'most important law of political economy' to a factor, albeit the main one, contributing to the disruption of the otherwise secure conditions of proportional reproduction. Even so, Hilferding's translocation of the TRPF did not, of itself give rise to his disproportion theory of crisis. Instead, Hilferding's procedure not only removed the obstacle posed to any disproportion theory of crisis by Marx's LTRPF, but also provided him with the means of developing his disproportion theory which, in the first instance, was contingent upon his mistaken interpretation of the reproduction schemes.

Marx's TRPF assumes a different significance in context with the method and content of Hilferding's disproportion theory, than it has in Marx's theory of crisis. Hilferding treated the TRPF as a purely unilinear process.¹⁷⁸ For although he understood the TRPF as positively related to a rising organic composition of capital, he failed to appreciate fully the complex of value relations and their movement which - according to Marx - determine the rate of profit. This is shown by his failing to display any inkling that the TRPF is inseparable from 'countervailing tendencies', which influence these relations so that under certain conditions the tendency is for the rate of profit to fall while, in others, the rate of profit can rise. On the one hand, therefore, Marx analysed the loss and restoration of a rate of profit adequate for continued accumulation in terms of determinate changes in the resultant of movements - increases and decreases - in the organic composition and rate of surplus value. On the other hand, Hilferding saw the relationship between the organic composition and technical composition of capital in a merely mechanical manner and, therefore, could only conceive of the organic composition as rising and thus as a cause of a falling rate of profit and crises. Conversely, this led him to ascribe a rising rate of profit and prosperity to "concrete historical moments" - such as the opening up of new markets, the development of new industries and technique, and rising

population - which increased demand and, therefore, prices and profits.¹⁷⁹

Whereas Marx analysed both the loss and restoration of profitability in value terms - at the essential level, therefore - Hilferding's argument was methodologically inconsistent. For Hilferding analysed the tendency of the rate of profit to fall in value terms, while restricting his analysis of factors tending to raise the rate of profit to the concrete realm of market price. Consequently, according to Hilferding: "The crisis begins at that moment when the tendencies described of the falling rate of profit overtake the tendencies which have caused rises in prices and profit as a result of rising demand."¹⁸⁰ Of course, because Hilferding's 'tendencies of the falling rate of profit' towards crisis were not directly commensurable with his 'concrete historical moments' of prosperity, it was not possible to determine which was the strongest. This meant that in order for Hilferding to be able to explain how the former could 'overtake' the latter, he had to establish that the TRPF makes its way "in and through capitalist competition".¹⁸¹ In other words, Hilferding had to demonstrate that a rising organic composition and TRPF not only constrict the rising profits induced by increasing demand, but eventually gain the upper hand by disrupting this process from within.

We have seen that, according to Hilferding, the conditions of proportionality presented in the reproduction schemes can be disrupted by changes in the price structure. Moreover: "This possibility becomes a reality if it can be shown that the rise in prices of necessity brings with it a dislocation of the relations of capital distribution."¹⁸² It is here that the role of Marx's TRPF in Hilferding's theory becomes apparent. For having appropriated the TRPF, he now used it to establish that, "in fact, there are factors which prevent this equilibrium".¹⁸³

In the light of the reproduction schemes, Hilferding considered "the complexity of the proportional relations" that had to emerge amidst the anarchy of capitalist production, and concluded that this was the "function" of the "law of price".¹⁸⁴ For capitalist production was regulated by changes of price,

which reflected the "necessity of an objective law of value".¹⁸⁵ Conversely: "The disruption of these proportions, therefore, must be explicable by means of disturbances in the specific regulation of this production. That is, by means of a disturbance in the formation of prices, so that prices no longer adequately express the necessities of production."¹⁸⁶ Accordingly, Hilferding proceeded to demonstrate that a rising organic composition of capital brought about a fall in the rate of profit and crises, because it was a prime source of changes in price formation which, in turn, brings about changes in the relations between the different branches of production and the disruption of proportionality. The gist of Hilferding's explanation of how this ensued, was that the relatively more rapid rise in the organic composition of those sectors with the greatest dependence on fixed capital, necessarily led to their disproportionate development. This was because a rising organic composition of capital signified increased productivity and hence, at first, production at a rate of profit above the average. The greater this extra-profit, however, the more additional capital is attracted to those sectors in a quantity exceeding any increment required to maintain proportionality with the other branches of production. This development, of course, tends towards the disruption of reproduction. It can only be corrected, moreover, as the products arising from this additional accumulation come onto the market: for it is only at this stage that particular commodities are demonstrated to have been over-produced - by falling prices and a collapse in profitability in the sectors concerned.¹⁸⁷ Together, then, with inverse developments in those sectors with a lower than average organic composition of capital, this dislocation of price formation leads, at first, to an "overaccumulation of capital" in the sectors of highest organic composition.¹⁸⁸ Yet while these sectors are thus the most strongly effected by the crisis, there are also other moments giving rise to "deviations of market price from production price and, thereby, disruption of the regulation of price formation upon which depends the quantity and direction of production".¹⁸⁹ These include moments of disproportion associated with the immanent lack of coincidence between production and consumption, the movement of raw materials

prices during the cycle and the mode of reproduction of fixed capital.¹⁹⁰ Together, all these factors enforce a loss of proportional equilibrium throughout the economy and, finally, "must lead to an interruption of sales" generally.¹⁹¹ In turn, concluded Hilferding: "The crisis at first brings with it price and profit falls below the normal level..."¹⁹²

Hilferding's whole theory of crisis was conditioned by his confusion and conflation of methodologically distinct levels of analysis.

The reproduction schemes constitute the point of departure for Marx's theorisation of the TRPF and crises. Marx was concerned to demonstrate that the TRPF and crises of over-production were not extrinsic or random phenomena: indeed, that they arose in a determinate manner from the dual nature of capitalist production as, at once, a labour process and valorisation process. From the essential relations of capitalist production, that is. In the light of this, some concluding remarks can be made regarding Hilferding's use of the reproduction schemes to illuminate directly the process of capitalist reproduction in the realm of appearance.

Marx's reproduction schemes do not reflect or make a direct statement about the concrete reality of capital. Instead, they were constructed by means of abstracting from the multitudinous forms of appearance which influence the process of reproduction, for the purpose of depicting 'capital in general' as at once undergoing reproduction and in equilibrium. For, against this background, Marx was able to demonstrate that, even starting with expanded reproduction in a state of equilibrium, the process of accumulation was so conditioned by the inner laws of capitalist production as to culminate, of necessity, in crisis. The reproduction schemes, in other words, may be seen as a system of co-ordinates which, by means of their simplifying assumptions, are by definition in equilibrium and thus show all the more clearly the breakdown of reproduction as the accumulation process gives rise to a falling rate of profit. The simplifying assumptions on which the schemes are based, exclude all possible secondary causes of crisis such as partial overproduction in 'leading sectors'.

In particular - and of particular relevance to Hilferding's theory as to the causation of crises - the role of the reproduction schemes as a system of economic co-ordinates, by means of which to illuminate the contradictory nature of capital accumulation in 'pure form', necessarily includes the assumption of constant prices. Indeed, because the schemes are a means for Marx to pursue his analysis of 'capital in general', any distinction between value and price is methodologically excluded from them. Accordingly, price fluctuations (the immediate cause of crises, for Hilferding) were expressly excluded at this level of abstraction: "In so far as crises arise from changes in prices and revolutions in price, which do not coincide with changes in the values of commodities, they naturally cannot be investigated during the examination of capital in general, in which the prices of commodities are assumed to be identical with the values of commodities."¹⁹³ "The general conditions of crises," continues Marx, "... must be explicable from the general conditions of capitalist production."¹⁹⁴

We can now discuss the significance that Hilferding's theory of crisis assumed in his general understanding of the tendency of capitalist development and, consequently, for the evolution of his political perspective.

Whereas for Marx crisis is a corollary of capitalist production as such, according to Hilferding crisis was merely contingent upon the lack of organisation of capitalist production. In the course of criticising theories of crisis based on disproportion, Grossmann quoted Lederer (a social democratic economist) as emphasising that the "reorientation of production" is easily accomplished, because the most different commodities can be manufactured from the same raw materials, equipment and labour power. The crisis that arises only out of the disproportionality of the individual sectors of production can, therefore, "be easily overcome by means of changing the disposition of recourses".¹⁹⁵ Accordingly, the question as to whether "crises are avoidable within the framework of capitalist production", would have to be answered in the positive "by all those theorists who are of the opinion that

only the disproportionality of the sectors of production is a cause of crisis".¹⁹⁶ This judgement corresponds to the logic of Hilferding's argument, and was confirmed by one of the main conclusions of Finanzkapital on the potential and tendency of capitalist development.

Following his analysis of the causation of crisis, Hilferding was occupied in the next two chapters (Ch.18 'Credit Relations in the Course of the Cycle', and Ch.19 'Money Capital and Productive Capital during the Depression') by analysing the way in which the setting in of crisis, while originating in production, "is accompanied and mediated through the phenomena of credit".¹⁹⁷ In these excellent chapters the many aspects of "changes in the money market" which influence the actual course of the cycle, were consistently analysed as "conditioned by those changes in production which lead to crisis".¹⁹⁸ However, they did not alter the character of Hilferding's theory as to the cause of crisis. Indeed, the implications of this were fully revealed in the chapter concluding Part 4 of Finanzkapital devoted to finance capital and crises (Ch.20 'Changes in the Character of Crises. Cartels and Crises').

Continuing his analysis of the forms of appearance of crisis, Hilferding concluded that these had indeed been altered by the process of industrial concentration and growing power of the banks over production. Yet, while "stock-exchange, bank, credit and money crises" were not excluded, these "acute appearances" of crisis were at least becoming more difficult to arise.¹⁹⁹ Be this as it may, however, "all these moments have no effect upon the setting in of the industrial crisis itself - on the turn from prosperity to depression".²⁰⁰ Far more important was the question posed by the Revisionists and now considered by Hilferding: "... whether the great changes in the organisational form of industry, whether the monopolies by virtue of their claimed suspension of the regulating force of the capitalist mechanism, free competition, are able to bring about qualitative changes in the trade cycle."²⁰¹

Hilferding granted that monopolisation created distortions in the process of price formation, and that the concomitant tendency towards a dual rate of profit to an extent modified the form of appearance of the trade cycle. Nonetheless, he rejected the notion that cartelisation could "wholly remove crises"

by way of regulating production: "This point of view entirely overlooks the inner nature of crises."²⁰² In what can be seen as a resumption of his previous critique of underconsumption theories of crisis, Hilferding rejected the view that the cartelisation of industry could enable production to be adapted to demand so as to remove the cause of crises.²⁰³ Crisis, insisted Hilferding, was not simply to be equated with an overproduction of commodities, but rather signified an overproduction of capital from the point of view of the conditions for continued valorisation, so that subsequent commodity sale was incapable of yielding sufficient profit to justify continued accumulation.²⁰⁴ Proof of this was that in each ensuing period of prosperity the market became capable of absorbing a relatively far greater increase in commodity production, than could be accounted for simply by population growth or the increase of income destined for mass consumption.²⁰⁵ Instead, Hilferding maintained that the cause of crises was to be sought in disproportionate relations which, moreover, were "not mitigated but sharpened" by cartelisation.²⁰⁶ The partial regulation implied by cartelisation of particular sectors, could have no influence on the proportional relations of industry as a whole: "The anarchy of production will not be overcome through quantitative reduction of the individual elements at the same time as the strengthening of their operation and intensity."²⁰⁷ Regulated production was the antithesis of the anarchy of capitalist production and could only come about, concluded Hilferding, "suddenly, by way of subordinating the whole of production under conscious control".²⁰⁸

As stated, Hilferding's position was opposed to and a decisive refutation of the revisionists. Yet, in spite of this, his already developed notions of the General Cartel and of the state as the "conscious executive organ" of society came together to raise at least the possibility of a 'consciously regulated society in antagonistic form'.²⁰⁹ Hilferding was able to do this because, in departing from Marx's theory of crisis and replacing it with an explanation of crisis in terms of inter-sectoral disproportionality, he had already established the precondition for this theoretical tendency to be realised in reality. The logic of Hilferding's theory was that disproportionality would continue to beset capitalist production even

as the concentration of capital proceeded: . conversely, of course, upon the construction of a General Cartel, disproportionality - by definition - would be excluded and capitalism, henceforth, crisis-free. Whereas Marx's value-theory of crisis prevents the extrapolation of the concentration process to the stage of a unified crisis-free capitalism, Hilferding's theory confirmed this flight of fancy by logically requiring capitalist production to be crisis-free once having been consolidated into a General Cartel: "As such", Hilferding abruptly admitted immediately after dismissing the revisionist argument, "a General Cartel can be conceived of that would regulate the whole of production and, thereby, put an end to crises..."²¹⁰

In 1910 (the year Finanzkapital was published) Hilferding was an opponent of the Revisionists, standing, as he himself conceived his position, as far from reformism as from the demands for revolutionary action emerging from the left.²¹¹ In the foregoing section I have at least qualified the reputation of Finanzkapital as a thoroughly Marxian work. More importantly, I have tried to show that - theoretically considered - if Hilferding was to move away from the position of the pre-1914 Marxist Centre it could only have been in the direction of revisionism and that part of the SPD standing in the tradition of Lassalle. Quite simply, departures from Marx's value analysis made possible a successively more concrete notion as to the tendency and possibility of a General Cartel, which was to be the key concept in opening up the theoretical space - supposedly still within Marxism - which was to be occupied by the theory of 'organised capitalism' so crucial to the political perspectives and practice of the Weimar SPD.

Before turning to Hilferding's subsequent political development, it remains only to complete the critique of his notion of the General Cartel.

3.5. Finanzkapital - Conclusion

Throughout Finanzkapital, Hilferding proceeded from the standpoint of circulation to discover tendencies which progressively curtail and eventually promise to overcome the anarchy of capitalist production. Indeed, as Cora Stephan maintains, Hilferding's argument debouched into the possibility of "regulating interventions in production by means of the organisation of the phenomena of circulation".²¹²

I have tried to show that each stage of the argument from which this conclusion progressively arose, was conditioned by Hilferding's departure from the method and content of Marx's value analysis. However, to understand how this conclusion ceased to be merely latent at every stage of Hilferding's argument, and came to be elevated into a deduction about the actual development of capitalism, it is necessary to take into account another facet of Hilferding's methodological departure from Marx. Hilferding regarded the commodity one-sidedly as simply "a unity of use value and of value";²¹³ correspondingly, he understood value relations generally in a one-sided manner - as the "nexus" unifying commodity producing society by means of permitting exchange between independent producers.²¹⁴ Conversely, Hilferding tended not to take into account the conflictory aspect of the relation between use value and value, and thus neglected the moments of crisis inherent in value relations. Moreover, Hilferding ascribed this one-sided unifying role to value relations in a pre-capitalist society of 'simple commodity production'.²¹⁵ Consequently, once Hilferding turned to consider the capitalist mode of production, this misinterpretation of Marx's value analysis opened the way for him to identify phenomena from the sphere of circulation as the functional equivalent, within capitalism, of the purely unifying role ascribed to value under 'simple commodity production'. This procedure is evident throughout Finanzkapital.
Firstly, according to Hilferding's theory of money: "The elimination of the effects of anarchic production arises with the possibility of the replacement of gold by mere value tokens."²¹⁶

Secondly, Hilferding set out to demonstrate "how out of the circulation processes themselves that power grows which as

capitalist credit finally obtains domination over the whole social process".²¹⁷

Thirdly, Hilferding demonstrated that once at the disposal of an ever more concentrated banking sector, the organising 'power' of credit extends beyond circulation as the tendency advances towards a Central Bank "exercising control over the whole production of society".²¹⁸

Finally, therefore, the power of credit organised through circulation intervenes directly in the sphere of production, where the concentration and centralisation of capital is already underway, and culminates in the historical tendency of capitalism towards the formation of a General Cartel.

I have discussed Hilferding's theory of money, his conception of the role of credit, and his scenario for the Central Bank and the control of production, in the light of Marx's theory of value. It remains to comment on the General Cartel from this point of view. Firstly, if crises are inherently bound up with the contradiction between use value and value - or, in more developed form, the dual nature of the capitalist process of production - then, from this point of view, it makes no difference whether the production and exchange of commodities takes place on the basis of innumerable individual capitalists or competing cartelised groups. For, if the problem stems from the essential social relations of capitalist production rather than from inter-sectoral proportionality, then production cannot be 'regulated' nor crises 'put an end to' (as Hilferding claimed). Secondly, if, as seems to be the case, Hilferding conceived of the General Cartel as a universal institution, then it is nonsense to speak of this as having anything to do with capitalism.²¹⁹ The commodity or value form of products is a function of the social atomisation of independent producers (the number of which is irrelevant). Consequently, a planned economy such as the General Cartel, which produces and circulates goods according to conscious, a-priori criteria, excludes the autonomous regulation of reproduction through the law of value. Yet Hilferding did away with exchange without, thereby, ceasing to speak of

capitalist production.²²⁰ Likewise, Hilferding assumed the continued existence of the working class, which is defined by the exchange of labour power against money, and thus contradicts the principle of a 'regulated economy'.²²¹ Yet although the 'conscious regulation' of 'capitalist production' is incompatible with the persistence of free labour, Hilferding did not suggest an alternative mode of appropriating surplus labour as particular to the General Cartel.

If it was theoretically untenable for Hilferding to see the General Cartel as a form under which capitalist production was 'consciously regulated', then it was equally untenable for Hilferding to envisage that, under a capitalist General Cartel, the distribution of the social product according to the law of value would be replaced by a "consciously regulated" distribution of things.²²² Again, if the General Cartel is a capitalist form of organisation - albeit with 'regulated' production - then the relations of production determine the mode of distribution insofar as the parameters of working class consumption are set by the value of labour power applied in the production process. Consequently, because he did not question the capitalist nature of the General Cartel, the logic of Hilferding's position on the 'conscious regulation' of distribution was to sever distribution from production and to treat them as discrete social functions.

The same undialectical separation of production and distribution can be seen in Hilferding's relegation of 'antagonism' from production, so that it became exclusively a characteristic of 'distribution'.²²³ Within the concept of the General Cartel, Hilferding combined 'regulated production' with a regulated but 'antagonistic' form of distribution. Yet if the law of value continued to operate - as it must if we are to talk of capitalism in a Marxian sense - the principle of both production and distribution is inexcavably antagonistic: conversely, if in the General Cartel production and distribution are no longer unconsciously regulated by the law of value, then the least that can be said is that Hilferding failed to delineate a new mode of appropriating surplus labour in which production is simply regulated while distribution is both regulated and antagonistic.

Theoretically, Hilferding's concept of the General Cartel

leads to one confusion after another.²²⁴ Politically, however, its import was more definite even if initially obscure.

Hilferding supported state-socialist conclusions on the basis of a tendency towards an increasingly concentrated banking sector coming to control social production. In addition, his concept of the General Cartel pointed the way towards an eventual revision of the socialist struggle for control over the means of production into the reformist concern for a 'fair' distribution. For the General Cartel signified a tendency towards a society in which "the whole of capitalist production is consciously regulated": moreover, although it was "the consciously regulated society in antagonistic form", "this antagonism is antagonism of distribution".²²⁵ Consequently, given that Hilferding's theory of revolution was based on taking over and utilising the mode of economic control established by the banking monopolies, his projection of the tendency towards a General Cartel made 'social control' over production seem even more to be the automatic product of capitalist economic development. Correspondingly, Hilferding's abstraction of 'antagonistic' norms of distribution from 'consciously regulated' relations of production, made it seem as if distribution was the more important point of attack.

Politically, the import of Finanzkapital was that, in spite of having been written in accord with the positions of the pre-1914 Marxist Centre, the aspects of Hilferding's argument so far discussed, in effect, opened up a theoretical line of retreat towards state socialism and reformism. In this regard, his theory of crisis was particularly important, because it was compatible with the vision of a crisis-free, state regulated capitalism. Consequently, as circumstances changed, Hilferding's theory was eventually able to support a dual strategy of, on the one hand, distributional struggle by means of trade unionism and social reform, and, on the other hand, an incremental penetration of - or assimilation to - the state, in order to control an already self-organising capitalist economy in the interests of the working class.

4. Organised Capitalism

4.1. 1915: An intermediate position

Hilferding's transition to the status of theorist-doyen among the majority of Weimar social democrats was not inevitable. However, as I have argued, the direction of theoretical travel was latent within his earlier positions and, above all, in Finanzkapital. That this transition should have been undertaken at all, does not establish a simple determinism of theory on politics. Rather, the Marxist Centre was subjected to the strains of an epoch of war, revolution and counter-revolution for which it had no adequate political response: consequently, as it decomposed, its individual leaders and theorists were propelled in directions determined, at least in part, according to options prefigured or foreclosed by established theoretical positions.

Hilferding's 'transition', then, was not a matter of conversion but rather a progression occasioned by political developments and proceeding along the lines of an option prefigured in theory. At the beginning of the 1914-18 war, however, Hilferding was not yet reconciled to reformism, which he attacked whenever possible.²²⁶ In an article criticising the trade union policy of a 'working partnership of the classes', Hilferding characterised the working class movement as subject to the "dictatorship of the Party-right", the unforeseen victory of whose "opportunist ideology" had been helped by the war, but which had its roots in the "social-psychological" impact on the working class of the very success of its struggle in preventing and even reversing the tendency towards impoverishment, and the consequent "adaptation" of the working class to the existing order of society.²²⁷ Against this integration of the working class and this transformation of a "fundamentally revolutionary movement", Hilferding argued for the "intellectual independence" of the working class as the "presupposition of its political and social emancipation".²²⁸ Although later revised, these positions continued to show Hilferding as a creative theorist of the Marxist Centre who, nonetheless, shared its weaknesses. In this case, he not only continued the traditional defence of working class independence, but also showed it as being constantly eroded by the inner paradox of

trade union action and social reform - even when conducted in the name of Marxism. While theoretically suggestive and foreshadowing later theories as to the contradictions of working class action, however, Hilferding's argument also served to diminish the part-responsibility of the Marxist leadership of the SPD in the victory of reformism. For, if reformism were simply a reflex of capitalist development and the practice of the class struggle, then no blame could adhere to the leadership for not having challenged an increasingly open and confidently proclaimed reformist practice.

While still a Marxist in the tradition of the Centre, Hilferding can be seen for the first time in this 1915 article to have mobilised the tendency towards a 'General Cartel' in order to pose an alternative perspective for capitalist development and hence, eventually, a different political strategy. Reinforcing the already established basis of reformism was the lessening of unemployment, which was associated with tendencies within contemporary society working towards the transformation of capitalism not by means of socialism but rather in the form of "an organised capitalism": "Finance capital ... has the tendency to mitigate the anarchy of production and contains germs of a transformation of anarchistic-capitalist into an organised-capitalist society. The enormous strengthening of the power of the state ... works in the same direction. In place of the victory of socialism appears as possible a society indeed organised, but according to the principle of dominance and not in the form of a democratically organised economy, at the summit of which would stand the united power of the capitalist monopolies and the state, under which the working masses would be active in production as officials within a hierarchical order."²²⁹ Here, under the influence of 'war socialism' in strengthening the tendency towards a General Cartel, what was merely 'conceivable' in Finanzkapital became a practical possibility and hence a matter for political strategy. At this stage, however, while now an actual possibility rather than an abstract tendency, 'organised capitalism' was not yet an established fact upon which political perspectives and tasks had to be based. Instead, insisted Hilferding, the possibilities of future development were still open: the outcome of the political struggle would decide

whether "the future belonged to organised state capitalism or to democratic socialism".²³⁰

As yet Hilferding had not been prised apart from his pre-1914 positions, but neither had he overcome a key blind-spot of the Marxist Centre as to the class nature of democracy and the role of democracy in the overall political struggle. The inclination persisted in Hilferding to reduce the struggle for socialism to a simple struggle for democracy. Hence the bitterness of his condemnation of "opportunism" as a "danger to the future of the workers movement" arose from the fear that reformism would reconcile the working class to a partnership with the dominant classes and the state, by means of subordinating the democratic interests of the working class to "the hope of satisfying immediate material needs through measures of social reform".²³¹ For, in doing so, the working class was constrained to support those "tendencies of capitalist development" which pointed the way towards the emergence of organised capitalism, and which thus stood in the way of the realisation of socialism.²³² The struggle against the 'accommodation' preached by the Party Right and the 'partnership' ideology of the trade union leaders was thus "the most urgent task to be achieved inside the Party": indeed, it was "the historically most important conflict since the origin of the workers' movement".²³³ However, although Hilferding was convinced that the experience of war and likely post-war circumstances would enable this struggle against reformism to be won, he drew no organisational conclusion as to how this struggle was to be waged by 'revolutionary' socialists, given the 'dictatorship of the Right'. I will return to the question of organisation. The more important point for the present, concerns Hilferding's conception of democracy.

Hilferding strongly implied, if not a theory of democracy and socialism as two stages, then, at least, an order of priority in which democracy was the presupposition of socialism, rather than socialism being the way to secure "proletarian democracy".²³⁴ Only later, however, was the tendency within pre-1914 social democracy, expressed here by Hilferding - to reduce the political struggle to one for formal democracy - to come into conflict with the struggle for socialism, and result in that very accommodation to the bourgeois state which

Hilferding sought to avoid in 1915. These developments were bound up with the nature and course of ^{the} November Revolution.

4.2. Hilferding's position in the November Revolution

Hilferding did not work towards a split in the Party - in the midst of 'the most important conflict' in the history of the working class movement, Hilferding continued to address Legien and Noske as 'comrade'. Nonetheless, Hilferding was a natural leader of the USPD when a split was finally forced upon those social democrats who wished to preserve working class independence in relation to the state.²³⁵ Against war credits and for exploding the policy of 'civil peace', Hilferding had no tactical equivalent to, for example, the additional measures suggested by Lenin in relation to Germany - creation of an illegal organisation, fraternisation with the soldiers, and support of all revolutionary mass actions. Like the USPD leadership generally, as Gottschalch concluded, "his articles demonstrate the same lack of clarity over the tactics to be pursued by the workers' movement in the struggle against war and civil peace".²³⁶ Indeed, apart from opposition to war credits, the USPD had no agreed programme. Nonetheless, once having been forced into a split, the USPD leadership (mainly, but not exclusively, of the old Marxist Centre) provided a rallying point - at once radical and identifiable in terms of the traditional organisations of the working class - for working class opposition to the war, and then for the youth and newly radicalised elements during the period of revolution. Undergoing explosive growth and briefly becoming the largest party of the working class in 1919, the USPD just as rapidly fragmented: the majority of the membership, feeling that their Party had simply compounded the failure of the original ('Majority') SPD as a party of socialist revolution, turned towards communism. This, however, did not happen until 1920 - as the result, therefore, of the November Revolution and its immediate aftermath, and the important role within these developments of the USPD.

Rejecting Bolshevism, Hilferding nevertheless opposed the 'parliamentarism only' of the SPD leadership: he campaigned

in Freiheit (the central organ of the USPD, which he edited) for a combined system of parliamentary and council democracy as the basis on which socialism was to be realised.²³⁷ Meanwhile, the Ebert-Gröner and Stinnes-Legien agreements had fulfilled in practice the accommodation to the existing order previously criticised by Hilferding, and established as the conscious aim of SPD and ADGB leaders alike the protection and recovery of capitalist Germany. Although only the leaderships of the traditional social democratic and trade union organisations had sufficient authority amongst the workers and soldiers to bring them to surrender their power, the Ebert government was nonetheless opposed by an increasing minority that was unwilling to dismantle the institutions of direct democracy. Violent clashes were implicit in this situation of 'dual power': for organised and institutionalised working class power over society was incompatible with a still intact - but threatened - bourgeois social structure. Accordingly, the formal struggle for representative against direct democracy had a social content, and could not be combined as different but complementary forms into a unified democratic system.

Hilferding, however, continued to argue for such a combination. His argument - prevalent among the USPD leadership in the early period - was of critical influence because, as the Ebert Government proceeded in its campaign to expropriate the power of the working class politically so as to safeguard the bourgeoisie against expropriation socially, so, increasingly, the working class turned towards the USPD, thereby enhancing the authority and prestige of its leaders. Hilferding's message to the members and followers of the USPD was opposition to the demand 'All Power to the Councils', while consoling them with the unfounded assumption that the slogan 'Council System and Democracy' would accelerate working class unity and prepare the way for a victory at the National Assembly elections. Yet this was to have misunderstood the nature of the split which had been forced on to the leaders of the old Marxist Centre by the now dominant reformist leaders. It was to fail to see that even the non-violent, parliamentary transition to socialism propounded by the USPD leadership was diametrically opposed to the 'restorationist' intentions of the SPD leadership. Working class unity could only have been accomplished by means

of exposing the Ebert-leadership in the eyes of the still loyal mass membership of the SPD, and this meant demonstrating the historical redundancy, in the circumstances of 1918/19, of the traditional social democratic commitment to the parliamentary republic. Hilferding's long standing attachment to parliamentary democracy, however, now conflicted with the need to expose before workers still loyal to the SPD the contradiction between their desire for socialism and their commitment to parliamentary democracy which, in 1918/19, was drawn upon by the SPD leadership as their main source of legitimacy.

Because he lacked a commitment to the undivided power of the Councils, Hilferding - and the USPD generally - was unable to begin to expose the introduction of parliamentary representation as a counter to social revolution. With such a position, therefore, the USPD, as the only radical force commanding widespread respect within the working class, was unable to pose a clear alternative to the course of the Ebert Government - even had it possessed the political unity, disciplined membership and organisational apparatus it so conspicuously lacked.

If Hilferding may be seen to have unwillingly contributed to the overwhelming endorsement of the SPD's commitment to a parliamentary system at the first Congress of the Councils (Dec. 1918), then his role at this Congress in relation to the question of socialisation was of direct and even greater aid to the aims of the SPD leadership.

In spite of a successful mobilisation of the SPD's enormous apparatus so as to dominate the Congress that had in its power the future direction of German society, Hilferding's prestige was sufficient for the crucial report on the 'Socialisation of Economic Life' to be delegated to Hilferding, a leader of the rival USPD. Hilferding began on a note corresponding to the possibilities opened by the November Revolution - "now is the hour come in which we can win this world".²³⁸ He proceeded, however, by way of emphasising the mounting difficulties facing socialisation - an exhausted people and a ruined economy - in such a way as to amount to a rejection of the task posed in Finanzkapital: for "the state conquered by the proletarians to

seize finance capital in order to gain control at once over the most important branches of production".²³⁹ Indeed, although he had once foreseen that this would happen in a period of "political and social collapse", Hilferding was now to find precisely this task precluded by the very nature of such a period!²⁴⁰

The main task, argued Hilferding, was to set the economy in motion once more - above all, in agriculture and the export industries needed to pay for vital imports. This meant that in these areas no disturbances could be permitted, so that the "present mode of organisation ... can be immediately set in motion again".²⁴¹ Excluding peasant production from state intervention, while taking over the estates, could, as Hilferding argued, have helped win support, especially among returning soldiers hungry for land, as well as boost agricultural production.²⁴² Yet he apparently failed to notice, or at least was not anxious to draw attention to the possible exclusion of the estates from socialisation, together with - because of their export potential - precisely those industries which were otherwise defined as "ripe" for socialisation; that is: "... where the organised socialist economy has already been prepared through capitalist concentration ..."²⁴³ Descending to the level of specifics, therefore, only two industries could escape this 'export' qualification and correspond to Hilferding's detailed criteria of 'ripeness': coal and iron. Socialise these and a part of heavy industry, he argued, and "we", thereby, "get control over a great part of industry" and, at the same time, "hit ... at the power not only of the industrial capitalists, but also at the power of banking capitalism".²⁴⁴ Socialising these sectors of heavy industry would only "shake" the domination of the banks, he admitted - in the course of arguing that socialisation could not begin with the banks as in Russia, and as the analysis of Finanzkapital seemed to prescribe.²⁴⁵ This was plainly inexplicable to many present, and Hilferding's reasoning was noticeably feeble at this point: pointing out that the resumption of normal industrial production would involve bank credit, he was able to advance no reason as to why this should not be done according to the norms of a socialised banking system, other than that "the question of credit is ... very complicated".²⁴⁶

Why should Hilferding have engaged in such an obvious retreat at this time of unparalleled possibilities? The fundamental reason flows from the likely incompatibility of a purely parliamentary inauguration of a harmonious transition to socialism, with the conditions of economic breakdown and heightened class conflict which can engender mass support for radical social change. In Finanzkapital, Hilferding had recognised that the transformation of 'anarchistic' into 'consciously regulated' production "can only take place suddenly".²⁴⁷

In 1918, however, because this was to be carried out through parliament and without disrupting production, he insisted that "socialisation can only mean that the whole of production is gradually placed at the disposal of the community".²⁴⁸

Furthermore, after the socialisation of the basic industrial raw materials, the task was merely "to investigate the individual industries, one after the other, as to their suitability for socialisation".²⁴⁹ Similarly, and in opposition to Finanzkapital where he had spoken of "expropriation", Hilferding now declared in favour of compensation in order "to avoid disruptions in the economy" and "proceed in a harmonious manner".²⁵⁰

Underlying this scenario - according to which "the circle of socialised production continually expands" - were a number of dubious assumptions.²⁵¹ Firstly, there was the implicit notion that economic power is divisible; that the working class (or, rather, 'society') may progressively increase social control over the economy by incrementally rolling-back private ownership. Hilferding was right to emphasise that the evolution of a socialist economy is a matter for the long term, but wrong to obfuscate, thereby, the initial act of state power to more or less rapidly socialise the 'commanding heights' of the economy. For, according to Hilferding in Finanzkapital, the control and ownership of production "is a question of power".²⁵² Indeed, without the prior political defeat of capital, and the expropriation of at least the major monopolies, it is not possible to organise a large enough state sector to reach the point of being able to exert leverage throughout the economy, in such a way as to begin an evolution towards a fully socialist economy. Associated with an implicit division of power in the economy was an imputed pacific relation between

the classes. In no other way could it be imagined that the bourgeoisie would allow itself to be expropriated little by little, satisfied by financial claims on the state to be as good as nullified once the process be completed.²⁵³ Above all, there was the assumption that socialisation was not to be carried out by and on the authority of the Councils, but rather that it must wait until - thoroughly investigated - it would be ratified by parliament and implemented, therefore, by the existing state machine: "This work will be secured if we are successful in bringing about a socialist majority in the National Assembly election."²⁵⁴ Finally, this same parliamentary, evolutionary perspective was revealed in Hilferding's strictures against the revolution "dissolving into a wages movement" or into "anarchy, into an unorderly movement disrupting production".²⁵⁵ Rather, the working class must learn to wait in order that "the whole work should not be spoiled".²⁵⁶ Hilferding spoke as if the factories were already socialised rather than still under private ownership, cautioning the workers to patience and toil: "All these factories belong not to you and still less to the capitalists; they belong to the new socialist society, and you must take good care that these factories are transferred to socialist society in as good a condition as possible."²⁵⁷ Corresponding to the previously imputed division of economic power in society, therefore, was now a division of ownership: to whom the means of production did belong at that time, was not clarified by Hilferding. Although confused, this served the function of helping to persuade the delegates of the need for patience (always a much prized virtue of the Marxist Centre), to curtail working class militancy, and await the outcome of the impending election. By opposing the policy of 'All Power to the Councils', and by assuming responsibility for dissolving the widespread agitation for immediate socialisation into an indefinitely long term process, Hilferding helped ensure that the Congress fell into line with the policy of the SPD-leadership.

The import of Hilferding's general position on the role of the Councils, and of his Report on socialisation in particular, was to reconcile overwhelming support for socialisation - generally identified as the decisive step in the construction of socialism - with the relinquishing of power by

the Councils in favour of a parliamentary republic. In spite of previously having condemned the class collaboration of the social democratic leadership, Hilferding failed to recognise their restorationist aims, and was thus concerned to stress unity rather than present a clear left-socialist alternative.²⁵⁸ In turn, this was related - on the one hand - to his established positions on parliament and the state, in which there was little difference in principle with the SPD leadership, and - on the other hand - to his expectation that the socialisation of industry would be carried through on the basis of an already highly organised and functioning capitalist system. Consequently, instead of attempting to drive a wedge between the SPD leadership on the one side, and the SPD left and its working class supporters on the other, Hilferding presented proposals on socialisation that were broadly in line with those of the SPD leadership.²⁵⁹

Finally, Hilferding's role during the period of the November Revolution was not confined to his influence as a leader of the USPD or platform speaker at the Council Congress, but extended to his participation in the Socialisation Commission set up by the Government. Participating in accordance with his express belief in 'investigation', Hilferding, along with other leading members of the old Marxist Centre (including Kautsky), became caught up in a process with which the Government, as Gottschalch remarks, "merely wanted to make things seem as if something was being done about socialisation".²⁶⁰ From the point of view of Government strategy, the setting up of the Commission was a delaying tactic serving also the function of a safety valve against the pressure for socialisation. By April 1919, however, even the Commission (set up in December 1918) had exhausted its patience in the face of obstruction from the Government, and suspended its operations. The attitude of the Ebert Government towards the Socialisation Commission should have revealed the 'restorationist' intent of the SPD leadership in relation to those social democrats - belonging to the SPD-left and the USPD-right - who, while rejecting 'bolshivism', still believed in socialisation. Nonetheless, as I have

argued in relation to Hilferding, the way in which they worked for socialisation could only play into the hands of the SPD leadership who were not prepared to countenance socialisation at all. Thus immediate pressure for action on socialisation was appeased by a Commission which was allowed to lapse into inactivity as the initial revolutionary enthusiasm subsided, and the Government was able to secure its position by way of inflicting defeats upon the revolutionary minority of the working class and, correspondingly, strengthening the hand of reaction with which it had a temporary alliance. In spite of this, however, the Socialisation Commission allowed itself to be recalled (with a somewhat altered composition, but including Hilferding) in the aftermath of the Kapp Putsch, when the working class once again was the main power in the land and pressing for socialisation. This too was to end in obscurity, as the pressure of the workers' movement giving rise to the need for such a safety valve, was dissipated by the lack of resolve for power on the part of the USPD leadership, and the consequently reconstituted SPD-bourgeois coalition Government.²⁶¹

4.3. The aftermath of the November Revolution and the advent of 'organised capitalism'

Seeing in the miscarried January insurrection the equivalent for the German revolution of 'the battle of the Marne', while bitterly - but, as we have seen, helplessly - condemning the 'failures' of the Government, Hilferding concluded that, a year after the November Revolution: "... all the real means of power are in the hands of the property owning classes; not in the hands of the Government, but in the hands of the former officers, of the rural population and, partly, in the hands of the bourgeoisie."²⁶² Accurately assessing the outcome of the first period of the revolution, he nonetheless fell short on the explanation.

Hilferding reiterated his analysis of the material origins of opportunism in the working class movement: once again, he indicated the prolonged expansion of capitalism in the era after 1895 as the context within which the aim of political power had been lost to a continually rising standard of living.²⁶³

Again omitted from his analysis, however, was the responsibility and role of leadership in this process. Not just that of the reformist Ebert-leadership of the then SPD, but the responsibility of the old Marxist Centre (the then USPD-leadership, to a large extent) for not having developed activist tactics and transitional demands (in the manner propounded by, for example, Parvus and Luxemburg) so as to link day to day reform demands with the aim of political power, and - especially during the period of the Revolution - their role of virtually providing 'left cover' for the SPD-leadership. Instead, by concluding that the working class was both materially and intellectually unprepared for the collapse of the old system, Hilferding at once obviated the need for a reorientation leftwards on the part of the leadership and, by throwing the blame onto the working class for the dissolution of the revolution into a wages movement, gave analytical support to his growing pessimism.²⁶⁴

Because of the failure of the working class, argued Hilferding, capitalism was not only secure, but had emerged from the war more concentrated and unified than ever. Accordingly, the perspective of an 'organised capitalism' came to the fore: "It could be envisaged that with the progress of these organising tendencies capitalism as well would come to further limit competition, diminish the anarchy of production and, by various methods, reduce unemployment: that, thereby, the workers would come to be subordinate officials in relation to the chief directors of production. That would be a kind of organised, hierarchically constructed capitalism."²⁶⁵ In 1920, Hilferding still did not consider this to be an already existing state of affairs: whether or not the tendency towards 'organised capitalism' would be realised in practice, depended on the preparedness of the working class not to let the organisation of the economy proceed in accordance with the direction and interests of the capitalist class, but rather to control the economy in their own interests. It was a question of power.²⁶⁶

By the end of 1920, however, Hilferding was beginning to despair of further progress towards the political power of the working class and socialism. Contemptuous of the SPD's reformist leaders, Hilferding was simultaneously undergoing

inside the USPD what he later recalled as "the most depressing hours of my party life" in the course of his unsuccessful opposition to Comintern affiliation.²⁶⁷ Thus, in spite of his confident opposition to Zinoviev at the decisive Halle Congress, Hilferding had by that time lost all faith in the socialist potential of the working class. Julius Braunthal recalled that in answer to his question as to likely developments in Germany, Hilferding replied with an air of resignation: "Now, a capitalist democracy. It will perhaps become in many respects a very progressive democracy, but in its structure still a capitalist democracy - until the next opportunity."²⁶⁸ Yet by the time of the 'next opportunity', Hilferding had helped lead the left-socialist minority of the USPD into reunification with the SPD: moreover, in the course of 1923, he was not a proponent of siezing the opportunity presented by the inflationary crisis and overthrow of the Cuno-Government as the point of departure for a socialist alternative but, instead, became Finance Minister in the ensuing coalition Government and responsible for the currency reform which helped stabilise economic life on a capitalist basis. For, between 1920 and 1923, there were a number of potent factors tending to reconcile Hilferding with the Weimar SPD: his failure to maintain the USPD as an independent, left-socialist alternative to right-wing social democracy and communism; his mutual and unbridgeable hostility to the KPD, together with the departure of Ebert and his closest associates (especially Noske) from the leadership of the SPD; and, above all, his inability to oppose the SPD programmatically while yearning for unity. Finally, the period of 'temporary stabilisation' between 1924 and 1929 - which Hilferding had helped inaugurate - confirmed the direction of his political evolution consequent upon his pessimism in relation to the political capacity of the working class, by proving the resilience of capitalism. After surviving the political crises of 1918-1923, the German economy seemed to be entering a period of a expansion which, moreover, on the basis of Hilferding's theory of crisis, had no necessary limits. Consequently, the tendency towards 'organised capitalism' - which Hilferding had, at first, posed as merely a theoretical possibility, and then as a practical possibility dependent on the ability of the working to determine the nature

of economic organisation - now appeared to Hilferding to be actually in the process of being realised as a new stage of capitalist development. 'Organised capitalism', therefore, was no longer merely 'conceivable': rather, capitalist reality was now developing in such a way as to conform with the concept, the recognition of which - therefore - was pivotal for the political line of the SPD.

For Hilferding, the stabilisation of 'capitalist democracy' was synonymous with the political failure of the working class, and thus signified the untrammelled development of 'organised capitalism'. The terrible irony was that in theorising this new stage of capitalist development from the point of view of the political line of the SPD, Hilferding was to justify precisely the politics which, when the 'next opportunity' arose for a radical departure from the prevailing system, in 1929-32, had been responsible for identifying the SPD, in the eyes of the millions radicalised by the economic crisis, as anything other than a radical alternative. Finally, then, I will discuss the theory of 'organised capitalism' and its relationship with the policies which led to the workers' movement rather than the capitalist system being delivered its quietus.

4.4. The epoch of 'organised capitalism' and 'constructive socialism'

The theory of 'organised capitalism' finally made patent what previously had been latent in the theoretical revisions of Finanzkapital as in the practice of social democracy. In his 'Foreword' to the first issue of Gesellschaft - in effect a major article on perspectives - Hilferding attempted "an initial orientation" towards the economic and political changes of a "period of storm and stress of unprecedented extent and intensity".²⁶⁹ Restating those tendencies which he had originally analysed as directing the process of monopolisation towards a General Cartel, Hilferding now definitively concluded: "This means the transition from competitive capitalism to organised capitalism ... Thereby simultaneously grows the conscious control and direction of the economy which strives to

eliminate the immanent anarchy of competitive capitalism, on a capitalist basis. Were this tendency to be realised, so the result would be an economy indeed organised but in antagonistic, hierarchical form... The inconstancy of capitalist relations of production would be lessened, crises - or at least their impact upon the workers - ameliorated."²⁷⁰ Hilferding still put much of these conclusions in the conditional while, nevertheless, proceeding to derive political conclusions as if these tendencies were already realised in fact - a typical methodological procedure among social democratic Marxists, it will be recalled. For, while he may still have had doubts as to the extent to which Weimar society was already one of 'organised capitalism', Hilferding's disproportion theory of crisis enabled him to claim that the policies of the monopolies and the state were already "means" of overcoming crises: "Planned distribution of new investment through the trusts, a certain holding back of new investment in the boom until the time of slackening economic activity, an appropriate adaptation of credit regulation by the banks supported by a corresponding financial policy on the part of the central bank..."²⁷¹

Coupled with this qualitative advance of the national economy at the macro-level was a rationalisation and intensification of the labour process by means of mechanisation and the methods of "scientific management".²⁷² Hilferding did not see in this, however, means of increasing the rate of exploitation of labour power which, moreover, could be imposed only by way of an employers' offensive aimed at transforming working conditions and practices to an extent that could not be agreed by even the most compromise-inclined trade union leadership. Instead, Hilferding saw this new system as developing, unchallenged, towards restructuring the working class on hierarchical lines, and reconciling it to the newly mechanised and intensified labour process by means of social reforms, higher wages and a lessening of working time.²⁷³ Yet, insofar as elements of this heightened organisation of the labour process were being introduced, they constituted means of restoring profitability and increasing competitiveness on the world market. For this to be possible, moreover, the employers had to reap the entire benefits of higher product-

ivity, and excluded - particularly in the crisis years 1929-32 - their use to compensate and integrate the working class ("To make bearable the extraordinarily intensified labour process", as Hilferding imagined).²⁷⁴ Just as the national economy was undergoing an evolutionary process of organisation, so the increasing organisation and intensification of the labour process was to proceed apace towards a new system under which the working class would also benefit. In proposing this scenario, however, Hilferding overlooked that the very elements of German capitalism which lent empirical credibility to this perspective on their ultimate development were, at present and by intent, means of solving the immediate problems of German capitalism at the expense of the working class. Hence, no matter what the unintended, unconscious results of such measures might have been - even if their combined tendency was towards a new stage of capitalist development - the impulse towards their implementation arose from the present crisis, and could only take place through a process of class struggle. In effect, therefore, Hilferding directed attention away from contemporary economic developments and their import for the class struggle. Instead of attempting to illuminate the origins and contradictions of the transition to 'organised capitalism' from the point of view of the present stage of the class struggle, Hilferding, while never stating that the new system was already an accomplished fact, nevertheless proceeded to derive political conclusions as if the transition were, in fact, already completed. In this way present reality was conflated with an as yet merely projected future society.²⁷⁵ And once having done this, it can scarcely be surprising that Hilferding's political conclusions, drawn from this analysis, came to relate ever less to the reality of Weimar Germany.

Hilferding's analysis illuminated not so much the immediate conditions out of which the struggle of the working class to defend its interests would arise, but rather foretold the coming into being of a new form of society in which, accordingly, the class struggle would assume new forms. The more consciously organised the economy, argued Hilferding, the "more unbearable" the "usurpation of economic power and of the social product by

the owners of the concentrated means of production".²⁷⁶
Increasingly capitalist property relations appear as merely an "accidental" survival of the "earlier epoch of unorganised capitalism", and stand in obvious contradiction to the now "consciously regulated character of the economy".²⁷⁷ Now that capitalist property relations had culminated in an organised form of economy, according to Hilferding, they were no longer essential, no longer determinant to the mode of production, but now merely an 'accidental' survival of the past. Instead, the factor of 'organisation' was decisive. Conceived of as class neutral rather than class specific, this 'organisation' was to have existed independently of the class structure and, as such, merely had to be taken over intact by the working class, who, thereafter, would "regulate" the economy in the interests of the "mass of producers" rather than in the interests of "the few".²⁷⁸

Hilferding fitted the description of those socialists criticised by Marx who wanted to get rid of the capitalists while keeping capital. According to Hilferding, merely the severance of a now parasitic oligarchy from the economy was necessary, in order that the apparatus of already organised production could pass intact into the hands of the working class. Scarcely a social revolution but rather a purely political struggle was necessary to "remove" the 'accidental' property relations "by transformation of the hierarchically organised into a democratically organised economy".²⁷⁹ Consequently, the problem posed by capitalism was that of "economic democracy".²⁸⁰ No longer, therefore, was a struggle against capitalist society the essence of proletarian strategy, but in relation to organised capitalism it was rather a matter of subjecting the economy "ever more to democratic control".²⁸¹ Furthermore, the working class was no longer to organise and learn in the course of its struggle against capitalism, but was rather to work with and in the capitalist economy in order to master the difficulties of democratising the organised economy in the course of a "lengthy historical process". Only through this "ceaseless", "evolutionary" process can "the producers acquire the capability and consciousness of responsibility that will enable them increasingly to participate in the direction of production".

This "psychological transformation", concluded Hilferding, "is the necessary presupposition of economic democracy".²⁸²

No longer the praxis and learning process of class struggle was "of fundamental significance for the transformation of society", but rather "the problem of pedagogics".²⁸³ Although worked out in relation to a form of society projected but not yet existing, the elements of this strategy - permeation and influence rather than the overthrow of the existing social order, collaboration and co-operation rather than independent working class struggle - corresponded well to the actual practice of the Weimar SPD. Unfortunately, the transposition of the strategy derived from Hilferding's new perspective no more corresponded to the reality of Weimar Germany than the established practice which it so well matched. Indeed, Hilferding's argument could only have served to disarm and demobilise the working class in face of a determination on the part of the social and political elites, as of the German bourgeoisie, to reverse the social gains of the working class - and which, eventually, entailed the destruction of the political gains the labour movement had been able to maintain from the November Revolution.

Hilferding argued that as the role of the capitalist class was marginalised, so the organised capitalist economy came to be a neutral production apparatus open to increasing democratic control by the working class. Consequently, the now appropriate form of class struggle was concerned with gaining the means to bring about economic democracy: to be able "to use the power of the state ... for the working class".²⁸⁴ In accord with his pre-1914 but still unchanged conception of the state as structurally separate from class relations, Hilferding outlined the power of the cartels and trusts, but placed them in a purely external relationship with the state: for, according to Hilferding, they merely "try ... decisively to influence" the state.²⁸⁵ At the same time, however, as the capitalist class came to occupy an 'accidental' relationship with the organised capitalist economy, there was also an extraordinary growth "in the number of members and social significance of the workers' organisations".²⁸⁶ The inference was clear, that while the capitalist class sunk into parasitism so, simultaneously, the working class grew in strength and "consciousness"

and was, therefore, increasingly able to exert its influence over the state.²⁸⁷ This, then, was the "transition from scientific to constructive socialism", proclaimed by Hilferding.²⁸⁸

Because he had always separated the class nature of the state from structural determination by the class relations of society, there was now no theoretical obstacle to a political strategy based on the gradual removal of the state from the influence of the declining bourgeoisie to that of the socially ascendant proletariat. Hilferding's 'constructive socialism' marked the transition in theory from a radical opposition to the capitalist system and the class state, to a strategy of collaboration and permeation already present in social democratic practice.²⁸⁹

4.5. 'Organised capitalism' and 'realistic pacifism'

As startling as the prescience of his pre-1914 analysis of not only the general preconditions of war inherent within imperialism but even of the immediate combination of events likely to trigger the conflagration, was the divergence of Hilferding's programme of 'realistic pacifism' from the realities of the inter-war period.²⁹⁰

According to Hilferding the transformations wrought by the coming of 'organised capitalism' also encompassed the sphere of international relations. The first element of the analysis underlying a newly legitimised pacifism was the judgement that the balance of power on a world scale had been decisively shifted in favour of the 'Anglo-Saxon' countries, whereas war "always presupposes a certain equilibrium in the balance of forces, so that to each group ^{victory} appears possible".²⁹¹ Secondly, however, the extension of the implications of 'organised capitalism' so as to justify the SPD's pacifist approach to international politics, entailed a now openly revisionist conception of the state.

Democracy, argued Hilferding in an article published later in 1924, 'demanded' the subordination of bureaucratic and military will to civil authority.²⁹² In order that democratic institutions not be misused in a 'bonapartist' or 'oligarchical' manner, "the political task" was "to free democracy from its deficiencies instead of complaining about its

shortcomings".²⁹³ This was because "the democratic constitution" had a two-fold effect: firstly, the balance of political power between the classes was continually measured while, secondly, the political forces thus commensurated and compared "are converted into the formation of the will of the state which, in democracy, is only the resultant of the will of the citizens".

²⁹⁴ Arguing that the "essential characteristic" of a "democratic development" only just beginning, was the "plasticity, pliability or adaptability of the democratic state power in relation to the changing balance of class forces", Hilferding arrived at a theory of the state which, while still identifying social class as the basis for political pressures, approximated to a 'pluralist' approach to political analysis. From the point of view of the argument of this thesis, however, it marked the logical culmination of a conception of the state which, in attributing the class nature of state activity merely to the 'influence' first of the economically dominant class and then to pressure exerted by democratically competing social classes, constituted a potential divergence from and ultimately a qualitative break with the Marxist theory of the state.

In relation to Hilferding's policy of 'realistic pacifism', the implications of his theory of the state were of paramount importance. The state now acted according to the democratically expressed 'will of the citizens', because its 'will' was forged by the intersection of competing interests: "... as much as the interests of the capitalist layers still prevail within the apparatus of state power, the political influence of the broad masses nonetheless effects ever more strongly and ... directly the formation of the will of the state."²⁹⁵

Because of this new found responsiveness of the state to democratic pressures, the broad mass of peasants and workers "link themselves" to the "strong capitalist layers" interested in peace, in order to exercise political power and make permanent the present non-warlike power policy of the most important states: "And we can do that", concluded Hilferding, "because under democracy the will of the state can increasingly be influenced by the political will of the organised labour movement."²⁹⁶ Accordingly, Hilferding argued for a new policy on war: "In the face of this constellation, our slogan cannot be: capitalism means war, socialism means peace."²⁹⁷

In the struggle against war, therefore, not the overthrow of capitalism but 'realistic pacifism' was the order of the day.

Hilferding concluded that, under democracy, the state was responsive to the popular desire for peace. He now went on to clinch the argument for 'realistic pacifism' by demonstrating that, under 'organised capitalism', economic forces no longer operated in such a way as to compel states to wage war.

In Finanzkapital, Hilferding analysed cartelisation and capital export as means of raising the rate of profit and as, therefore, a phenomenon "that is inseparable from capitalist development".²⁹⁸ Increasingly, the economic competition surrounding outlets for capital export and, bound up with this, the opening up of new sources of raw materials and markets, comes to be waged by political and ultimately military means.²⁹⁹ Indeed, finance capital was inseparable from developments leading to war: consequently, the attitude of the proletariat towards finance capital and its policy could only be one of "inexorable enmity".³⁰⁰ Hilferding's analysis was far from one-sided. He analysed, for example, the opposing tendencies arising from the adoption of protective tariffs: on the one hand, protective tariffs enabled an aggressive pricing policy to be pursued on the world market, thereby occasioning diplomatic and military power to be mobilised in the competitive struggle, while, on the other hand, "the protective tariff stabilises the national cartels and smooths the way for the formation of inter-cartel structures".³⁰¹ The pacifying impact of the internationalisation of capital on international relations was, however, inherently unstable, giving way as the balance of forces changed between national capital blocs with protected home markets: "These tendencies result in the international agreements becoming something in the nature of an armistice, rather than of a lasting community of interests, since every change in the armament of the protective tariffs, every variation in the market relations of the states, changes the whole basis of the agreements and requires new contracts to be negotiated."³⁰²

Hilferding's position in Finanzkapital may be seen as a refutation, in advance, of Kautsky's theory of ultra-

imperialism. Yet, in a programmatic article of 1926, Hilferding argued that, in consequence of the "completely transformed" post-war economic and power relations, "the tendency towards international agreements in place of warlike decisions" had been strengthened - indeed, to such a degree as to make war "economically and politically impossible".³⁰³ As if to counter objections to this revision, Hilferding warned against, "the mistake of regarding appearances of capitalism during particular phases of its development as unalterable laws belonging to its essence".³⁰⁴ For while striving to expand and raise the rate of profit were still "immanent to capital", the transition to 'organised capitalism' brought with it other methods, more appropriate for this latest form of capitalist development - "through international organisation, international cartelisation above all to secure sources of raw materials and energy".³⁰⁵ This was the basis for what Hilferding called "capitalist pacifism".³⁰⁶

Of course, given that 'organised capitalism' was already strengthening a bourgeois pacifist tendency - which arose from the post-war balance of international power, as well as a realisation of the 'economic and political impossibility' of war and a growing interest in international agreements on the part of each national capitalist class - there was a basis in reality for an inter-class opposition to militarism and war based on support for the League of Nations. Yet these assumptions could, even in 1926, have been seen to generalise what was only a temporary state of affairs, neglecting the resurgence of German imperialism and the persistent strength of its ideologists - the nationalist right - even in the period of the stabilisation of the Weimar Republic (1924-28). Remaining on the plane of theoretical critique, however, it is to be emphasised that Hilferding had now adopted the revisionist reduction of imperialism to a policy - to which, of course, other policies could be counterposed.

It was "all too easy", argued Hilferding, "to overlook that the economic laws and tendencies of capitalism absolutely need not be carried through into practice".³⁰⁷ They were, after all, "only tendencies of the capitalist class or its leading group".³⁰⁸ Having implied - but not established theoretically or empirically - a differentiation of the bour-

geoisie into imperialist and non-imperialist components, it was possible for Hilferding to argue that, under democratic conditions, an increasingly politically powerful working class, in combination with the section of the bourgeoisie with anti-imperialist interests, could influence the state sufficiently to restrain militarism, as well as secure disarmament and support for international peace-keeping through the League of Nations.³⁰⁹

The argument that imperialism was a contingent policy has a familiar pedigree. Peculiar to Hilferding, however, was the argument that while the basis of capitalism remained the same ("the appropriation of social surplus labour by the owners of the means of production"), "all economic relations are", nevertheless, "human social relationships": consequently, "economic laws are laws of human behaviour; and the economy, therefore, unceasingly submits to changing human influence - the conscious formation of social relations by means of politics".³¹⁰ Of course, this notion of the primacy of politics over economics is present in more than embryonic form even in Finanzkapital. It was perhaps a further, if now fully blown manifestation of that idealism previously associated with Hilferding's methodological shortcomings. Yet while having its roots in the very foundations of Hilferding's Marxism, never before had his once purely latent revisionism been quite so manifest as now. In this, the once hidden flaws of the theoretical foundations found fully developed expression in this later construction. For, in this 1926 article, it was no longer a matter of state action displacing the law of value in certain instances and under certain conditions, but rather of the general subordination of economic laws by means of 'conscious human influence'.

This, of course, was the traditional aim of Marxism - for which, however, state power and the socialisation of the means of production were the means and fundamental preconditions. Hilferding, on the contrary, now believed that this aim could be realised within capitalism. Yet had he remembered that the basis of capitalism is not merely 'the appropriation of social surplus labour by the owners of the means of production', but rather the appropriation of this surplus in the form of surplus value, then it would have been

incumbant upon him to deal with capitalism as more than as simply exploitative. Marx's object in Capital is not merely to expose the content of capitalism as exploitative, but is rather a critique of the value form taken by capitalist social relations. Further, Marx shows that value relations are reified relations: meaning that their presence and development is imposed on, rather than being subordinate to, human action. Moreover, value relations determine that production can proceed only via crises of overproduction brought on according to the long-term movement of the rate of profit, which is itself determined at the intersection of many opposing tendencies, including those constituting the motor of imperialism and thus bound up with the drive to war. All this was, of course, obviated by Hilferding's insistence that capitalism was now organised and thus had overcome its imperviousness to conscious intervention, together with its tendency to crisis and war. And yet these were a consequence - according to Marx, of whom Hilferding still claimed to be a follower - of the very social relations Hilferding maintained were still intact.

4.6. 1927: Hilferding at Kiel

In his theoretical writings of the period 1923 to 1933, Hilferding's self-proclaimed intention was to contribute towards fashioning "a new social world view".³¹¹ Once having despaired of the ability of the working class to carry Germany forward to a socialist conclusion of the November Revolution, Hilferding adapted to the prevailing conditions of Weimar Germany, determined to protect and make maximum use of what gains still remained. Not gravitating, therefore, to the SPD's left-wing, as did much of the ex-USPD leadership and membership, Hilferding ranged himself alongside the Party leadership.³¹² In effect, his 'new view' of society corresponded to and provided a compass for the political line of the Party leadership. Moreover, far from being merely a theorist isolated from the decision making centres, Hilferding was integrated into the leadership as a member of both the Party Executive and of the Reichstag fraction. Nor could the SPD leadership afford to ignore a theoretician of Hilferding's

calibre: for, from the mid-1920's, the emergence of a challenge from a politically defined - if unorganised - Left, increasingly pressured the leadership into efforts to justify their policies theoretically. Accordingly, at least during the period 1924-28, Hilferding became the leading and 'official' theoretician of the SPD.³¹³

The influence of the Left, and part of the price paid by the SPD-leadership for unification with the USPD-minority, was shown in the programmatic turn of 1925. In renouncing the conception of the SPD as a non-class, popular party embodied in the Görlitz Programm, the basic text of the 'new' Heidelberg Programm marked a return to the conceptions of the Erfurt Programm and of the SPD as a socialist working-class party.³¹⁴ In the past, of course, Hilferding had been one of the leading theorists of the SPD standing in the tradition of the Erfurt Programm: indeed, Finanzkapital was its single most important concretisation and development in relation to the imperialist epoch. By the mid-1920's, however, his positions, while having their theoretical origins in his Marxism of the pre-1914 period, increasingly revised his own as well as the positions of the Erfurt Programm. Now, Hilferding argued not only that socialism was to be realised through non-revolutionary, parliamentary action to win first influence and then control over a neutral state machine, but also that the transition to 'organised capitalism' inaugurated an era without economic crises and imperialist wars. Consequently, Hilferding was providing a theoretical basis for a political line no longer propounding radical opposition to the existing order, but rather standing for integration into it. It was this theoretical project - in effect, justifying the transformation of the SPD into a 'state-supporting' party and all this implied - which was extended in the course of the mid-1920's, and culminated in Hilferding's Report and Motion at the SPD's 1927 Conference at Kiel.

At nearly the height of the economic upswing during the years of 'relative stabilisation', the SPD Conference undertook to delineate the positions to be adopted in the latest phase of the Weimar Republic. At the centre of discussion was how to overcome the present governing bloc of bourgeois parties, and the question of participating in coalition governments with at

least the most progressive of the present 'Bürgerblock'. A clear commitment to a coalition policy was made by SPD Chairman Müller right at the beginning, insisting that social change could come only through participation in government.³¹⁵ Müller emphasised that "our opposition" must not be directed "against the state, but against the government and the parties".³¹⁶ Party membership was to be built so as to be able to orientate the class struggle towards the inclusion of the SPD in government. While Müller baldly stated the position of the Party Executive, however, this body nominated Hilferding to propagate the theoretical substance of social democratic politics.

Hilferding's report on The Tasks of the Social Democracy in the Republic was unquestionably the high point of the Conference. It furnished a unified perspective on economic developments, while presenting the corresponding strategy and points of programme. Hilferding began his report with an assessment of the current stage and likely development of the economic situation.

Hilferding reminded the delegates that he had "always been one of those who rejected the theory of the economic breakdown", while the "political collapse" that might have been expected to follow the war had, likewise, not occurred.³¹⁷ According to Hilferding, however, this was no cause for regret. The overthrow of capitalism was not to be fatalistically expected to arise "out of the inner-laws of the system", but rather had to be the "conscious act of a class ... which is conscious of its situation in capitalist society and draws the conclusion from the analysis of this situation that it is necessary to transform the whole system".³¹⁸ Accordingly, Hilferding restated the elements of this theory that the capitalism of free competition had given way to 'organised capitalism'. There were no innovations in this account of his theory of 'organised capitalism', which was still rooted in the original concept of the General Cartel. Instead, the difference from previous accounts was a new emphasis on the internal economic changes of capitalism as, in and of themselves, equivalent to the advance of socialism: "Organised capitalism means in reality the replacement of the capitalist principle of free competition by the socialist principle of planful production."³¹⁹ Throughout Hilferding's report, socialism was separated from

the class struggle, to become, instead, the organic result of the self-transformation of capitalism. 'Organised capitalism' now became not only a capitalism without competition, but even a system without the decisive contradiction between wage labour and capital: the class struggle was no longer to be waged for the overthrow of capital, but merely to secure the interests of the working class in the fruits of the 'organised economy' by means of the state. This was possible, because this "consciously directed economy to a much greater degree submits to the possibility of the conscious action of society, which means nothing other than action through the only conscious social organisation endowed with compulsory power - action through the state".³²⁰ The task of the working class was, therefore, no longer to overthrow capitalism by means of proletarian dictatorship, but rather, "with the help of the state... to transform this economy organised and run by the capitalists into one directed by the democratic state".³²¹ Thus, while Hilferding insisted that the problem confronting "our generation" could be nothing other than "socialism", all he now meant by this was that the working class should secure its interests within the existing system.³²²

The organised capitalist economy increasingly came under the control of "conscious social organisation, of the state" which, for Hilferding, now meant that "capitalist society submits ever more to the increasing influence of the working class; ever more rises the political principle of the working class - to use the state as the means of controlling and directing the economy in the general interest".³²³ The political struggle was no longer a struggle of class against class but, now, more of a competitive process to gain control of the state, thereby "to obtain influence on the direction of the economy".³²⁴

Hilferding had not, of course, forgotten Marx on the class nature of the state. Indeed, he referred to Marx's theory of the state specifically to introduce a tortuous argument to justify his notion of the state as a neutral 'social organisation' to be used for the purpose of 'influencing' the economy by the bourgeoisie and proletariat alike. It is not necessary to replicate Hilferding's argument in full. Instead, my intention is to point out that Hilferding's revision of the theory of the state, so far from remaining within the bounds of Marxism,

involved him in false definitions and confusion. Defining the state as "nothing other than the government, the administrative machinery and the citizens that comprise the state", Hilferding omitted the legal system - above all the judiciary - and the apparatus of coercion, those 'armed bodies of men' which, for Engels, were the ultimate guarantor of capitalist property relations.³²⁵ Presumably, Hilferding could not have expected to persuade even the least critical delegates that the Weimar judiciary and the Reichswehr were in any sense neutral or open to the influence of the working class!³²⁶ As striking as his disavowal of the class specific content of state activity by means of an inadequate definition of the constituents of the state apparatus, was Hilferding's confusion over the form of the capitalist state. Lumping together the administrative apparatus, the government and the citizens under the heading of the state, served to obfuscate the characteristic separation of the state from civil society under capitalism. At best, Hilferding was confusing the state apparatus with the use of the term 'state' as being synonymous with the 'nation'. 'Citizens' in general cannot be part of the state apparatus under capitalism, if only because the monopolisation of the means of coercion into the hands of a social organ possessed of at least a relative degree of autonomy, is a precondition of ensuring the absence of inter-personal coercion necessary for contractual exchange - the most general precondition of capitalist production. Such confusion as to the composition, content and form of the state under capitalism was, however, forced upon Hilferding by his desire to establish that "the parties are the essential element of every modern state, because the individual can only make his will of consequence through the medium of the party. In consequence, all parties are necessarily components of the state - exactly like the government and administration".³²⁷ It is not necessary to dwell on Hilferding's claim that this was all in accord with the "basis of Marx's definition", but only to emphasise the function of the argument in justifying the SPD's participation in government with bourgeois coalition partners, along with its self-integration and attempts to integrate the working class into the existing order.³²⁸

The struggle for 'control over the state' in order to

'influence the direction of the economy', entailed a downgrading of the importance of the economic struggle against capital, to the extent that the strength of social democracy elevated the importance of the political struggle for 'influence' over capital by way of the state. As an example, Hilferding adduced "state regulation ... in the area of the labour market".

329 "Unemployment insurance", he argued, meant the "regulation of supply and demand on the labour market", while the system of wage negotiations and courts of arbitration meant a "political regulation of wages and a political regulation of working time".³³⁰ Accordingly, concluded Hilferding: "The personal fate of the workers is determined by means of the policies promoted by the state."³³¹ Theoretically, Hilferding's 'political' theory of wages was another instance of the departure from Marx's law of value which, while beginning in Finanzkapital, only became generalised in his theory of 'organised capitalism'.³³² The situation facing the working class in 1927, however, was such that they would be likely to be convinced to give priority to the political struggle, in Hilferding's sense, if it was "hammered into them that the weekly wage is a political wage - that it depends on the strength of the parliamentary representation of the working class, on the strength of their organisations and on the balance of social forces outside parliament".³³³

For Hilferding, therefore, parliamentary representation of working class interests occupied also the central place in the economic struggle because, according to his definition of the state, whichever class formed the government was possessed of state power. For Hilferding, as Zillich points out, the party struggle not only expressed class antagonisms but also formed the field of the class struggle.³³⁴ Accordingly, argued Hilferding, the trade unions were becoming increasingly politicised - "not in the sense of a political party but in terms of its whole range of tasks".³³⁵ As their role in the economic struggle diminished, the trade unions had to adopt new, political aims: "In the society of free competition they could only pursue the direct class struggle between employers and workers over the quantity of working hours and wages. Now, the trade unions increasingly pose before themselves other tasks .. now the dominant principles of the trade union movement are the struggle for enterprise democracy and the struggle for

economic democracy."³³⁶ At this point, Hilferding was not offering a prescription, but rather theoretical underpinning to the class collaborationist instincts of the trade union leadership. For Hilferding was wholly in accord with their reluctance to pursue the economic struggle, when he insisted that the struggle of the "organised workers' movement can be pursued in no other way than a continually progressing carrying-through of the socialist principle".³³⁷ This was not only an evolutionary perspective, but one to be carried out by the use of parliamentary methods to secure the state as an instrument of proletarian emancipation: "The workers stand before the contradiction: politically, property is no longer privileged, but still is economically ... as a citizen he has the power to take in hand the political lever of the state, thereby to remove the economic privilege of ownership."³³⁸

To support the credibility of this strategy, Hilferding had to rebut the distinction maintained by the SPD-left between bourgeois and socialist democracy. Both "historically" and from the standpoint of "social analysis", insisted Hilferding, "it is false and misleading to talk of 'bourgeois democracy' ".³³⁹ 'Historically', because "we had to win it from the bourgeoisie in a tough struggle"; theoretically, because: "Democracy means a completely new technique of forming the will of the state. Under the authoritarian state ... in all decisive matters the will of the Reichstag was of trifling importance compared to that of the General Staff, the leading personnel of the bureaucracy and the monarchy. Now, the formation of the will of the state is nothing other than the making of an element out of the political will of the individuals. No longer do clearly differentiated organisations of the rulers stand opposed to the Reichstag. The rulers must appeal to the citizens and continually have their dominance confirmed by a majority in the process of ideological struggle. Failing this, so is their dominance at an end on the basis of democracy."³⁴⁰ Hilferding likewise rejected any distinction between "real" and "formal" democracy. He argued that: "Democracy means either an already completed or, at least, potentially different distribution of political power. That naturally means different social consequences. It means that also socially the will of the state is formed in a different

manner."³⁴¹ Insisting that the notion of "formal democracy" implied a false separation of the political and the social, Hilferding concluded that, "political democracy is ... absolutely the concern of the proletariat".³⁴² Far from being merely "formal", democracy was "in substance of the highest significance for the fate of every single worker".³⁴³

The strategic principle was now inexcapable - "that the most important concern of the Party is the maintainance of democracy and the Republic".³⁴⁴ In accordance with this, Hilferding drew upon Otto Bauer to insist that while "the application of force" was not a means but rather an obstacle to socialism, should, nevertheless, "the basis of democracy be destroyed", there would then be no choice other than the defensive "application of all means" - including force.³⁴⁵ He also concluded that far from it still being incumbant upon Marxists to combat democratic illusions amongst the working class, it was rather "anti-democratic illusions" which were now dangerous and had to be "destroyed".³⁴⁶ This, of course, was a code for irreconcilable conflict with the KPD. Yet, in this case, the unmentionable but very real difficulty of reorientating a mass party from peaceful parliamentary methods to an armed struggle - even in the event of a threat to its existence - would be compounded by a refusal to countenance the political preconditions of working class unity, which alone could endow such a struggle with the possibility of success.³⁴⁷

In his argument so far, Hilferding had shown how the development of 'organised capitalism' entailed conscious and increasing control of the economy, while democracy transformed the relationship of social democracy to the state, by means of which such control could be exercised in the interests of the working class. And it was from this vantage point that he stated the consequences in relation to the Party's coalition policy.

To decline entry into coalition government under all circumstances would be to abandon government to the enemies of social democracy. Such a policy, argued Hilferding, would take the pressure off the Centre Party, while ensuring that the German National Party remained in government. Decisive,

however, was not so much these tactical considerations, as the strategic logic of Hilferding's analysis of the nature of the state. Principled opposition to participation in government and fundamental opposition to the system of government were excluded; because: "... social democracy is a part of the state..."³⁴⁸ The logic of Hilferding's argument supported a policy of participation in government with bourgeois coalition partners, according to which the decision as to whether to join any particular coalition was a tactical matter to be decided on its individual merits. These could not be determined in advance, and so the Party Executive must be granted "full freedom of manoeuvre" in making its decision.³⁴⁹

Hilferding's achievement - his conceptions gained overwhelming support from delegates - was to have provided an analysis of the economy and the state, with which existing social democratic strategy and tactics formed a seamless whole. Accordingly - structural unemployment and the urgings of the Party left notwithstanding - Hilferding was able to establish in theory that SPD policy was in no need of revision. More than this, however, while continuing to use much of the traditional terminology of Marxian socialism, Hilferding had, in effect, presented "the most developed form of the social democratic ideology of integration in the Weimar period".³⁵⁰ According to Hilferding, the inner-development of capitalism itself was aligning the economy with socialist principles - even without the transformation of property relations. Correspondingly, he regarded economic planning - in abstraction from its control and aims - as an already accomplished socialist aspect of the economy. Moreover, due to the structural transformation of the economy, in particular the increasing inter-dependence of the economy and the state, the economy was no longer separated from society but was rather increasingly subject to social control by means of the state. This was of especially great importance to the working class, because, under democracy, the will of the state comprised the resultant of the interests of each individual as expressed through parties: consequently, the state could as well be an instrument in the hands of the working class as of the exploiters.³⁵¹ Because there was no distinction to be made between bourgeois and socialist or formal and real democracy, the task of the working

class was clear: failing a parliamentary majority, it had to gain at least a share of state power by participating in coalition governments when favourable and, at all events, to penetrate state positions at local, Land and federal levels.³⁵² Indeed, not only was the state to be 'captured' by peaceful, parliamentary means, and then made into the instrument of "realising socialism", but social democracy was itself already a 'part of the state'.³⁵³ Insofar as these strategic assumptions were accepted by the Congress, the old tradition of opposition to the state could now only be seen as an obstacle to realising socialism while, conversely, the integration of the working class and its party into the state was to be striven for.

Class struggle was now seen as institutionalised through parties, and confined to Parliament. Legal, parliamentary means based on mass propaganda work, with a corresponding refusal to countenance mass action as part of an extra-parliamentary struggle for power, no longer had to be defended on grounds of tactical expediency in the manner of Kautsky before 1914. The rejection of extra-parliamentary offensive action no longer had to be rationalised on behalf of bureaucratic immobilism, but could now be disavowed in principle: for - as Scheidemann put it, in the debate - the Republic "is a social-democratic creation".³⁵⁴ Indeed, far from being prepared to endanger the stability of 'their' Republic by sanctioning mass actions outside - let alone against - its institutions, Hilferding stressed the preparedness of social democracy to take responsibility for measures designed to stabilise the situation in the event of a renewed threat of "political and social chaos".³⁵⁵ Hilferding had not lost sight of the "balance of social forces outside Parliament", but extra-parliamentary activity was subordinated to a parliamentary perspective and the winning of electoral support which would make it possible.³⁵⁶ Mass action was conceived of as, at most, insurance against the possibility that the ruling groups would cease to "respect" democracy.³⁵⁷

In spite of this verbal commitment to defend democracy against its enemies - by force, if necessary - the 1927 Congress presaged the eventual paralysis of the SPD when faced with the disintegration of the Republic. And the central role at this Congress was played by Hilferding. Hilferding

was committed to the full integration of the working class into the Republic. Accordingly, even though he recognised the legitimacy of temporarily suspending democratic rights under the circumstances of a "serious social crisis", Hilferding could only deprecate those in the Party who warned of the failty of democracy.³⁵⁸ If this was the case, moreover, the response of the working class should be an even greater commitment to democracy. For, argued Hilferding: "It is a source of power of democracy that it becomes a matter of course. If the masses stand behind democracy, it will not be so easy to take away the basis of democracy even if the bourgeoisie so desires."³⁵⁹ Yet, in the event, while the SPD thus maintained an absolute commitment to constitutional means, this key assumption as to the support of the masses for parliamentary democracy was undermined, as millions came to blame the 'social democratic Republic' for their misery. In the circumstances of the slump, the maintainance of the policies of 1927 could, therefore, only induce impotence. This was particularly the case because the commitment to constitutional means meant that action to defend democracy could be undertaken only when it was threatened by unconstitutional means: "... when the others act illegally, we do not reject violence", as Hermann Müller explained on behalf of the Executive.³⁶⁰ It was to be according to this principle that the SPD Executive declined active opposition to Von Papen's overthrow of the Prussian Government in July 1932, and Hitler's accession to the Chancellorship in January 1933: instead, consistent in their strategic principles, they continued their commitment to legal, constitutional means until - indeed, even beyond - the point at which that very same constitution was distorted into the means of their own suppression.

5. Conclusion

Hilferding made his name in 1904 with a brilliant defence of Marx's value theory. This polemical exposition remains a model of its kind. Already in his main work, however, a falling off in the theoretical level was underway: because he did not fully reconstruct or utilise Marx's method, while partially under the influence of a non-Marxian theory of the

state, Hilferding failed to apply the theory of value systematically to the elucidation of observable changes in the organisation of competition. Indeed, once having defended value theory, he now steadily departed from it. As he did so, however, he opened the way and was eventually compelled to move towards a theory of 'organised capitalism' from which, moreover, an increasingly revisionist political strategy came to be derived.

The conclusion of Finanzkapital was that finance capital is the "highest stage" of the "dictatorship of the magnates of capital". This "economic and political perfection of power in the hands of ... the national rulers of capital" becomes "ever more incompatible with the capitalist interests of another nation", as well as "ever more irreconcilable with the interests of the mass of the population".³⁶¹ Consequently: "In the violent clash of these hostile interests the dictatorship of the magnates of capital will finally be suppressed by the dictatorship of the proletariat."³⁶² Nonetheless, step by step, as the traditional optimism and certainty of victory were undermined by the experience of war and a miscarried revolution, the political conclusion of Finanzkapital, together with his main conclusions on socialisation, imperialism and war, were soon displaced. Yet Hilferding's displacement of his own 'orthodox Marxist' positions through successive stages of his later theory of 'organised capitalism', proceeded without any 'break' or even inconsistency in the development of his theory and politics. For the intellectual agency of this displacement was not only given by Hilferding's established parliamentary outlook, but also by the assertion of the logic of partially non-Marxist method and positions within Finanzkapital which culminated in his concept of the General Cartel.

In Finanzkapital, Hilferding regarded a General Cartel as "conceivable" in economic theory, but an "impossibility" for "social and political" reasons.³⁶³ Yet the intense pressures of the War, the November Revolution and its aftermath, and the particular mode of development of capitalism under the Weimar Republic, led Hilferding to believe that the stated conclusion to Finanzkapital was no longer relevant. Conversely,

the same pressures brought the General Cartel to the fore. In Finanzkapital the General Cartel was little more than an aside - an extrapolation to illustrate the tendencies towards capital concentration and class polarisation that Hilferding was concerned to analyse.³⁶⁴ Nonetheless, it constituted an alternative, but latent, conclusion to the one actually articulated by Hilferding at the end of Finanzkapital. Moreover, as circumstances changed, 'social and political' developments no longer precluded the 'economically conceivable' General Cartel, but were now seen by Hilferding as fostering its actual development. Consequently, the political and other 'orthodox Marxist' conclusions of Finanzkapital were displaced, as Hilferding made its alternative if latent conclusion increasingly explicit, in the form of his theory of first the practical possibility and then the actual development of 'organised capitalism'. By 1931, therefore, Hilferding could characterise finance capital as merely the "state of organised capitalism in its beginnings".³⁶⁵ And this, of course, meant that political conclusions derived solely from the analysis of finance capital were no longer relevant, and had had to give way to political positions derived from the new reality of 'organised capitalism'.

In effect, there were two conclusions to Finanzkapital - the conclusion with which Hilferding hoped to influence his readers, and a latent one which, because of the circumstances outlined, was to be politically the most influential. Consequently, there was no 'break' in Hilferding's development: his theory and politics in the Weimar period were rooted in, and thus consistent with, Finanzkapital.

There was a close connection between the theory - and, in first place, the economic theory - of Hilferding and the politics of the Weimar SPD. Moreover, whatever other social and intellectual sources inspired the politics of the Weimar SPD, these were all the more firmly based for Hilferding having deployed his talents for the purpose of legitimation rather than critique. That he did so, finally, was made possible by departures from Marxist theory which, at first, appeared to be mere blemishes on Finanzkapital: these

departures from Marx's method and value theory, however, had a latent political significance and - as circumstances changed - actual political consequences.

1. Hilferding, Das Finanzkapital, Frankfurt am Main, 1968, p20.
2. 'Aus der Vorgeschichte der Marxschen Ökonomie', NZ, Vol.29, pt.2 (1911), p576.
3. R. Schimkowsky, 'Zur Marx-Rezeption bei Hilferding. Die Bestimmungen von Konkurrenz und Monopol im Finanzkapital', in Monopol und Staat: Zur Marx-Rezeption in der Theorie des staatsmonopolistischen Kapitalismus, Rolf Ebbighausen ed., Frankfurt am Main, 1974, p178.
4. 'Aus der Vorgeschichte der Marxschen Ökonomie', p576.
5. *ibid.*
6. *ibid.*
7. *ibid.*, p577, note 2.
8. *ibid.*
9. *ibid.*
10. Roman Rosdolsky, The Making of Marx's Capital, London 1977, p568.
11. 'Zur Problemstellung der theoretischen Ökonomie bei Karl Marx', NZ, Vol.23, pt.1 (1905), pp111/12; see also 'Zur Geschichte der Werttheorie', NZ, Vol.21, pt.1 (1903).
12. Hilferding, Böhm-Bawerk's Criticism of Marx, (1904) in Paul Sweezy ed., Karl Marx and the Close of His System, London, 1975, p187.
13. *ibid.*, p130.
14. Marx, 'Marginal Notes on A. Wagner', quoted by Rosdolsky, *op. cit.*, p76.
15. *ibid.*
16. 'Zur Frage des Generalstreiks', NZ Vol.22, pt.1 (1903/4), p140. This article was a contribution to the discussion preceding the International Socialist Congress of 1904.
17. *ibid.* (emphasis added).
18. *ibid.*
19. *ibid.*
20. *ibid.*, p141.
21. *ibid.* (see also p135).
22. *ibid.* (emphasis added).
23. *ibid.*

24. *ibid.*, pp141/42.
25. *ibid.*, p142.
26. *ibid.*, pp135/36.
27. *ibid.*, p136.
28. *ibid.*, p138.
29. *ibid.*
30. *ibid.*, p140.
31. *ibid.*, p139.
32. Cf. 'Der Funktionswechsel des Schutzzolles. Tendenz der modernen Handelspolitik, in NZ, Vol.21, pt.2, (1902/3).
33. 'Zur Frage des Generalstreiks', p139.
34. *ibid.*, p139/40.
35. 'Parlamentarismus und Massenstreik', NZ, Vol.23, pt.2 (1904/5). This article was written in the light of discussions at the recent International Socialist Congress held in Amsterdam.
36. *ibid.*, p804.
37. *ibid.*, p805.
38. *ibid.*, pp807/8.
39. *ibid.*, p810.
40. *ibid.* (see also p809).
41. *ibid.*, p813.
42. *ibid.*, p816.
43. *ibid.*, p814.
44. *ibid.*, p816.
45. *ibid.*, p815.
46. *ibid.*, p816.
47. *ibid.*
48. *ibid.*
49. Extract from the Prager Manifest, in Hermann Weber, Das Prinzip Links, Ulm, 1973, pp212/13.
50. Finanzkapital, p17.
51. *ibid.*

52. ibid.
53. ibid.
54. ibid.
55. ibid., p98, note 64.
56. ibid., p18.
57. ibid.
58. ibid., p84.
59. In his review of Finanzkapital, Kautsky took issue with Hilferding's theory of money, but described it as "practically and theoretically without effect for him". 'Finanzkapital und Krisen', NZ, Vol.29, pt.1 (1910-11), p772. More recent commentators have tended to agree with Kautsky: see, for example, Wilfried Gottschalch, Strukturveränderungen der Gesellschaft und politisches Handeln in der Lehre von Rudolf Hilferding, Berlin (West), 1962, p104, note 84; and Giulio Pietranera, R. Hilferding und die ökonomische Theorie der Sozialdemokratie, Berlin (West), 1974, p13.
60. Finanzkapital, p18.
61. Capital I, p47.
62. ibid., p56.
63. ibid., p61.
64. ibid., p66.
65. ibid., pp86/87.
66. ibid., p66.
67. ibid., p92.
68. ibid., pp97/98.
69. ibid., p41. ✓
70. See Finanzkapital, pp34-36.
71. ibid., p38.
72. ibid.
73. ibid.
74. ibid., p39; for Marx's formulation of the same point, see Capital I, p120.
75. ibid., p67, note 37.
76. ibid.

77. For an explanation of the velocity of circulation, see Capital I, p120.
78. Finanzkapital, p40.
79. See Capital I, pp124-29.
80. Finanzkapital, p39.
81. *ibid.*, pp39/40.
82. *ibid.*, p40.
83. Capital I, p112.
84. *ibid.*, p127 and p126.
85. *ibid.*, p126.
86. *ibid.*, pp127/28.
87. Marx's phrase; Capital I, p129
88. *ibid.*, p128.
89. Finanzkapital, p41.
90. *ibid.*
91. *ibid.*, p43.
92. *ibid.*, p41.
93. *ibid.*, p52.
94. *ibid.*
95. Kautsky, 'Gold, Papier und Ware', NZ, Vol.30, pt.1, (1911/12), p845.
96. For Hilferding's normal insistence on the origin of value in production, see Finanzkapital, p79, p81 and p189.
97. This aspect of Hilferding's theory of money was examined in detail by Kautsky, 'Gold Papier und Ware'. The following brief critique is derived from this article.
98. *ibid.*, p846.
99. Finanzkapital, p54.
100. Kautsky, 'Gold, Papier und Ware', p845.
101. Cf. Hilferding, 'Geld und Ware', NZ, Vol.30, pt.1 (1911/12), p780. In this article, he restated but added nothing of substance to his theory of money in Finanzkapital. If anything, however, his belief in the commanding role of the state, and the corresponding exclusion of the law of value in the monetary sphere, was even more pronounced in this article than in Finanzkapital; see, in particular, p780.

102. As well as the passages already quoted; see Finanzkapital, p73, p162 and pp503/4.
103. I owe this point to Cora Stephan, 'Geld - und Staatstheorie in Hilferdings Finanzkapital in Gesellschaft: Beiträge zur Marxschen Theorie 2, Hans Georg Backhaus ed., Frankfurt/M., 1974, pp114/15.
104. Hilferding's admiration for Lassalle is apparent in a review of a volume of his letters; 'Neue Briefe von Ferdinand Lassalle', NZ, Vol.23, pt.2 (1905), p774. Moreover, there is a marked similarity between Lassalle's idealist theory of money and that of Hilferding. According to Lassalle, money "is not something actual, but something merely ideal". Money is merely the "expression of value of all real products in circulation". The Philosophy of Heraclitus, quoted according to Lenin's Conspectus, in Collected Works, Vol.38, Moscow, 1972, pp343/44. However, in spite of the similarity between these remarks of Lassalle and Hilferding's theory of money, I have found no evidence to suggest that Lassalle had a direct influence on Hilferding in this respect. Nonetheless, Lassalle's influence on Hilferding's theory of money was crucial, even if only indirectly so, by way of the influence on Hilferding of the conception of the state Lassalle represented in the German labour movement.
105. Finanzkapital, p75 and p78.
106. *ibid.*, p79 (emphasis added).
107. *ibid.*, p96.
108. *ibid.*, p110.
109. See *ibid.*, p113 and p119.
110. *ibid.*, p98, note 64.
111. For Hilferding's concept 'promotor's profit' - "an economic category of a special kind" - see *ibid.*, p143.
112. See *ibid.*, Ch.10.
113. *ibid.*, p243; see also pp308-10.
114. *ibid.*, p309 (emphasis added).
115. *ibid.*, pp503/4.
116. *ibid.*, p504.
117. *ibid.*
118. Paul Sweezy criticised Hilferding for mistaking "a transitional phase of capitalist development for a lasting trend", thereby precluding "an understanding of the most important recent changes in the character of the accumulation process, particularly the growth of internal corporate financing". The Theory of Capitalist

Development, New York, 1968, p267 and p268. Sweezy's point of departure for identifying the 'transitional character of financial dominance' was the thorough theoretical critique by Hynryk Grossmann, Das Akkumulations - und Zusammenbruchsgesetz des kapitalistischen Systems, Leipzig, 1929, pp573-79. A particularly thorough empirical critique is to be found in Pietranera, op. cit., pp49-55 which, again, emphasises the changing pattern of industrial finance while, in particular, highlighting the enormously increased role of the state at the same time as the importance of the banks has diminished. See also Gottschalch, op. cit., pp101-3; and Eduard März, 'Einleitung' to Finanzkapital, pp13-15.

119. See März, op. cit., p14.
120. Credit, wrote Marx, "suspends (the) barriers to the reproduction and self-expansion of capital only by raising them to their most general form". Grundrisse, p623. I have used the translation of this quotation given by D. Yaffe and P. Bullock, who discuss credit in relation to the characteristic currency inflation of 20th Century capitalism. See 'Inflation, the Crisis and the Post-War Boom', in Revolutionary Communist, Nos.3/4 (November, 1975), pp29-31; here p30. Marx's most succinct expression of his position on credit, in this respect, is to be found in Capital III, pp441 (see also pp447/48 and p459).
121. Capital III, p441.
122. Sweezy, op. cit., p268.
123. Finanzkapital, p250.
124. *ibid.*, p256.
125. See *ibid.*, pp259/60.
126. *ibid.*, p257.
127. *ibid.*
128. *ibid.*, p268.
129. *ibid.*
130. See *ibid.*, p257.
131. *ibid.*, pp268/69.
132. *ibid.*, p274.
133. *ibid.*, p242.
134. Capital I, p624 and p625.
135. Finanzkapital, p242.
136. For an expansion of this theme, see Pietranera, op. cit., pp44-48.

137. See Finanzkapital, Ch.12.
138. See *ibid.*, Ch.13.
139. *ibid.*, pp288/89 and p292; see also p311.
140. *ibid.*, p303; see also pp322/23.
141. See *ibid.*, Ch.14; in particular, p309 for the definition of finance capital quoted above (and referenced in note 114).
142. *ibid.*, p309 and p311. Hilferding's fullest definition of finance capital appears at the very beginning of Part 5 (p406), where it summarises and concludes the economic analysis of the preceding four Parts of Finanzkapital. It has been quoted in Ch.3 of this thesis.
143. *ibid.*, p317.
144. *ibid.*, pp321/22.
145. *ibid.*, p322.
146. *ibid.*
147. *ibid.*, pp322/23.
148. *ibid.*, p323.
149. *ibid.*
150. *ibid.*, pp402/3.
151. *ibid.*, pp329/30; see also p347 and p401.
152. *ibid.*, p329.
153. *ibid.*, p330.
154. *ibid.*
155. *ibid.*
156. *ibid.*
157. 'Die Konjunktur', NZ, Vol.25, Pt.2 (1905-6); see in particular, p143. This article is also important for Hilferding's comments on the development of the world economy. Hilferding was to have many successors in the attempt to work out a theory of crisis based on "the barrier of the available working population". (p143) Although Otto Bauer shifted his position several times over the years, in the course of his polemic against Rosa Luxemburg he indentified the discrepancy between capital accumulation and population growth as the most important contradiction of capitalist reproduction. 'Die Akkumulation des Kapitals', NZ, Vol.31, Pt.1 (1912-13), pp831-38 and 862-74. This tradition was

to encompass Fritz Sternberg, who incorporated this explanation of crises into his theory of imperialism (see, for example, 'Der Imperialismus' und Seine Kritiker, Berlin, 1929, pp35/36), and Sweezy who adopted it after rejecting Marx's theory of the TRPF as the fundamental cause of crises of overproduction (op. cit., pp100-8). More recently it has been argued (on similar grounds to Sweezy) in a number of papers by Andrew Glyn and incorporated into the theoretical introduction to A. Glyn and J. Harrison, The British Economic Disaster, London, 1980, pp6-13. Marx's view, however, was clearly that "... the rate of accumulation is the independent, not the dependent variable; the rate of wages, the dependent, not the independent, variable". (Capital I, p620) The rate of accumulation, moreover, proceeds according to the rate of profit, the rise and fall of which, "insofar as it is determined by the rise or fall of wages resulting from the conditions of demand and supply (in the labour market) ... has as little to do with the general law of the rise or fall in the profit rate as the rise or fall in the market price of commodities has to do with the determination of value in general". (TSV III, p312) Marx went on to reject "Smith and Ricardo, who explain the fall of profits by the rise in wages". (ibid., p313)

158. Finanzkapital, p329.
159. See ibid.
160. See ibid., p125, p328 and p348; quotation from p330.
161. ibid., p332.
162. E. Mandel, Late Capitalism, London 1975, p29.
163. Finanzkapital, p332.
164. ibid., pp332/33.
165. See ibid., p333-38 and pp338-46.
166. ibid., p336 (see also pp346/47).
167. ibid., p332.
168. ibid., p353.
169. ibid., pp353/54.
170. ibid., p354.
171. See ibid., p384, note 23, and p333, note 5.
172. See ibid., pp348-53.
173. ibid., pp348/49.
174. See ibid., p352.
175. See Capital III, pp251/52.

176. See Finanzkapital, p347 and p329.
177. *ibid.*, p349.
178. See *ibid.*, p354; this is particularly clear on p427.
179. *ibid.*, p349.
180. *ibid.*, p353.
181. *ibid.*
182. *ibid.*, p354.
183. *ibid.*
184. *ibid.*, p348.
185. *ibid.*
186. *ibid.*
187. *ibid.*, pp354/55.
188. *ibid.*, p356.
189. *ibid.*, p360.
190. See *ibid.*, p357-59.
191. *ibid.*, p360; see also p402.
192. *ibid.*, p356.
193. Capital II, p515.
194. *ibid.*
195. Quoted by Grossmann, *op. cit.*, p252.
196. *ibid.*, p603.
197. Finanzkapital, p360.
198. *ibid.*, p367.
199. *ibid.*, p399.
200. *ibid.*, p400:
201. *ibid.*
202. *ibid.*
203. *ibid.*, pp400/1.
204. *ibid.*, p401.
205. See *ibid.*

206. *ibid.*, pp401/2.
207. *ibid.*, p402.
208. *ibid.*
209. *ibid.*, p503; see also p79.
210. *ibid.*, pp402/3.
211. See Hilferding, 'Der Parteitag in Magdeburg', NZ, Vol.28, pt.2 (1909/10), pp892-900. This article was written before the 1910 Conference for the purpose of reassuring the SPD's leading members in a situation where "the Marxist policy is attacked from both sides at once". (p896) He defended the politics of the SPD against both revolutionary and reformist criticism, and warned against splitting the Party into rival factions.
212. Stephan, *op. cit.*, p132.
213. Böhm-Bawerk's Criticism of Marx, p130.
214. *ibid.*, p131; see also Finanzkapital, p28, note 4.
215. See Finanzkapital, p28, note 4, and p29. The erroneous notion of a distinct 'simple commodity' mode of production has been discussed in Ch.3.
216. *ibid.*, p41.
217. *ibid.*, p79.
218. *ibid.*, p243.
219. See *ibid.*, pp321/22.
220. See *ibid.*, p321.
221. See *ibid.*, p322.
222. *ibid.*
223. See *ibid.*
224. The most complete critique is to be found in Grossmann, *op. cit.*, pp603-23.
225. Finanzkapital, p321/22.
226. See Gottschalch, *op. cit.*, pp155/56.
227. 'Arbeitsgemeinschaft der Klassen?', Der Kampf, Vol.8 (1915), pp321/22.
228. *ibid.*, p322.
229. *ibid.*
230. *ibid.*, p323.

231. *ibid.*, p321 and p322.
232. *ibid.*, p321.
233. *ibid.*, p323.
234. *ibid.*
235. Details on the USPD are from H. Krause, USPD: Zur Geschichte der Unabhängigen Sozialdemokratischen Partei, Frankfurt am Main - Köln, 1975.
236. Gottschalch, *op. cit.*, p159.
237. See *ibid.*, pp163-66.
238. Allgemeiner Kongress der Arbeiter - und Soldatenräte Deutschlands vom 16. bis 21. Dezember 1918 im Abgeordnetenhaus zu Berlin: Stenographische Berichte, Berlin, 1919, p312 (henceforth: Allgemeiner Kongress).
239. Finanzkapital, p503 (emphasis added).
240. *ibid.*, p501.
241. Allgemeiner Kongress, p313.
242. *ibid.*, pp317/18.
243. *ibid.*, p313.
244. *ibid.*, p314.
245. *ibid.*, p315.
246. *ibid.* Hilferding returned to this question in his Reply to the debate, but added nothing of substance; see p341.
247. Finanzkapital, p402
248. Allgemeiner Kongress, p313.
249. *ibid.*, p314.
250. Finanzkapital, p504; and Allgemeiner Kongress, p316.
251. Allgemeiner Kongress, p320.
252. Finanzkapital, p402.
253. See Allgemeiner Kongress, p317.
254. *ibid.*, p320.
255. *ibid.*, p319.
256. *ibid.*

257. *ibid.*, p320.
258. See, for example, *ibid.*, p321; see also Gottschalch, *op. cit.*, p179 and p184 on Hilferding's concern for unity.
259. See Gottschalch, *op. cit.*, pp169/70.
260. *ibid.*, p172.
261. In 1919, Rudolf Goldscheid, quoted and described by Bukharin as a 'bourgeois pacifist', aptly censured those involved in the Socialisation Commission: "It is simply unbelievable with which obviously untenable arguments one is capable of successfully delaying the acceleration of the socialisation of the economy. Thus, for example, by asserting that, because momentarily all of production and business is at a standstill and the necessary means of business are lacking, that this would be the most inappropriate moment to socialise the economy. If, on the other hand, the economy were in the greatest boom, one would doubtlessly declare that one dare not try any experiments while everything is going so smoothly. One always finds good reasons against something one doesn't want." N. Bukharin, Economics of the Transformation Period, (1920), New York, 1971, p182.
262. Speech at the 1919 USPD Congress, quoted by Gottschalch, *op. cit.*, p176.
263. *ibid.*
264. In 1924, Hilferding blandly asserted, without qualification, that: "The working class used its position of power not for the realisation of socialism, but to improve its position, for the expansion of social reform and of political democracy." 'Probleme der Zeit', in Die Gesellschaft, Vol.1 (1924), p6. On the role of the leadership - not a word!
265. Quoted by Gottschalch, *op. cit.*, pp176/77.
266. See *ibid.*, p177.
267. For Hilferding's attitude to the SPD leadership at this time, see *ibid.*, pp186/87. Quotation from 'Die Aufgaben der Sozialdemokratie in der Republic', speech to the SPD Congress at Kiel in 1927, in Protokoll Sozialdemokratischer Parteitag Kiel 1927, Berlin, 1927, p174.
268. Julius Braunthal, Auf der Suche nach dem Millenium, Vol.2, Nuremberg, 1949, p480, quoted by Gottschalch, *op. cit.*, p187.
269. 'Probleme der Zeit', p1.
270. *ibid.*, p2.

271. *ibid.*, Hilferding was completely consistent with his theory of crisis in Finanzkapital when, in 1926, he claimed that "under certain circumstances" Capital II might be construed as a "paeon to capitalism": for, according to Hilferding, the reproduction schemes show "how progressively increasing production is possible within the capitalist system". Verhandlung des Vereins für Sozialpolitik in Wien (1926), pp113/14, quoted by E. Varga, The Great Crisis and its Political Consequences, London, 1934, p15.
272. 'Problemeder Zeit', p2.
273. *ibid.*, p2/3.
274. *ibid.*, p3.
275. At one point, Hilferding made it clear that while "materially expanded and qualitatively transformed" the post-war capitalist economy was only "on the way to an organised economy". (*ibid.*, p10) Nonetheless, this distinction was not rigorously drawn or brought to the attention of readers throughout the article. Hilferding's exposition of 'organised capitalism' was occasionally, but not systematically, qualified by the use of the conditional tense. Generally, while he never stated that 'organised capitalism' already prevailed, Hilferding created the impression that this 'qualitative transformation' of post-war capitalism was such as to make the coming of 'organised capitalism' the crucial strategic consideration in the present. For example: "Organised capitalism, with the problem of economic democracy, now places the producers face to face with a different situation." (p6, emphasis added).
276. *ibid.*, p6.
277. *ibid.*
278. *ibid.*
279. *ibid.*
280. *ibid.*
281. *ibid.*
282. *ibid.*
283. *ibid.*, p4.
284. *ibid.*, p8.
285. *ibid.*, p7.
286. *ibid.*, p8.

287. In particular, the war had "raised the position of the working class within the state, in reality as ideally ...". "The state - no matter what its previous attitude towards the workers' organisations - is forced into negotiations with the producers." (ibid., p10) Accordingly, the working class was in an unprecedentedly favourable position to pursue what Hilferding identified as its "work": "... the participation of the masses in the formation of state policy." (p12) In consequence of the Revolution: "The working class regards the Republic as its work, it is the bearer of this form of state." The political system "is now ... accessible to its influence". (p13) The attitude of the working class, concluded Hilferding, "is therefore also different". (p13).
288. ibid., p3.
289. It was, of course, a complete revision of his position in Finanzkapital: "The economic policy of the proletariat is fundamentally opposed to that of the capitalists, and every position taken up on questions of detail is stamped by this antagonism." Finanzkapital, P499.
290. See Finanzkapital, p453. Hilferding first used the term 'realistic pacifism' in 1922; see Gottschalch, op. cit., p197, note 32. He stated the programmatic corollary to this position at Kiel in 1927: "The tasks of socialist foreign policy can be briefly summarised: courts of arbitration, disarmament and international agreements through the League of Nations, creation of an international law which limits the sovereignty of the individual members of the family of states." 'Die Aufgaben der Sozialdemokratie in der Republik', p183. (In 1905 Hilferding had scorned the idea that war could be avoided by means of international courts of arbitration; see 'Parlamentarismus und Massenstreik', p805)
291. 'Probleme der Zeit', p14.
292. 'Realistischer Pazifismus', Die Gesellschaft, Vol.1, pt.2 (1924), p111.
293. ibid.
294. ibid.
295. ibid.
296. ibid., p112.
297. ibid.
298. Finanzkapital, p321. Hilferding defined capital export as "the exportation of value which is designed to breed surplus value abroad". ibid., p426.
299. See ibid., pp450-56.

300. *ibid.*, p501.
301. *ibid.*, pp423/24.
302. *ibid.*, p424.
303. 'Krieg, Abrüstung und Milizsystem', in Die Gesellschaft, Vol.3, pt.1 (1926), pp386/87.
304. *ibid.*, p387.
305. *ibid.*
306. *ibid.*, p388.
307. *ibid.*
308. *ibid.*
309. See *ibid.*, p390.
310. *ibid.*, p389,
311. 'Probleme der Zeit', p15.
312. See G. Fülberth and J. Harrer, Die deutsche Sozialdemokratie: 1890-1933, Darmstadt, 1974, p196.
313. See Gottschalch, *op. cit.*, p207, SPD Chairman Hermann Müller described Hilferding as "the best theoretician of German social democracy". Protokoll Sozialdemokratischer Parteitag Kiel 1927, p211.
314. See Fülberth and Harrer, *op. cit.*, p207; for the loyalty of the SPD-left to the traditions of pre-1914 social democracy, see R.N. Hunt, German Social Democracy : 1918-1933, Chicago, 1970, p224.
315. Protokoll Sozialdemokratischer Parteitag Kiel 1927, p10.
316. *ibid.*, p11.
317. 'Die Aufgaben der Sozialdemokratie in der Republik', p165. (In Finanzkapital, Hilferding characterised the 'economic breakdown' of capitalism as "not really a rational concept". (p501)
318. *ibid.*, p165.
319. *ibid.*, p168.
320. *ibid.*
321. *ibid.*, p169.
322. *ibid.*
323. *ibid.*, pp170/71.
324. *ibid.*, p171.

325. *ibid.*
326. When Hilferding turned to the practicalities of forming a government, he conceded that the Reichswehr occupied the "central ground of power politics". (*ibid.*, p182) Nonetheless, in common with the other institutions of the state, the Reichswehr was not to be rejected in principle: it was not a matter of a "struggle against the Reichswehr, but rather of a struggle for the Reichswehr, in order to make it increasingly into a reliable instrument of the Republic". He went on to cite the Prussian Police Force as an example of what might be done with the Reichswehr! (Yet, in 1932, the leadership of the SPD in Prussia felt unable to count on the loyalty of the police in the event of resistance to Von Papen's 'putsch'.)
327. *ibid.*, p171.
328. *ibid.*
329. *ibid.*, p169.
330. *ibid.*
331. *ibid.*
332. According to Marx, of course, wages were the price of labour power, the value of which was determined in the same way as any other commodity (albeit, allowing for the costs not merely of production but also of reproduction).
333. *ibid.*, p170.
334. Christian Zillich, Der Einfluss Wirtschaftlicher Depression auf die Sozialdemokratische Politik, Diplom - thesis (Sociology), Hamburg, 1977, p64.
335. 'Die Aufgaben der Sozialdemokratie in der Republik', p171.
336. See *ibid.*: "Economic democracy is the subordination of private economic interests to social interests. Enterprise democracy is the possibility for each individual to rise to a controlling position according to his ability." (emphasis added).
337. *ibid.*
338. *ibid.*, p172.
339. *ibid.*
340. *ibid.*, pp172/73.
341. *ibid.*, pp173/74.
342. *ibid.*, p174.

343. *ibid.*
344. *ibid.*, p173.
345. *ibid.* The transcript recorded the enthusiastic response to Hilferding's appeal to the Reichsbanner at this point.
346. *ibid.*, p174.
347. Hilferding insisted that the defence of democracy was bound up with the defence of the Republic. (see *ibid.*, p175) Yet the very formation of the KPD had been bound up with an often bloody struggle against the Republic. Moreover - as Hilferding recognised - mass support for the KPD continued to come from the unemployed and other groups having cause enough for enmity towards the Republic, even at the height of the 'stabilisation'. (See p184) Of course, the division became fatal as the KPD leadership indulged and manipulated the bitterness of much of its membership towards the SPD and Weimar Republic alike, and pursued the ruinous logic of the 'Third Period'. Yet, while social democrats were slandered as 'social fascists', leaders of the SPD replied in kind: Hilferding, for example, equated the KPD and NSDAP as undifferentiated "parties of dictatorship"; 'Zwischen den Entscheidungen', Die Gesellschaft, 1933 (pt.1), p3 (see also P5 and p7).
348. 'Die Aufgaben der Sozialdemokratie in der Republic', p181.
349. *ibid.*, p182.
350. Fülberth and Harrer, *op. cit.*, p196.
351. Hilferding insisted on the further centralisation of the state as a point of programme, because: "We must make the best political instrument out of the state..." *ibid.*, p177.
352. Later in the Party Congress the demand was made for: "The conquest and maintainance of as great a number of positions of power as possible in the municipalities, the federal states and the Reich." Quoted by Fülberth and Harrer, *op. cit.*, p199.
353. 'Die Aufgaben der Sozialdemokratie in der Republik', p183.
354. Protokoll Sozialdemokratischer Parteitag Kiel 1927, p191.
355. 'Schlusswort', in *ibid.*, p221.
356. 'Die Aufgaben der Sozialdemokratie in der Republik', p170.
357. *ibid.*, p173.
358. 'Schlusswort', p218.
359. *ibid.*

360. Protokoll Sozialdemokratischer Parteitag Kiel 1927, p212.
361. Finanzkapital, p507.
362. *ibid.*
363. *ibid.*, p403.
364. See, for example, *ibid.*, p323.
365. Quoted by Gottschalch, *op. cit.*, p101.

CHAPTER 6 : ROSA LUXEMBURG

"What is false from a formal economic point of view can be true in the perspective of world history ... Behind the formal economic error may lie concealed a very true economic content."

- Engels.

1. Introduction

The distortion of Luxemburg's legacy was part of the process of the 'stalinisation' of the Comintern. In the same way that the Left Opposition was destroyed as an alternative to the Soviet bureaucracy, so the reputation of Luxemburg was to be discredited as an important source of revolutionary tradition and authority in the KPD. Consequently, a critique of 'Luxemburgism' was developed, the core of which was succinctly expressed by Ruth Fischer: "The German Party based its theory and practice in the main on Rosa Luxemburg's theory of accumulation, and this is the fount of all errors, all theories of spontaneity, all erroneous conceptions of organisational problems."¹ It is argued that she had a mechanical theory of capitalist breakdown which was reflected on the political level in an underestimation of the role of the party. She was supposed to have conceived of revolution as an event arising out of the automatic collapse of capitalism and the consequent spontaneous action of the masses, rather than as an action needing to be purposefully prepared and carried out by a revolutionary party guided by Marxist theory.²

As we shall see, this was wrong. Yet the elements of this judgement have maintained a persistent credibility. Because, moreover, within the general argument of this thesis the particular purpose of this chapter is to attempt a unified approach to Luxemburg's 'economic' theory and 'political' positions, the critique of Fischer's position serves as a point of departure. Accordingly the first (and lengthier) part of this chapter is a critique of Luxemburg's theory of accumulation, which finally merges with an analysis of its political implications and concludes that there is no hint of the infamous 'spontaneism' to be derived from this theory. The second part discusses the articulation of Luxemburg's politics with her understanding of

capitalist development, and proceeds to demonstrate that although her politics as a whole cannot be dismissed as 'spontaneist', this characterisation is applicable to an important aspect of her political thought. The main concern, however, is to demonstrate that while her political shortcomings in this regard are not the simple consequence of her theory of accumulation, her 'economic' and 'political' ideas are nonetheless linked by virtue of having a common root in her 'Rezeption' of Marx's Capital.

2. Capitalist Economic Development and Socialist Revolution

2.1. The theory of collapse in Luxemburg's early writings

A guiding principle of Luxemburg's politics was to predicate the necessity of socialism on the inevitable tendency of capitalism towards economic breakdown.³ She already had the main elements of her theory by 1899. In a review of 'Kautsky's book against Bernstein', she wrote: "Marx's teachings only proved that crises arise of necessity out of capitalist development, and that this development has the tendency continually to sharpen crises and finally to lead to hopeless overproduction ... The tendency of the formation of crises arises from the simple and irrefutable fact that while incessant expansion is indispensable for capitalist production, and while this expansion as such is limitless ... the market has its limits. The same contradiction between the expansion of production and the limitations of the market must sooner or later lead with physical necessity ('Naturnotwendigkeit') to the point where capitalism breaks down simply through its own market relations ('Absatzverhältnissen') - where it becomes a social impossibility and the socialist revolution, therefore, equally a necessity."⁴

In adopting the then conventional theorisation of capitalist breakdown (which was scarcely more elaborate than was expressed in this brief passage), Luxemburg revealed her characteristic fixation on the contradiction between production and consumption and associated neglect of the contradictions within capitalist production. The same disregard of the contradictory nature of capitalist production and correspondingly one-sided emphasis on the market and problems of realisation, were also apparent in her own polemic against Bernstein: "... for him who does not understand the nature of the commodity and its exchange, the entire economy of capitalism ... must of necessity remain an enigma."⁵ This stress on the 'nature of the commodity and its exchange' was quite different from Marx's emphasis on the "two-fold nature of the labour" involved in capitalist production as the "pivot on which a clear comprehension of political economy turns".⁶ In the process of capitalist production and exchange, of accumulation and crisis, Marx accords determining force to the social relations of production - i.e. the relation between "capitalist and wage labourer" - which "has its foundation in the social character of production, not in the mode of exchange".⁷ Luxemburg, however, reversed the direction of determination, maintaining that "exchange dominates production."⁸ Although this bold statement was to be qualified somewhat her theory of crisis nevertheless proved this to be an accurate statement of her basic approach. In contradiction to Marx, Luxemburg explained crises exclusively in terms of realisation: "... crises appear as a result of the contradiction existing between ... the tendency of production to increase, and the restricted consumption capacity of market."⁹ This one-sidedness, moreover, led to the conclusion that a situation was approaching in which: "... the outlets of disposal begin to shrink, and the world market has been extended to its limits and has become exhausted through the competition of capitalist countries - and sooner or later that is

Here then, in a work completed in April 1899, was the argument eventually to be developed into her major work of economic theory The Accumulation of Capital - the locus of which was not the wage labour/capital relation in its consequences for production and hence the "laws of motion" of capitalist economy, but instead the limits to the possibilities of exchange with non-capitalist consumers. Before turning to her main work - and only sustained theorisation of capitalism's dynamic - it remains only to comment upon her insights into the TRPF and her ultimate failure to integrate Marx's law into her theory of accumulation and collapse.

2.2 Luxemburg and the TRPF

Luxemburg did not ignore Marx's law of the tendential decline of profitability. "In the 'unhindered' advance of capitalist production", she wrote: "lurks a threat to capitalism that is much graver than crises. It is the threat of the constant fall of the rate of profit, resulting not from contradiction between production and exchange, but from the growth of the productivity of labour itself."¹¹ However, although she explained the cyclical form of capital accumulation as arising from the repeated overcoming of this tendency in crisis, this cannot be taken as a qualification to her explanation of what causes crisis. For crises, she reiterated in the previous sentence, "constitute the only method possible in capitalism ... of solving periodically the conflict existing between the unlimited extension of production and the narrow limits of the world market".¹² Luxemburg agreed with Marx about the effect of crisis in temporarily reversing the TRPF and the 'threat to capitalism'. If crises are not caused by the falling rate or profit, they nonetheless fulfil the function of devaluing capital and thereby restoring the rate of profit to a sufficient level to facilitate a new round of capital accumulation: "As a result of their periodic depreciation of capital, crises bring a fall in the prices of means of production, a paralysis of part of the active capital, and in time the increase of profits. They thus create the possibilities of the renewed advance of production."¹³ Luxemburg differed from Marx, however, in dissociating the TRPF from the cause of crises and, instead, treated them as separately developing phenomena: if the falling rate or profit is associated with the 'unhindered advance of capital production', then, she wrote, "it is precisely crises that constitute the other consequence of the same process".¹⁴ Crises according to Luxemburg, created conditions in which the rate of profit is restored, but are not caused by its decline.

For Luxemburg, in contrast to Cunow (whose theory of collapse neglected the whole question), the "rate of profit" was "the basic problem of Marxist economics" while the third volume of Capital provided an understanding of the "actually dominant law of the rate of profit".¹⁵ But in spite of this, she did not move beyond the typical dualism in Marxism economics of this period : between the underconsumptionist explanation of economic crisis and the treatment of the falling rate of profit as the mainspring not of crisis, but of capital concentration: "cartels are fundamentally nothing else than a means ... for the purpose of holding back the fatal fall of the rate of profit in certain branches of production."¹⁶ Cartels, she argued, are used to counteract the falling rate of profit, just as they are used to mitigate the impact of crises at the expense of weaker, less organised sectors. Just as crises both stem from and temporarily resolve the contradiction between the "production forces" and the "bounds of the market ", as well as restoring the rate of profit, so, according to Luxemburg, both the coming of crisis and a falling rate of profit call forth the same futile counter-measure from the capitalists.¹⁷ In both cases, however, the tendency of the rate of profit to fall operates alongside but unmediated with the development of crisis. Finally,

capitalist measures of self-defence are shown as futile just so soon as the crisis reaches the point when "the outlets of disposal begin to shrink and the world market has extended to its limits".¹⁸ In this situation "each individual portion of capital will prefer to take its chances alone", and "the large regulating organisations will burst like soap bubbles and give way to aggravated competition".¹⁹ This, of course, is perfectly in line with Marx's judgement that the competitive struggle is not the cause of crisis but rather that it is crisis that aggravates and heightens the competitive struggle. What is at first sight extraordinary, however, is that Marx's statement of this position comes during the culmination of his analysis of the crisis of overproduction (which he explains as the result of the eventual accompanying of a falling rate of profit by an absolute decrease in the mass of profit).²⁰ Extraordinary, because the whole of this analysis was neglected by Luxemburg as she divorced the falling rate of profit from the causation of crisis and treated this tendency as, in effect, a secondary factor.

In Luxemburg's earliest theoretical intervention in the SPD, we can see the existence separately and only partially integrated, of the prevalent theory of crisis and the prevalent understanding of the falling rate of profit as a theory of capital concentration. When she came to refurbish the form of the traditional theory of collapse with the new content of her own analysis, however, her focus on the sphere of circulation led her ever further away from Marx's analysis of crisis in terms of the falling rate of profit. The impulse to this work was the need she felt to defend in the theory of collapse the foundations of revolutionary politics, and to refute thereby the growing tendency of "neo-harmonism". But Luxemburg did not return to Marx's concept of capital and his analysis of the contradictory nature of capital accumulation (by means of which she could

have negated the very assumptions and method by which her opponents metamorphosised Marx's abstract schemes of expanding reproduction into a depiction of an indefinitely and harmoniously accumulating capitalist reality). Rather, she was . . . led (so long as the locus of her analysis remained the contradiction between production and exchange) to base her analysis on the same methodological errors as her centrist opponents, achieving different results only via different, but equally arbitrary assumptions.

2.3. The Accumulation of Capital

2.3.1. Introduction

Luxemburg's Accumulation is often mentioned in the same breath as Hilferding's Finanzkapital. Yet although they both provide a theorisation of imperialism, these works are quite dissimilar. Whereas Hilferding deployed the categories of Marx's Capital (as he understood them) to undertake a detailed descriptive/analytical account of new institutions and processes together amounting to a higher form and giving rise to new tendencies of capitalist development, Luxemburg proceeded by way of a critique of theories of reproduction - including that of Marx - in an attempt to establish in a theoretically rigorous manner the conventional (but only ever weakly substantiated) belief of social democrats in the ultimate collapse of capitalism. Because, therefore, Finanzkapital dealt with concrete phenomena like cartels and protectionism, Hilferding was able to say a great deal about a new historical stage of capitalist development without his results being completely vitiated by his problematic relation to Marx's value theory. The Accumulation, however, was restricted to the investigation of capitalist reproduction at a more abstract level - cartels, for example, being mentioned only once and in passing - which meant that the problems discovered by Luxemburg were not able to explain directly the different historical forms of capitalist development. In

the case of a misguided theoretical approach, moreover, her results stood to be devalued to a much greater extent. The following examines the extent to which this was the case.

Luxemburg's main work of economic theory can only be understood as a synthesis of the two main contemporary strands of thinking on the problem of accumulation and crisis, designed to be consistent with an already developed revolutionary perspective. Firstly, in support of the general expectation among social democratic workers of a capitalist 'collapse', and in accord with previously attempted theorisations of capitalist 'breakdown' by Cunow (to an extent) Kautsky, she set out to furnish 'rigorous economic argumentation' for this virtual article of faith. Secondly, in attempting to use and modify Marx's reproduction schemes as the basis of her proof of the economic necessity of imperialism and, consequently, of a tendency towards capitalist breakdown, Luxemburg was operating within the framework of an approach to accumulation and crises laid down by Tugan-Baranowsky and rendered conventional by Hilferding. For although her work was occasioned by the intention to refute the conclusions of this new (and increasingly dominant) theoretical tendency by means of endowing the older notions of capitalist 'breakdown' with a revamped theoretical content, she shared her opponent's exclusive concern with the reproduction schemes and hence problems of equilibrium and proportionality: "The rigorous economic argumentation" for the necessity of imperialism (and ultimate 'breakdown') led her - as she explained in a letter to Leo Jogisches - "to Marx's formulae at the end of the second Volume of Capital, which have long seemed strange to me and where I now find one looseness after another."²¹

Luxemburg very simply stated her perspective on accumulation and thus

on capitalist development as a whole : in her opinion, Marx maintained that "human consumption represents a limit for capitalist production which is bound to cause periodical crises in the present, and the collapse and terrible end of capitalist economy in the near future".²² Her main concern, however, was not to analyse recurrent economic crises but to prove the inherent tendency of capitalist development towards ultimate and irrevocable breakdown. Accordingly, the Accumulation did not undertake to theorise "the most striking peculiarity of capitalist reproduction" - "this cycle of slump, boom and crisis".²³ Indeed, she argued that it was necessary to study the implications of capitalist reproduction in abstraction from the phenomena of the cycle. Only in this way was it possible to approach the fundamental question as to how reproduction could proceed at all on a capitalist basis.²⁴ For this was the point of departure from which to demonstrate conclusively that, even in the absence of periodic crises (considering only the average, long term path of expanded reproduction), accumulation was not possible within a closed capitalist system, because of the "lack of consumers other than workers and capitalists", and that, therefore, the realisation of surplus value depended on demand from non-capitalist consumers.²⁵ From this it followed, according to Luxemburg's argument, that the absolute limit to capitalist development was to be found in the extent of its pre-capitalist environment and that, therefore, the very tendency of capitalism to become universal entails the destruction of its own conditions of existence and ultimate breakdown.

I will now attempt to summarise and criticise the prolix and often confusing argument with which Luxemburg supported this putative ultimate contradiction of capitalist development.

2.3.2. The problem of reproduction

Luxemburg lavished praise on Marx's contribution to solving "the problem of the reproduction of the entire social capital" : "The central problem might be formulated as follows: how is it possible that in an unplanned economy, the aggregate production of innumerable individual capitalists can satisfy all the needs of Society?"²⁶ By analytically decomposing the total social product into its value components and fundamental material constituents (the two productive departments, for producer and consumer goods), Marx's reproduction schemes - she argued - mediated the combined social and technical conditions under which the innumerable disconnected and seemingly independent operations of capitalist economy together constitute a process of circulation which sustains the process of production and extends it into the movement and reproduction of social capital as a homogeneous whole.²⁷ From the point of view of its social relations, capitalist reproduction is a process of value-creation governed by value relationships;²⁸ the decisive one being the appropriation of surplus value in the form of profit.²⁹ Yet this, Luxemburg emphasised, is dependent on the realisation of surplus value which - in turn - presupposes an adequate level of effective demand and that the use-value (or technical 'mix') of the total commodity production is such as to reproduce in the necessary proportion the material elements of continued accumulation (so that it may be exchanged for money on the market, as a stage in the conversion of commodity capital into productive capital). Having differentiated the moments of production and realisation: within the process of reproduction, however, Luxemburg was henceforth exclusively concerned with the 'second act' (as Marx put it). For her 'the problem of reproduction' did not primarily concern the production of surplus value. Instead, the Accumulation deals with the sphere of production as unproblematic, and only insofar as is necessary to reconstitute Marx's analysis of the circulation of social capital. And Luxemburg undertook this task for the purpose of revealing that even Marx's conditional synthesis of the antimonies of the capitalist

process of reproduction failed to encompass 'the problem of reproduction' which, understood properly, was the problem of how surplus value was to be realised under conditions of expanded reproduction.³⁰

For Luxemburg the "weak point" of Marx's analysis of accumulation - and of the reproduction schemes she supposed to depict the process of expanded reproduction - is that it "does not solve the question of who is to benefit in the end by enlarged reproduction" or, in other words, "who are the new consumers for whose sake production is ever more enlarged".³¹ Somewhat at odds with her previously glowing assessment, Luxemburg elaborated on this ostensible 'weakness' - the 'discovery' of which was the basis of her entire theory - by way of a series of assaults on the validity of Marx's reproduction schemes.

I will now outline the individual stages of her investigation in order not only to reveal the errors in her interpretation of Marx and of her own theory of accumulation, but also to establish their common and underlying methodological content.

2.3.3. On the construction of Marx's reproduction schemes

Having outlined Marx's argument up to the stage of simple reproduction, Luxemburg broached her first criticism of the schemes. Her starting point was the relation between the production and reproduction of the money commodity and Marx's two great departments of social production.

From the circulation of the social capital as a "continuous alternation of the three forms of capital" (money, productive and commodity capital) Luxemburg inferred that Marx's schemes were incomplete and should be supplemented by a third department - to demonstrate the production and reproduction of the means of exchange in connection with that of

productive and consumer goods.³² Marx was wrong, insisted Luxemburg, to incorporate the production of the money commodity into Department I. Firstly, because unlike the production of gold for industrial purposes, "gold in its capacity as money is not a metal but rather an embodiment of abstract labour in abstracto". "Thus it is no more a means of production than it is a consumer good."³³ Secondly, therefore, whatever the scale of the production of gold as money, its inclusion / ^{within} Department I means a corresponding reduction in the output of real means of production. Accordingly, the conditions of proportionality demonstrated by the reproduction schemes will be violated and reproduction unable to recommence on the old scale.

Yet having imputed such an elementary mistake to Marx in the construction of his schemes, it is striking that after 'correcting' Marx's scheme of simple reproduction by adding a third department, Luxemburg made no attempt to describe and illustrate the consequently modified turnover of social capital: "In fact", as Grossmann notes, "her book contains not a single word of clarification as to how the exchange relationships of a three-department scheme would mutually condition and realize one another."³⁴ It is not to be denied that Luxemburg identified a genuine problem - albeit one that Marx himself was aware of. The solution, however, was not to be found - as Luxemburg supposed rather than proved - in a simple presentational adjustment.

More important - and what Luxemburg's analysis lacked - was an accurate posing of the problem in the light of Marx's differentiation between gold as a commodity and in its function as money. With this distinction in mind, it can be seen that Luxemburg's third department does not fulfil her requirement of inserting gold in its function of means of circulation into the reproduction schemes - for this would mean taking account of the entire quantity of historically accumulated money necessary to circulate

the total commodity capital of society. Instead, Luxemburg's third department merely accounts for the quantity of newly produced gold necessary to make good the physical depreciation of the means of circulation - treating gold, in other words, in its commodity form and, like any other part of the newly produced commodity capital, in need of realisation.³⁵

The quantity of already existing money necessary for circulation does not circulate in the commodity form, because it is itself the means of circulation: and because, therefore, it does not need to be realized, it has no place within the commodity product of either department of social production. Marx's reproduction schemes thus encompass gold only in its commodity form; as a commodity, that is, needing and able to be realised in the quantity to which gold in the form of circulating medium has physically deteriorated in the preceding production period. Accordingly, Marx was correct to incorporate the production of the money commodity within his two established departments of social production. The issue is thus no longer Marx's supposed failure to distinguish between 'means of exchange' and 'means of production',³⁶ but rather Luxemburg's failure to approach the problem - of the relation between "the production and reproduction of money and the two other departments of social production" - from a point of view consistent with Marx's analysis of the money form of value.³⁷ (This is, of course, reminiscent of Hilferding's theory of money and - as we shall see - similarly indicative of the failure to theorise systematically capital accumulation and capitalist development from the point of view of value theory.)

Luxemburg was not only wrong to label her third department as 'means of exchange' when the gold in this department was in the commodity form, but may also be criticised for the very attempt to range the means of

circulation alongside the exact quantitative inter-relations of the two large departments of social production. For the total quantity of money necessary to circulate the total commodity production is not fixed but variable (according to the velocity of circulation and the degree to which the function of money as means of payment is organised) and is, therefore, not capable of being brought into any fixed relationship with the quantitatively exact elements of Marx's reproduction schemes. The significance of this criticism is wider than the matter at hand, because it is the first example of Luxemburg's proclivity to make the reproduction schemes assume functions in economic theory for which they were not designed.

Finally, Luxemburg recognised that the production of gold to replace that part of the means of circulation lost through wear and tear represents an overhead cost for the system as a whole - serving "neither the purposes of production nor those of consumption, merely representing social labour in an undifferentiated commodity that cannot be used".³⁸ Nevertheless, her "correction" of Marx's scheme of simple reproduction was not consistent with the implications of this understanding: for instead of recognising that for society to devote a portion of its productive capital to making good physical depletion of the means of circulation necessarily meant a corresponding curtailment of the level of reproduction, Luxemburg had her third department constitute an addition to total social production. Moreover, once having revealed Luxemburg's error in adding rather than subtracting the production of money from the total social product, it is possible - as Grossmann demonstrated - to complete the critique of Luxemburg's 'correction' of Marx by incorporating the production of money into the scheme of simple reproduction without resorting to an extra department and without violating the conditions of proportionality.³⁹ It is unnecessary, however, to replicate Grossmann's proof. For the purposes

of my critique it is more important to conclude by drawing out the more general and methodological significance of this otherwise incidental chapter in relation to her theory of accumulation and imperialism as a whole. As Grossmann explains: "As with all the problems she poses and her solutions, the given 'solution' in this case is also purely external and mechanical. It appears to her that commodities under capitalism are unsaleable, and so she introduces the non-capitalist world from the outside to purchase the commodities of the capitalist world - and so the problem is solved. She proceeds similarly in relation to our problem. Difficulties with the production of gold arise for the problem of reproduction on the basis of the two-department schema, so instead of attempting a solution a third department for the production of gold is simply introduced and the difficulty thereby disposed of."⁴⁰

After her excursus on the production of money, Luxemburg pursued her investigation of the 'problem of reproduction' by way of a critique of Marx's analysis of enlarged reproduction. Luxemburg sought to prove that extended reproduction is only viable on the basis of exchange with non-capitalist strata, and that imperialism arises from the need to incorporate such strata in overseas areas into the process of capitalist reproduction. Although she did not spell it out precisely herself, she sought to do this by demonstrating that (on a purely capitalist basis):

- firstly, there is no incentive to accumulate and expand reproduction;
- secondly, even the theoretical possibility of capital accumulation is doubtful;
- and, thirdly, Marx's analysis not only fails to draw the consequences of these problems but elides the immanent threat to the conditions of proportionality necessary for expanded reproduction.

Accordingly, my critique will now proceed via these three main headings.

2.3.4. The incentive to accumulate

At the end of a chapter outlining Marx's analysis of enlarged reproduction, Luxemburg concluded that there could be no limit to accumulation so long as the rules of proportionality illustrated by Marx's schemes were observed. However, she immediately posed the fundamental doubt to be elaborated in her subsequent analysis : this diagrammatic development of accumulation amounted to little more than a mathematical exercise giving the conditions of proportionality for expanded reproduction but, as yet (she implied) no reason - let alone guarantee - that accumulation would actually take place.⁴¹

It is now that Luxemburg introduces the cardinal stage of her argument. Even should the desire and the technical prerequisites to initiate accumulation be present, argued Luxemburg, under capitalism there was still the further condition of effective demand to be reckoned with : "Where is this continually increasing demand to come from, which in Marx's diagram forms the basis of reproduction on an ever increasing scale?"⁴² This - for Luxemburg - was the 'nucleus' of the "problem of reproduction" under a system of production for profit.⁴³

Great though Marx's achievement was in establishing that accumulation "consists not merely in the enlargement of variable but also of constant capital", his "stress on the share of constant capital in the reproductive process" was "not enough ... to solve the problems of accumulation".⁴⁴ For even if Department I took the initiative, she argued, according to Marx's scheme this could only be because Department II needed additional means of production in order to produce increased quantities of consumer goods. And Department II would only increase production if Department I were to employ extra workers and so increase demand for its products. Hence, concluded Luxemburg, to refer to the reproduction schemes as proof that capital accumulation (so long as it is underway) created its

own market for the ever greater quantity of commodities - sustaining, in turn, productive demand - was no answer at all but only to "run in circles".⁴⁵ From the point of view of the capitalist class as a whole, "it is absurd to produce more consumer goods merely in order to pay more workers, and to turn out more means of production merely to keep this surplus of workers occupied".⁴⁶ Capitalist accumulation could not proceed in this manner - that of a "roundabout" according to Luxemburg; "not capitalist accumulation ... but its contrary: producing commodities for the sake of it".⁴⁷ Because workers buying consumer goods "merely refund to the capitalist class the amount of the wages they receive", argued Luxemburg, the capitalist class could only make a profit - and thus have a reason to purchase new means of production and employ extra workers to work them - in the presence of a "new" source of effective demand (in the sense of being established both external and prior to the combined demand of the bourgeoisie and proletariat) for the increased quantity of commodities eventually to be turned out by Department II.⁴⁸ Consequently, Luxemburg's view was that the reproduction schemes merely illustrated that "if there is expanding production, these formulae will apply".⁴⁹ They could not, however, explain the initial incentive for the capitalist class to enlarge production, and thus failed to locate the source of effective demand for additional means of production and labour power without which accumulation could not get underway in the first place.

Of course, once the process of accumulation is underway then, by definition, productive demand enables an increased quantity of commodities to be realised, and there is no reason - at this abstract level of questioning - why this should not continue to be the case. ("Rosa Luxemburg tries to withdraw herself from this tricky business by nimbly climbing on to a carousel", commented Bukharin, "But there can be no objection ... that the process manifests a cyclical character.")⁵⁰

Accordingly, to refute Luxemburg's argument on this question of the incentive for capital accumulation, it is only necessary to demonstrate that the reason she could claim to be unable to locate 'the impelling force' of accumulation, and the process of expanded reproduction as a whole, is that her guiding method caused her to discover a 'problem' - and hence the need for a 'solution' - which did not exist before she herself introduced it.

Marx's reproduction schemes illustrate the process of reproduction by way of a provisional resolution of the antimonies of value and use-value in the context of 'capital in general'. As such, they are a theoretical tool for completing the analysis of capital at the level of abstraction appropriate to investigating the inherent laws of capitalist development : 'capital in general' is a methodological stage in Marx's analysis, which proceeds by initially disregarding all the 'concrete forms' of capital - such as competition and problems of realising surplus value - in order ultimately to understand such facets of capitalist reality according to Marx's method of ascending 'from the abstract to the concrete'. Bearing in mind Marx's method, it is thus hardly surprising that Luxemburg could find no solution to the problem of realisation in Marx's reproduction schemes - for at the level of abstraction of 'capital in general' this 'problem' is excluded by definition.⁵¹ Because the problem of realisation is not yet posed at this stage of Marx's analysis, it should equally come as no surprise that the reproduction schemes provide no 'solution' in terms of revealing the incentive to investment (and hence the source of effective demand for additional means of production and labour power).

The problem of realisation and Marx's provisional solution - without which reproduction could not proceed at all - are only posed according to Marx's method at the more concrete level of the 'many capitals', in their

interaction and competition. It is only at this more concrete level that it can be understood how competitive pressure itself provides the incentive to invest and hence a provisional solution to the problem of effective demand : for the 'battle of industry' between individual capitalists is fought by capitalising surplus value in order to increase productivity as the means of realising a profit above the average, while underselling competitors to extend the share of the market (which further enhances profitability through economies of scale, etc.). At first it is puzzling that Luxemburg was well aware of this : in the opening pages of the Accumulation she wrote that : " ... the capitalist method of production furnishes not only a permanent incentive to reproduction in general, but also a motive for its expansion ... Expansion becomes in truth a coercive law, an economic condition of existence for the individual capitalist." Indeed, she concluded: "A growing tendency towards reproduction at a progressively increasing scale thus ensues, which spreads automatically like a tidalwave over ever larger surfaces of reproduction."⁵² In spite of this, however, Luxemburg did not attempt to discuss whether - or even to what extent - this 'coercive law' constitutes an adequate incentive to accumulation, but rather looked for a source of effective demand from outside the closed circle of capitalist production.

In trying to understand how this could have been, it is once again necessary to confront Luxemburg's uneasy relation with Marx's method in Capital. In this case, it was a miscarried application of the methodological standpoint of totality to the problem that led her to exclude competition amongst individual capitalists as adequate 'incentive' for accumulation and the expanded reproduction of total social capital. For, as Kalecki comments : "In her consideration of the taking of investment decisions by capitalists she somehow implies that they are being taken by the capitalist class as a whole. And this class is frustrated by the knowledge that there is no final market for the

surplus of goods corresponding to accumulation : so why investment?" However, he continues, "capitalists... certainly do not invest as a class".⁵³ In the Accumulation, Luxemburg insisted on studying economic processes from the point of view of aggregate social capital.⁵⁴ Yet, as Rosdolsky demonstrates - this strength was infirmed by her mistaken view that the abstract analysis of capital was confined to the analysis of individual capital in Volume I of Capital and that, therefore, "the accumulation of aggregate social capital (which she supposed to be the object of analysis in Volumes II and III) ... represents the real historical process of capitalist development".⁵⁵ Thus, whereas Marx conceived the reproduction schemes as a means of elucidating the reproduction of 'the aggregate social capital' in the context of 'capital in general', Luxemburg could not help but see in them an inadequate attempt to depict directly the 'real historical process' of capital accumulation. Accordingly, because she did not understand that both Volumes I and II investigate 'capital in general', Luxemburg set out to correct Marx's reproduction schemes in order "to abandon the premise of the first Volume and to carry out the enquiry into accumulation as a total process, involving the metabolism of capital and its historical environment".⁵⁶ (She accused Marx of abstracting "from all conditions of historical reality". Yet as Rosdolsky comments, "although Luxemburg speaks of all conditions, she actually means one - namely the existence of a non-capitalist environment, the so-called third person".⁵⁷)

Differentiating the perspectives of 'individual capital' and 'aggregate capital' but unable to integrate this insight into Marx's essential methodological distinction between 'capital in general' and the 'many capitals', Luxemburg could not develop her analysis from the abstract to the concrete according to Marx's method. Consequently, she experienced no methodological restraint in arbitrarily introducing this particular element of the concrete reality of capitalism into Marx's abstract

analysis, to provide a solution to a problem that could not even be posed at the level of 'capital in general' - but on which her whole argument depended. Had she followed Marx's method of making the transition from 'capital in general' to the more concrete level of analysis of the 'many capitals', then the problem of realisation would have been posed together with competition, the provisional means of its solution. In this case, however, the first step towards reconstituting the traditional notion of capitalist 'breakdown' would not have survived the test of theoretical investigation.

Because Luxemburg based her theory on the initial methodological distortion of introducing the problem of realisation into the reproduction schemes while continuing to disregard competition, she could not help but follow this up by giving the concept of 'aggregate capital' a methodologically unsound twist.

This is especially clear in her Anti-Critique. Restating her rejection of the simple solution to her 'problem' - that, once underway, the process of accumulation means "the capitalists are mutual customers for the remainder of the commodities" - Luxemburg objected that, even assuming the initial accumulation, the future enlargement of production as a result of this accumulation will pose even more sharply the question of where to "find the consumer for this ever greater amount of commodities."⁵⁸ To answer that, as before, the process of accumulation itself will continue to expand the market was - as she had previously argued - merely 'to run in circles' : "Then we have the roundabout that revolves around itself in empty space. That is not capitalist accumulation, i.e. the amassing of money capital, but its contrary : producing commodities for the sake of it; from the standpoint of capital an utter absurdity. If the capitalists as a class are the only customers for the total

amount of commodities, apart from the share they have to part with to maintain the workers - if they must always buy the commodities with their own money, and realise the surplus value, then amassing profit, accumulation for the capitalist class, cannot possibly take place."⁵⁹ We can now take into account another way in which methodological error undermines the very foundation of her theoretical edifice. For to treat 'capital' as an undifferentiated whole and the accumulation process from the standpoint of the 'capitalist as a class', is to push the concept of 'aggregate capital' beyond the bounds of its validity.

Marx's investigation of the reproduction of total social capital in the methodological context of 'capital in general' requires conceptually "the existence of exchange relations between the two departments of social production ... but not competition in its real sense".⁶⁰ Yet this is not to imply that the methodological standpoint of total social (or 'aggregate') capital is the same as or restricted to the level of abstraction of 'capital in general'. Indeed, it is only when (in Volume III of Capital) Marx begins the transition to the more concrete level of analysis of the competing 'many capitals', that he definitively establishes social capital and social surplus value as "real quantities, having an objective existence" (as Luxemburg put it).⁶¹ However, although Luxemburg understood that "the relation between them, the average rate of profit, guides and directs the whole process of exchange",⁶² she failed to take into account that in Marx's analysis it is precisely "competition" that "brings out the social character of production and exchange" (by way of establishing the tendency to convert different individual rates of profit into an average, general rate of profit).⁶³ Hence Luxemburg understood the tendency towards an average rate of profit as proving that, in spite of the lack of social regulation, the movement of capital forms a homogeneous whole : yet she failed to appreciate competition as a process necessarily taken up into the concept of

social capital from which she took her methodological point of departure. Had she understood the concept of social capital in the context of Marx's fundamental methodological distinction between 'capital in general' and 'many capitals', however, she would have better understood its range and limits. Above all, she would have been prevented from positing the 'standpoint of capital' (as a whole) as a state of affairs precluding competition and thus the incentive to accumulate.

Finally, it is ironic that Luxemburg should have attempted - in the Anti-Critique - to refute her 'neo-harmonist' opponents by starting her analysis of capital accumulation from the point of view of the false abstraction of the capitalists as a class" (i.e. as a bloc; accumulating as a whole rather than individually according to the 'incentive' of mutual competition). For in misrepresenting Marx's concept of social capital so as to provide the first stage in her theory of capitalist breakdown, she was mirroring the procedure of Hilferding who, also by reducing the 'capitalists as a class' to an undifferentiated bloc (the 'General Cartel'), was able to postulate the possibility of a crisis-free capitalist economic development of indefinite duration. Because (as becomes increasingly clear as the critique of Luxemburg proceeds) she failed to rise above her opponents methodologically, Luxemburg could draw opposed and, by implication, more revolutionary conclusions from her analysis, while remaining unable to refute them systematically by exposing errors in their fundamental assumptions and procedures.

2.3.5. The possibility of accumulation

Having identified the incentive to accumulate and expand production - which establishes the internal dynamic of capitalist reproduction - it requires little elaboration to dispose of Luxemburg's "principal problem : who exactly is to profit by an expansion ... ?".⁶⁴ For so long as

capitalists can produce at an adequate rate of profit and reproduction proceeds in equilibrium, surplus value can be realised, profits steadily enlarged and accumulation continued. The above quotation from Luxemburg's Anti-Critique, however, introduced her second line of argument on the lack of effective demand for the surplus product within a closed capitalist system - which she now pursued by way of a critique of Marx's analysis of the source and movement of the money-supply in the reproduction process ("the puzzle of where the money comes from"⁶⁵). The gist of her argument on this point is that accumulation and expanded reproduction on a purely capitalist basis would be impossible, because the capitalist class as a whole could hardly realise surplus value when it was ultimately the exclusive source of all money necessary to transact the exchanges depicted by the reproduction scheme.

Having disposed of consumption - of the proletariat and bourgeoisie alike - and failing to even consider competition as an 'incentive' or motivating ground for capital accumulation,⁶⁶ Luxemburg attempted to establish the foundations of her theory by posing the problem of effective demand from the point of view of who pays for the surplus production : "The surplus value must... shed its form. as surplus product before it can re-assume it for the purpose of accumulation; by some means or other it must first pass through the money stage. So the surplus product of Departments I & II must be bought - by whom?"⁶⁷ (The problem, according to Luxemburg, is the realisation of surplus value rather than the value of the whole production under conditions of expanded reproduction, because that part of the total commodity production in the form of constant capital is realised through replacement activity, while the workers' expenditure of their wages accounts for the variable capital.) According to the previous argument, however, there is no incentive to invest and hence no possibility of capitalising surplus value within a purely capitalist economy : for the surplus product to be turned into cash, therefore, the capitalists of Departments I and II alike "must

find many other buyers who receive their means of purchase from an independent source ... consumers who receive their means of purchase on the basis of commodity exchange, i.e. also production of goods, but taking place outside of capitalist commodity production".^{67a}

In order to support this conclusion, Luxemburg first examined the mechanism of accumulation from the point of view of 'hoarding' - i.e. the gradual accumulation of money-capital by capitalists for the eventual purpose of purchasing the elements of productive capital.

Hoarding, of course, proceeds by withdrawing money from circulation; by means of selling commodities without making purchases. But, objected Luxemburg (using Marx's words for her purpose): "If this operation is conceived as one taking place universally, then it seems inexplicable where the buyers are to come from, since in that case everybody would want to sell in order to hoard, and no one would want to buy."⁶⁸ Thereupon, Luxemburg attempted to develop what Marx referred to as "this seeming difficulty", into a further proof of her general thesis as to the impossibility of overcoming the problem of effective demand on a purely capitalist basis.⁶⁹ However, this aspect of Luxemburg's critique of the process of capital accumulation is as erroneous as the previous stages of her argument - and for similar reasons. Once again, Luxemburg's starting point was the misuse of Marx's methodological standpoint of 'aggregate' or 'total social capital': she treated the accumulation of 'aggregate capital' as analogous to that of individual capital, and so precluded the general significance of the interconnection and antagonism of the 'many capitals' being taken up into the concept of 'aggregate capital'. Because she thereby restricted the content of the concept of 'aggregate capital' to that of capital as an undifferentiated bloc, Luxemburg was unable to consider the unevenness of fixed capital renewal (already discussed by Marx) as a solution, in advance, to the 'problem' of reconciling the need for capitalists to both hoard money - capital and

realise the surplus value contained in their commodities.

When Marx enquires after the source of the money to pay for the accumulated surplus value, this merely expressed, according to Luxemburg, the insoluble problem of effective demand for the social surplus values.⁷⁰ Nevertheless, Marx had a solution to the problem of how money may be hoarded without at the same time creating an insufferable obstacle to the process of circulation. It is, as Day explains, "the essence of simplicity: not all capitalists are accumulating money-capital simultaneously".⁷¹ Because fixed capital is depreciated and must be replaced at varying intervals, some capitalists will be spending their hoards and making one-sided purchases while others will be accumulating hoards by means of one-sided sale. For proportionality to be preserved, therefore (under conditions of both simple and extended reproduction): "Mere purchases here must be offset by a mere sale there." In this case, the release of hoarded money into circulation will compensate for money withdrawn into hoards and, according to Marx, "balance is restored".⁷²

Of course, this was known to Luxemburg.⁷³ Yet she refused to accept that Marx's explanation bore upon the problem of realising surplus value under conditions of enlarged reproduction. This was because she refused to accept that accumulated hoards, as Day explains, "can be used both for replacement of existing fixed capital and for the purchase of new fixed capital".⁷⁴ Rather, Luxemburg insisted: "Owing to its very nature, the accumulated hoard can only cover the renewal of the old capital; there cannot possibly be enough to serve further for purchasing additional constant capital."⁷⁵ The balancing out of hoarding and dishoarding was, she argued, relevant only to the renewal of fixed capital under conditions of simple reproduction. When enlarged reproduction is considered, therefore, there was still the problem of how accumulation - i.e. not just the renewal of the fixed element of constant capital but the capitalisation of surplus value in order to enlarge production - can proceed without new additional

sources of money: accumulation, concluded Luxemburg, will mean the continual expansion of production beyond the level of demand maintained by disimbursement of existing hoards for replacement purposes - and hence a 'breakdown' of reproduction.⁷⁶ However, Marx's solution was precisely that the source of money for accumulation - and thus to realise the increased quantity of products consequent upon accumulation - lay in the capitalists' hoards of previously accumulated money intended to make good the amortisation of fixed capital. As Day (who pursued this point in detail) points out, Luxemburg entirely missed this critical point - "that the accumulated money-capital might be reinvested even before the original fixed capital is physically worn out".⁷⁷

Because of the jejune content of her concept of 'aggregate capital', Luxemburg necessarily conceived expanded reproduction as entailing accumulation on the part of the capitalist class as a whole. And this she believed,^{gives} rise to a deepening deficiency of aggregate demand. Yet once the concept of 'aggregate capital' is understood as not simply counterposed to 'individual capital' but rather as capable taking up and expressing what is of general significance in the movement of the 'many capitals', then it can be seen that there is no requirement for all capitalists to accumulate simultaneously. Indeed, while some capitalists continue to hoard, others will be dishoarding not only to replace fixed capital but also to utilise funds set aside for amortising fixed capital to finance accumulation. Capitalists can do this so long as sufficient funds are available to replace fixed capital at the end of its economic life - and the source of the necessary money for this will be the amortisation fund for the more recent and current additions to fixed capital.⁷⁸ Expanded reproduction is possible, therefore, because the value of newly purchased fixed capital for accumulation can exceed "the total of current depreciation plus the portion of the surplus value being monetised with future additions or replacements in mind".⁷⁹

Finally, it is noteworthy that this latest attempt by Luxemburg to prove the impossibility of enlarged reproduction within a closed capitalist

system is also contradicted by the possibilities inherent in the credit system - which proceeds precisely by mobilising money lying idle in the hoards of one lot of capitalists to provide functioning money-capital for others wishing to accumulate. Having disproved Luxemburg's argument without recourse to the question of credit, however, it is not necessary to pursue this theme for the purpose of the present analysis.⁸⁰

Continuing to analyse the difficulties of accumulating on a purely capitalist basis from the angle of the process of circulation, Luxemburg reiterated a question already posed by Marx. Given that the capitalist class is the sole point of departure of the circulation of money, how is it possible for them to throw a sum of money into circulation as payment for means of production and labour power, yet draw for circulation a sum of money augmented by surplus value? Or (using Marx's words): "Where does the additional money come from by which the additional surplus value now contained in the form of commodities is to be realised?"⁸¹

Luxemburg rejected Marx's own answer - that the additional money required by the capitalists to circulate an increased quantity of commodities of greater value is secured by economy in the circulating medium (credit, accelerating the velocity of circulation), dishoarding or, should additional money still be required, by exchange of means of production and consumption for the product of the capitalist gold producers. Indeed, from Luxemburg's point of view: "Marx has been tackling the problem from the wrong approach. No intelligent purpose can be served by asking for the source of the money needed to realise the surplus value. The question is rather where the demand can arise - to find an effective demand for the surplus value."⁸²

Yet Marx's interrogation of the relation between the circulation of money and the circulation of surplus value under conditions of expanded

reproduction was not, as Luxemburg would have it, a 'long-winded' detour to avoid the problem of consumers for the surplus and, therefore, the conclusion that these must come from outside the sphere of capitalist reproduction. Luxemburg's error was (as Bukharin demonstrates at length) to confuse accumulation with the growth of money capital;⁸³ and hence to argue (once again revealing the influence of her misuse of the methodological standpoint of 'aggregate capital') that: "... it is impossible for the entire class of capitalists to realise profit, and therefore to accumulate", because it is not possible "for new money capital to be formed in the class of capitalists."⁸⁴ Nevertheless, while accumulation proceeds through the stage of the money-form of capital and is accompanied by an accumulation of money-capital, it is not true, as Luxemburg maintained, that: "To accumulate capital does not mean to produce higher and higher mountains of commodities, but to convert more and more commodities into money."⁸⁵ According to Marx, just as the accumulation of money capital is a related but different activity to accumulation (or the conversion of money capital into productive capital), so the process of realising the total sum of newly produced surplus value by no means requires a correspondingly increased sum of money. Consequently capital accumulation is not, and does not necessarily require, the simultaneous accumulation of money capital by the capitalist class as a whole, while the realisation of surplus value does not take place in one transaction conducted by an equivalent amount of value in the form of money and functioning as means of circulation. For as Bukharin explains: " 'The total profit of the capitalists' is an objectively real amount. But that in no way means that one must imagine it as a simultaneously existing heap of gold. Comrade Rosa Luxemburg completely fails to understand this. Materially, at any given moment, it consists not only of gold, not even predominantly of gold, since accumulation consists precisely in the addition of profit to capital, which must ... assume the form of productive capital, in which way alone the

the essence of the matter, i.e. the process of increasing value, is ensured."⁸⁶ Total profit has an objective existence and regulates the movement of capital, but this does not mean that at all times, or even at any one time, it has to assume the money form.

It should now be almost self-evident that Luxemburg made a problem out of Marx's question only because " she takes the total capitalist as an individual capitalist" (as Bukharin notes),⁸⁷ and hence confused the accumulation of capital with the accumulation of money capital and the increase in the amount of the circulating medium: "... gross social capital continually realises an aggregate profit in money form, which must continually grow for gross accumulation to take place. Now, how can the amount grow if its component parts are always circulating from one pocket to another."⁸⁸ Contrary to Luxemburg's way of thinking however, it is not the total capitalist that realises total surplus value all at once, and in the form of an equivalent quantity of money, but rather innumerable individual capitalists who realise their surplus value successively - and hence the social surplus value gradually. Accordingly, whether accumulation of productive capital or accumulation of money capital follows realisation, the circulation and enlargement of capital will not require 'additional money' beyond the scope of those mechanisms investigated by Marx.

Luxemburg was wrong to interpret Marx's question as a 'long-winded' detour to avoid the problem of consumers for the social surplus value : consequently, her final proof of the impossibility of accumulation within a closed capitalist system falls, and her corresponding conclusion - that "realisation of the surplus value outside the only two existing classes of society appears as indispensable" - remains unsubstantiated.⁸⁹

2.3.6. The immanent disproportionality of expanding reproduction

Luxemburg's final - and theoretically most rewarding - argument against

Marx's analysis of expanded reproduction, was that the schemes in which he depicts this process fail to account for increasing productivity of labour and corresponding changes in the organic composition of capital and the rate of surplus value.⁹⁰ This omission was misleading, she maintained, "when we come to examine the concrete conditions for the realisation of the aggregate product".⁹¹ For once Marx's scheme is modified to account for the consequences of technical progress, then the conditions for equilibrium are disturbed: because the new 'technological shape' of expanded reproduction must take the "material form of faster expansion in Department I as against Department II", the axiomatic conformity of the rate of accumulation in the two departments is breached, leading to their increasingly disproportionate development.⁹² She illustrated this by altering the progression of Marx's second scheme of expanded reproduction to account for a steadily rising organic composition of newly accumulated capital.⁹³ In this depiction of the process of accumulation, the result was chronic and growing deficits in Department I and surpluses in Department II. If Department I, moreover, attempted to make good its deficits by consuming less and accumulating at more than the assumed rate of 50% of its surplus value, this would merely compound the difficulties of Department II - which, as Rosdolsky explains, correspond "to the fact that with a rising organic composition of capital fewer workers are taken on and therefore social consumption cannot be expanded sufficiently to absorb the entire commodity - product of Department II".⁹⁴ Increasingly, therefore, surplus value cannot be realised within the capitalist system, and so, as Day comments: "The surplus of consumer goods would have to be disposed of in the non-capitalist environment in exchange for imports of the means of production. By yet another route we come back to Luxemburg's theory of imperialism".⁹⁵ Only this time, it should be added, Luxemburg supported her theory of imperialism by means of recasting her traditional emphasis on underconsumption into the form of a disproportion theory of crisis. Of course, this theoretical shift was implicit in her use of the reproduction schemes as a model to analyse capital accumulation directly - as we have seen in the case of Tugan-Baranowsky and Hilferding. Yet without forgetting the limitations of this approach to economic crisis, I will now discuss Luxemburg's fruitful attempt to go beyond her predecessors to analyse the mechanism of crises of disproportion.

Although, as we will see, this line of argument is more fruitful than Luxemburg's previous criticisms of Marx's reproduction schemes, she still failed to establish the necessity for ^{the} productive power of Department II to

outstrip consuming power and give rise to a problem of 'realisation'. The problem of deficits in Department I and surpluses in Department II revealed in her scheme could be avoided by capitalising an increasing proportion of social surplus value in Department I, so that - as Dobb argues - the increase in investment relative to "newly created value or net income (total V & S) ... is sufficiently offset by a simultaneous rise (due to technical change) in the average composition of both departments and (as a necessary corollary to the latter) an expansion to Department I at a faster rate than Department II".⁹⁶

Luxemburg ruled out the implied transfer of surplus value from Department II to Department I, "because the material form of this surplus value is obviously useless to Department I".⁹⁷ Yet at the concrete level that Luxemburg was concerned to analyse directly, the deficits and surpluses revealed by Luxemburg's scheme would lead to price changes (excluded, of course, from the level of abstraction of Marx's schemes), such that the price of Department II commodities would fall relative to those of Department I : this would mean Department I commodities selling at a market price above and those of Department II at a market price below value, thereby giving rise to an interdepartmental transfer of value quite separate from any transfer of use-values, while (because of a consequently higher rate of profit in Department I) causing Department II capitalists to invest part of their realised surplus value in Department I by means of the credit market.⁹⁸

It is important to emphasize, however, that just as Luxemburg's modified, more concrete scheme is no proof of the logical necessity of the chronic and growing disequilibrium of extended reproduction within a closed capitalist economy, so there is equally no guarantee that the latent potential of technical progress to disrupt the dynamic equilibrium of extended reproduction will be thwarted by exactly compensating inter-departmental flows of resources. Hence, as Robinson explains, "we can

substitute for a supposed logical necessity a plausible hypothesis about the nature of the real case".⁹⁹

Ironically, the virtue of Luxemburg's argument is that it indicates a potentially fruitful approach to the concrete forms of economic crises. Yet because she was unable fully to reconstruct Marx's method and theory of crisis, she was unable to build upon it. Marx insisted that "the real crisis can only be deduced from the real movement of capitalist production, competition and credit".¹⁰⁰ Capital, however, did not advance beyond the proof of crises as immanent to the social relations of capitalist production.¹⁰¹ Luxemburg, however, missed the fundamentals of Marx's crisis theory (and thus of imperialism) and so proceeded, in effect, to short-circuit rather than advance the methodological progression of Marx's argument. Instead of using the reproduction schemes as a theoretical device helping to establish crises as an inner-necessity of capitalist production - as a means, therefore, towards theorising the inner-relations of capitalist production as the precondition for grasping the import of the concrete forms of appearance of capitalist development - Luxemburg attempted to base her whole theory directly on the schemes.

It is true, as Marx remarks, that to establish even abstractly the conditions under which the two departments of social production can interact by way of three processes of circulation - of capital in its commodity, money and productive forms - "is so complicated that it offers ever so many occasions for running abnormally".¹⁰² Consequently, the very "conditions of normal exchange ... and therefore of the normal course of reproduction" equally indicate "so many conditions of abnormal movement" and thus: "... so many possibilities of crisis since a balance is itself an accident owing to the spontaneous nature of (capitalist) production."¹⁰³ In order to demonstrate, however, that "the real barrier of capitalist production is capital itself",¹⁰⁴

Marx had to prove that even with extended reproduction progressing in equilibrium (with proportionality between sectors as between production and consumption, and thus without disturbing changes in the monetary sphere), a necessary corollary of technical progress and rising productivity was a rising organic composition of capital and hence a tendency for the rate of profit to fall and crises of overproduction (as it became impossible to valorise newly accumulated capital).

In relation to Marx, therefore, Luxemburg was right to identify the organic composition of capital as the key variable, but wrong to incorporate it directly into the reproduction schemes in an attempt to prove the logical impossibility of realising total surplus value (and thus of extended reproduction on a capitalist basis).

In fact, as Otto Benedikt demonstrated, it is not the case that a rising organic composition necessarily means that the quantitative proportions of expanded reproduction are impossible to obtain.¹⁰⁵

Benedikt criticised not only Luxemburg's presentation of the problem but also Bauer's 'harmonist' solution, on the grounds that their opposed results were simply prefigured in their choice of different assumptions, and were thus merely the consequence of their desire to theorise capitalist development in accordance with their respectively revolutionary and reformist will.¹⁰⁶ The assumption by Luxemburg's scheme of an equal and constant rate of accumulation in both departments, for example, necessarily entails an increasingly insufficient market for the continually enlarged product of Department II. This, of course, was to preclude any investigation of the general influence of a rising organic composition on the accumulation process. Accordingly, Benedikt set out to test the general validity of the results of Luxemburg's particular arithmetical example, by means of setting out schemes in

algebraic form demonstrating the influence of a rising organic composition and a falling rate of profit, while allowing for the possibility of differing and variable rates of accumulation and a rising rate of surplus value.¹⁰⁷

Benedikt proceeded by way of a critique of the assumptions of the scheme developed by Otto Bauer in 1913. Intended to dismiss Luxemburg's argument by 'proving' extended reproduction to be indefinitely possible on the basis of a rising organic composition, Bauer's scheme was later taken over by Grossmann to provide an additional 'proof' of his theory of breakdown (by demonstrating that once it was extended beyond the number of cycles originally depicted, the operation of the TRPF eventually posed an insuperable inner-barrier even to capitalist reproduction as depicted by Bauer). In a correction of Grossmann (which is also germane to Luxemburg's or any other breakdown theory), Benedikt demonstrated that the TRPF eventually entails a slowing down and stagnation of accumulation rather than a mechanical, once and for all breakdown and, moreover, that the tendency towards breakdown is not only diminished by a rising rate of surplus value but continually - if temporarily - overcome by the action of this and other 'countervailing tendencies' identified by Marx.¹⁰⁸

Having rejected the attempts of Luxemburg, Bauer and Grossmann alike to analyse this problem, Benedikt proceeded in his own analysis by attempting to reject all the arbitrary assumptions responsible for their results. Emphasising that a continual change in the structure of the market is brought about not only by a rising organic composition, but also further complicated by a rising rate of surplus value (which alters the relation of the market for consumer goods for workers' consumption to that for luxury goods consumed by capitalists), Benedikt proceeded to account for this by depicting the process of extended reproduction as an algebraic scheme involving three departments of social production (Department I with workers' and capitalists' consumer goods each

represented by a separate Department). Even having included a more concrete and hence more complicated differentiation of the use value composition of the social commodity product, however, he was nonetheless able to demonstrate that, even with a rising organic composition and rate of surplus value, extended reproduction is able to progress by way of the three departments realising each others product.¹⁰⁹

Yet there was no comfort in this for Bauer's 'harmonist' opposition to Luxemburg. For while Benedikt refuted the logical necessity of an economic 'breakdown' arising from the impossibility of realising surplus value on a purely capitalist basis, the algebra itself revealed the enormous complexity of the inter-relations of the three departments undergoing expanded reproduction accompanied by a rising organic composition. Even to construct the basic formula, it is necessary to presuppose arbitrarily the rate of accumulation in one of the three departments in order to be able to calculate the other two - while under capitalism, of course, the accumulation rates for each department cannot consciously be derived one from the other but are merely an average of all the individually determined rates. Accordingly, "the probability of harmonious accumulation ... is infinitely small".¹¹⁰ Moreover, the accumulation rates required to preserve proportionality will not necessarily be commensurate with the changes in the composition of capital arising from the requirements of technical progress in the succeeding period of reproduction, and is thus increasingly unlikely to develop in accord with the technical requirements of subsequent periods. (Even if capitalism were to be 'organised' along the lines of Hilferding's General Cartel, argued Benedikt, there would still be no way of foreseeing future levels of technical progress so as to undertake the corresponding rates of accumulation in the present.)¹¹¹ Accordingly, the probability of harmonious reproduction accompanied by a rising organic composition is not only 'infinitely small' but also "continually declines".¹¹²

Benedikt established that "the only possibility" for capitalist development lay through the uneven development of the departments of production.¹¹³ However, this very possibility - without which, as we have seen, proportional reproduction is impossible should the organic composition rise - equally means that the larger the fluctuations in the accumulation process and the larger the variations in the growth of the organic composition, the greater is the probability of these developments exceeding the bounds corresponding to the requirements of proportional reproduction and "giving rise to a crisis"¹¹⁴: "Thus," concluded Benedikt, "schematic investigation displays the whole capitalist process as a prevailing reciprocal action between its uneven development and crisis-prone disturbances of accumulation."¹¹⁵

Benedikt's analysis of the influence of a rising organic composition on the relations of proportionality of expanded reproduction is a useful concrete supplement to Marx's theory of crisis. In relation to Luxemburg, it demolished her theory of breakdown, but did so by at once generalising and rectifying her insight into the immanent fragility of the conditions of expanded reproduction. To reach a final assessment as to the fruitfulness of this part of her Accumulation, therefore, it is useful to place Benedikt's more developed version of Luxemburg's insight in the context of Marx's theory of crisis.

One problem with Benedikt's analysis (which equally applies to Luxemburg) is that he treats the concept of the 'rate of profit' as unproblematic when used in connection with his scheme. This scheme, however, follows those of Marx in depicting constant capital only inasmuch as it enters into the turnover of capital in the course of the reproduction cycle, whereas the Marxian rate of profit refers specifically to the total constant capital involved in the process of production.¹¹⁶ Benedikt's

erroneous conception of the rate of profit, however, is indicative of the more important failure to take seriously the rate of profit as the most important variable in Marx's theory of accumulation and crisis.

Although his algebraic scheme conclusively refuted Luxemburg's attempt "to prove the absolute impossibility of accumulation" by means of a single arithmetical example based on the assumption of constant and equal rates of accumulation, his proof of the "growing probability" of crisis did not constitute an adequate theory of crisis to support his characterisation of the accumulation process - as a continually growing "reciprocal action between the overcoming of crises and their reproduction at a higher level until the explosion of the scheme by the proletariat".¹¹⁷

Firstly, although the changes bound up with technical progress are the most important complex of factors liable to disrupt the proportionality of expended reproduction, they were by no means the only such factors disregarded by Marx's schemes. Of particular importance for understanding Volume II of Capital is Marx's instance that capital "can be understood only as motion not a thing at rest".¹¹⁸ In the reproduction schemes, however, the question of the duration of the circuits which constitute the movement of capital and the means of its reproduction, is disregarded. (Indeed, the schemes treat the whole of the social capital as having the functional form of commodity capital.) Yet, as Grossmann demonstrates, the "smooth transition of capital from one phase to another" is liable to be disrupted by revolutions in technique and value. Furthermore, "variations in the total turnover time of the capitals in the various branches of production" and "the different turnover times for the fixed and circulating parts of capital" within each branch of production, are bound up with the general incongruance of the value aspect and the material aspect of the reproduction process, and are thus moments in this system of "dual proportioning" making "a uniformity of the technical and value aspects impossible to achieve". Equilibrium, therefore, can "only

occur by chance within the general irregularity as a momentary transitory point in the midst of constant disequilibrium".¹¹⁹

Secondly, even if we had a scheme sufficiently complex to depict the main moments associated with the movement of the system as a whole and giving rise to an overriding tendency towards disequilibrium, this would still not necessarily tell us whether the consequently arising difficulties of realisation would amount to a 'particular' or 'partial' crisis, or mark the onset of a general crisis of overproduction. Because accumulation does not take place in even, proportionate 'leaps' as depicted in the schemes, but - in reality - proceeds continuously in accord with a social division of labour imposed 'blindly' according to the law of value, Marx reminds us that: "... under capitalist production the proportionality of the individual branches of production springs as a continual process from disproportionality."¹²⁰ In other words, the continual adjustment required of individual capitalists, sectors of industry and whole departments of production alike, can only proceed via unforeseeable disproportions giving rise to incomplete realisation, falling profits and breaks in production and accumulation. Conversely, even a disproportionate development of the two departments of social production need not necessarily lead to a cumulatively deepening crisis: for even in the event of the reproduction of social capital running into the difficulties anticipated by Luxemburg, the implicit 'breakdown' (or even severe crisis) could be limited or solved - as we have seen - by inter-departmental transfers. Whether or not this happens, depends on the underlying conditions of profitable production expressed in the level and movement of the rate of profit.

Capitalist reproduction is a process of constant disequilibrium through which "constant disproportion" is 'evened out' and which, emphasises Marx, "may therefore comprise crisis".¹²¹ According to the principle of the

'accelerator', a small decline in demand (which could be brought on, for example, by the kind of structural disproportion identified by Luxemburg), can lead to a much larger decline in investment and output. Disproportions, then, may develop into a general crisis. Yet neither the single disproportion investigated by Luxemburg nor even a vicious circle of inter-linked disproportions necessarily generate a crisis of overproduction. It all depends on the average rate of profit as the prime determinant of the rate of accumulation, which - in the long run - reflects changes in the rate of surplus value and the organic composition of capital. If, for example, the prevailing rate of profit is high, a short-term decline in the rate of profit associated with a major disproportion will not necessarily impair the general preconditions of capital valorisation, and thus need not threaten to stall the accumulation process and throw the whole system into crisis. A high rate of profit provides the system with sufficient resilience for expanded reproduction to recover from such dislocations. Only if, on the other hand, these underlying conditions are such that the rate of profit is so low as to have already diminished the possibilities of profitable production and curtailed the rate of accumulation, can a short-term derangement of the reproduction process provide the immediate cause of a stagnation or even contraction of reproduction generally. (It is for this reason that the TRPF gradually renders the system more vulnerable to disequilibrating moments arising from its own mode of development : in the long run, for example, the TRPF modifies the industrial cycle by lowering the rate of accumulation in booms while making the impact of each crisis phase more severe and each slump more prolonged.)

Likewise, if crises are considered only from the point of view of disproportionality - whether between sectors or departments or between production and consumption generally - it is by no means obvious how recovery could ever take place. This, of course, would lend credence to Luxemburg's theory that expanded reproduction is impossible in the absence of non-

capitalist consumers. For even if equilibrium could be established by a destruction or devalorisation of constant capital to reduce the productive capacity of Department II (thereby reducing replacement demand and eliminating the deficit in Department I while eliminating the surplus in Department II), the economy could easily settle into a state of simple reproduction with merely cyclical fluctuations unless there exist factors stimulating renewed accumulation. According to Marx's theory of crisis, however, the impulse to renew accumulation does not come from Luxemburg's ubiquitous non-capitalist consumers, but rather arises from a raising of the average rate of profit consequent upon the devalorisation and concentration of constant capital (which lowers the organic composition) and raising the rate of surplus value. Indeed, crises are functional for capitalist development in that they enable the factors countervailing the TRPF to become dominant and so restore the conditions for valorisation and expanded reproduction.

The virtue of Luxemburg's argument is that she drew attention to the inherent instabilities engendered by the impact of technical progress on the dichotomous material and value frameworks of capitalist production. Yet her intention miscarried - of using the format of Marx's schemes to depict directly the concrete progression of extended reproduction. For by introducing some aspects of the more concrete level of analysis associated with the competing 'many capitals' (technical progress with its impact on the organic composition and rate of surplus value), while maintaining the rest of Marx's abstractions pertaining to the methodologically abstract analysis of 'capital in general' (particularly the identity of value and price and the associated disregard of competition and inter-departmental transfers of value), Luxemburg led herself into distorting a particular example, potentially introducing a valuable elaboration of Marx's crisis theory, into a general theory of capitalist reproduction and its ultimate breakdown. Methodologically, therefore, we can conclude that Luxemburg's failure lay in her attempt,

in effect, to straddle the levels of abstraction of the first two volumes and the third volume of Capital: she was not only too abstract to elaborate the concrete development of capitalist reproduction and crises (for which she would also have had to take into account the impact of monopoly, protectionism, the distribution of surplus value among the fractions of capital, and finance capital on the form of competition), but also too concrete to treat Marx's schemes as simply a stage in the analysis of capitalist reproduction 'as a whole'. Secondly, with a better conception of the logical structure of Capital and a correspondingly more consistent understanding of the stages of Marx's theory of accumulation and crisis, Luxemburg would surely have appreciated the need to place her analysis of the impact of technical progress on the organic composition and proportionality in the context of the relationship between the technical and organic composition of capital and the rate of profit. Only then could the blind alley of her 'breakdown' theory have been avoided in favour of proving, as Rosdolsky puts in, that: "The contradictions of the capitalist mode of production, which are expressed in just these disturbances and the TRPF, which they accelerate, are reproduced at a constantly higher level until finally the spiral of capitalist development reaches its end."¹²²

2.3.7. Final remarks on Luxemburg and the TRPF

Marx's theory of accumulation belongs to the concept of capital and is thus dealt with at the level of 'capital in general'. Moreover, the TRPF - Marx's 'most important law' in this respect - concerns the relation of total surplus value to total capital in the process of production, and is thus worked out independently of the exchange relations between the two departments of production. Consequently, the necessity of crises of overproduction is demonstrated on the basis of a theory of the TRPF. Problems of disproportion and underconsumption derived from

reproduction schemes at most illustrate possibilities of crisis : their development and influence on the general course of reproduction, however, is dependent on the rate of accumulation (which represents the level of demand) - which, in turn, depends on the rate of profit and its movement. In Marx's theory of accumulation and crisis, therefore, disproportions expressed in problems of realisation, while not to be ignored when considering crises concretely, are subordinate to those relations which determine the rate of profit and thus exert the primary influence over the development of capitalist reproduction.¹²³ For her part, Luxemburg consistently recognised profit as "the decisive factor which determines not only production, but also reproduction".¹²⁴ Why then, did she fail to recognize the prime importance of the production of profit and, consequently, of the TRPF in Marx's theory of accumulation? (She even poured scorn on those who "hoped that capitalist society might yet perish ... because of the declining profit rate".)¹²⁵

The main reason was methodological. Her short-circuiting of Marx's procedure by attempting to base a concrete analysis directly on the reproduction schemes, precluded a complete reconstruction of capital accumulation at the level of 'capital in general'. And because of this, in common with her contemporaries, the analysis of the LTRPF in Capital III was not grasped as, simultaneously, the logical completion of Volumes I and II, and the discovery of the causation and necessity of crises of overproduction in the general characteristics of capital (in the light of which, therefore, the phenomena of the concrete development of capitalist reproduction were to be understood).¹²⁶

While Luxemburg's neglect of ^{the}TRPF (even as a matter worth serious discussion in the Accumulation and Anti-Critique) accords with a neglect of Marx's method general amongst her contemporaries, however, this was compounded in her case by specific objections to Marx's theory. These, while not wholly justified, nonetheless separate her from her contemporaries

and deserve to be taken seriously.

Luxemburg raised, but did not pursue, what subsequently have become the two standard and recurring arguments against Marx's LTRPF.

Firstly, (it is argued) if the rate of profit is a function of the organic composition and the rate of surplus value, then a rising rate of surplus value may compensate for the negative effect of an increasing organic composition and become, as Luxemburg put it, a "powerful and effective means of checking a decline in the profit rate".¹²⁷ However, as Cogoy demonstrates, against the belief of, for example, Sweezy, Joan Robinson and Joseph Gillman, that the LTRPF is only valid on the assumption of a constant rate of surplus value : " ... in the long run, the effect of the organic composition will assert itself ... Marx had already indicated that the organic composition rises without limit while the mass of surplus value finds its limits in the length of the working day." Logically, therefore, "the rise in the rate of surplus value cannot, in the last analysis, keep up with the rise in the organic composition".¹²⁸

The second, and far more serious line of argument attempting to reduce Marx's LTRPF to indeterminacy, is that technical progress and increased labour productivity in Department I cheapens the elements of constant capital and could, in principle, operate indefinitely with sufficiently intensity to prevent the rising technical composition of capital being reflected in an increased organic composition. This is more significant than the first objection, because it is not based on a simple misunderstanding of Marx's exposition, but arises from a genuine problem with the LTRPF (one, moreover, which seems to have troubled Marx himself, and which is still the object of theoretical and empirical study).¹²⁹ Marx, of course, identified the cheapening of the elements of constant capital in this way as one of the main factors counteracting the TRPF. Yet

Marx asserted rather than proved that productivity growth in Department I could not fully offset a rising technical composition of capital so as to prevent the value composition from rising : in other words, Marx failed to make it clear why the pattern of technical progress should tend to raise rather than leave the organic composition stable (or even reduced!) - in which case a TRPF ultimately derived from an increasing organic composition associated with rising productivity, cannot be held to be (as Marx insisted) "a logical necessity".¹³⁰

Luxemburg was well aware of Marx's view that "the continuous qualitative change in the composition of capital is the specific manifestation of the accumulation of capital", and that this was "the foundation also of Marx's fundamental law that the rate of profit tends to fall".¹³¹ Nevertheless, she also took into account that : "The increasing productivity of labour ensures that the means of production grow faster in bulk than in value, in other words: means of production become cheaper."¹³² Yet while at one with Marx in pointing out that "this phenomenon amongst others also checks the actual decline in the rate of profit and modifies it to a mere tendency", she also put her finger on Marx's theoretically unjustified relegation of the cheapening of constant capital to the unqualified status of a 'countervailing factor' - by insisting on the possibility (illustrated in her reproduction scheme) "that the decline of the profit rate would not only be retarded but rather completely arrested".¹³³ Luxemburg thus appreciated that Marx revealed no logical basis for identifying the rising technical composition rather than the devaluation of capital as inevitably the dominant influence on the organic composition. Yet even had Luxemburg made as much of this insight as later critics of Marx, this would still have been insufficient justification for abandoning Marx's method in the attempt to develop a new theory of accumulation and crisis.

Because the social relations of capitalist production are reified, economic life is regulated solely by the law of value, and the 'laws of motion' of

the reproduction process arise from value relations - above all, the rate of profit (and the organic composition and rate of surplus value on which it depends). Value form is thus the only possible mode of expression of the nature of capital, meaning that value relations are the historical form through which the social relations of production determine the nature and development of the forces of production under capitalism. Correspondingly, value relations constitute the reified expression of the underlying social reality according to which apparently ^{independent} economic phenomena are to be understood. Yet while the social nature of capital is objectively expressed in value relations, the nature of capital does not logically predetermine the rate or pattern of development of these relations.

Accordingly, to free Marx's theory of accumulation and crisis from rigid logical predeterminism is not to reject Marx's value analysis, but is rather the precondition of recognising Marx's value theory as a means of comprehending the development of capital accumulation with theoretically substantial concepts. The movement and inter-relation and resultant influence of value relations on the reproduction process, however, cannot be deduced from their concepts, but is rather a matter for theoretically guided analysis. Accordingly, value concepts (into which real, socially determined value relations are condensed) do not enable logical necessities to be deduced by means of which the need for empirical research is obviated, but provide precisely the theoretical framework within which empirical work can be fruitful.¹³⁴ (This would be so, it should be noted, even if - as many 'fundamentalists' maintain - not only the objective existence of the organic composition as a value relation, but also its pattern of development logically inhered to the social relations expressed by Marx's 'concept of capital': for example, although surplus value(s) cannot increase without limit but is limited by living labour ($V + S$), it cannot be known independently of concrete investigation whether or not the rate of surplus value is so near its theoretical limits that sufficient increase to offset a rising organic composition - and so counteract the TRPF - is no longer possible.)¹³⁵

This logical flaw in Marx's theory was thus not damning, and its discovery should have led Luxemburg onto the complex but indispensable task of utilising Marx's concepts as the point of departure and theoretical framework for a concrete analysis of capitalist reproduction and imperialism. In the way of this, however, stood her methodological misunderstandings. Because she confused rather than distinguished the corresponding levels of Marx's analysis, Luxemburg was unable even to attempt the necessary mediation of real but abstract value categories with their concrete forms of appearance.

2.3.8. Final remarks on Luxemburg's method and theory of accumulation

Böhm-Bawerk indicted Capital for the (ostensible) reason that "Marx's third volume contradicts the first".¹³⁶ This judgment, of course, simply reflected the incomprehension of the dialectical method entailed in the subjectivist standpoint from which Böhm-Bawerk attempted to 'close' Marx's system. As a precedent, however, it should alert Luxemburg's readers to the methodological questions raised by the origin of her Accumulation - as an attempt to correct an ostensible 'contradiction' between the reproduction schemes of Capital II and Marx's exposition of the course of capital accumulation elsewhere in Capital (especially in Volume III).¹³⁷

Against the use of the reproduction schemes by Tugan Baranowsky to gainsay the existence of any 'realisation problem', Luxemburg denied that "this untiring merry-go-round in thin air could be a faithful reflection in theory of capitalist reality, a true deduction from Marx's doctrine".¹³⁸ Indeed, the main theoretical conclusion of her whole investigation was that: "Marx's diagram of enlarged reproduction cannot explain the actual and historical process of accumulation."¹³⁹ Although Luxemburg recognized the abstract nature of the schemes as a "theoretical

device", ¹⁴⁰ she did not consistently adhere to this insight by attempting to locate their methodological position and role in the context of Marx's theory of accumulation and crisis. It is not necessary to repeat what has been said earlier - on the significance of the reproduction schemes in Marx's procedure from the abstract and general to a more concrete and particular level of analysis. With this in mind, however, we can now see more clearly the consequences of Luxemburg's endemic confusion of methodologically distinct levels of analysis.

Firstly, her conflation of a stage of analysis with the direct depiction of the actual course of capital accumulation led her to conclude from the schemes that: "Since capitalist production buys up its entire surplus product, there is no limit to the accumulation of capital ... Accumulation here takes its course ... And so on ad infinitum. We are running in circles, quite in accordance with the theory of Tugan Baranowsky."¹⁴¹ Yet by insisting that Marx's diagram does indeed permit of such an interpretation",¹⁴² Luxemburg surrendered theoretically and ceded the ground of Marxist 'orthodoxy' to her opponents.¹⁴³ Because she failed to reconstruct Marx's theory of accumulation and crisis, Luxemburg succumbed to the methodological influence of Tugan Baranowsky, Bauer and Hilferding. Consequently, she could not radically refute their version of an (at least potentially) indefinitely crisis-free development of capitalism - or, therefore, the reformist implications of this position - because she shared their basic method: she could only combat this 'neo-harmonist' tendency by means of a reproduction scheme based on assumptions entailing the disruption of extended reproduction, but which were scarcely less arbitrary than those of her opponents. (For a definitive rather than a merely plausible refutation, Luxemburg would have had to grasp the schemes as a provisional methodological device helping to demonstrate that even in otherwise perfectly favourable conditions the operation of the law of value in the accumulation process necessitates crises of valorisation.)

Secondly, Luxemburg's methodological shortcomings not only limited the effectiveness of her theoretical opposition to what she regarded as a politically dangerous tendency in economic theory - even conferring 'legitimacy' on her opponents by casting herself in the role of 'revisionist' - but also continually led her to fail to grasp much of what Marx had already achieved. The most serious consequence of wrenching Marx's schemes out of their methodological context - by treating them as having (at least in principle) "objective social validity"¹⁴⁴ - was that once isolated in this manner, the schemes of expanded reproduction had to be modified if they were to reflect economic reality directly. Instead, therefore, of being used as an abstract means of approaching concrete reality, the schemes were used to illustrate the consequences of whatever assumptions corresponded to preconceived notions of economic reality. Of course, the schemes could be used to illustrate the long-term effects of the TRPF : but whereas a fall in the average rate of profit has no immediately disruptive impact on proportionality, the arithmetical operation of the schemes is such that even the most minor alteration of any of Marx's abstract conditions of proportionality (in the interests of 'greater realism') is likely to be immediately expressed in a breakdown of equilibrium. Accordingly, the use of reproduction schemes to reflect economic reality directly, is liable to confirm the pre-existent inclination towards theories of accumulation based on the immanence of disproportionality (which include underconsumptionist theories).

Accordingly, Luxemburg's fixation on the reproduction schemes led her to consolidate an earlier over-emphasis on realisation, into a now complete transposition of the decisive problems of capital accumulation from the sphere of production into the sphere of circulation. Because of her misunderstanding of Marx's method, therefore, she fell prey to the methodological influence of her latter-day 'neo-harmonist' opponents and so, even in attempting to rescue Marx's aim of theorising the

economic basis of the ultimate downfall of capitalism, completely misrepresented the nature of Marx's theory.

Luxemburg failed to base a theory of the downfall of capitalism on the dual nature of the production process and the associated laws of capital accumulation, but instead derived her theory of breakdown from what Grossmann called "the transcendental fact of the lack of non-capitalist lands".¹⁴⁵ Her theory is clearly based on a variant of the under-consumptionist conceptions traditionally underpinning social democratic breakdown theories : her concluding criticism of Marx's scheme of expanded reproduction was that it precludes "the deep and fundamental antagonism between the capacity to consume and the capacity to produce in capitalist society, a conflict resulting from the very accumulation of capital which periodically bursts out in crises and spurs capital on to a continual extension of the market".¹⁴⁶ Yet while there is an immanent conflict between production and consumption under capitalism, according to Marx, its periodic expression and resolution in crises does not necessarily arise directly from the 'very accumulation of capital', but is rather a dependent form of appearance of valorisation crises (which do arise, of necessity, directly from the 'very accumulation of capital').

The extent of Luxemburg's misrepresentation of Marx is shown by her comment on the following: "This plethora of capital arises from the same causes as those which call forth relative over-population, and is, therefore, a phenomenon supplementing the latter, although they stand at opposite poles - unemployed capital at one pole and unemployed worker population at the other."¹⁴⁷ Luxemburg wrote: "In relation to what is there 'too much' of both? In relation to the market under 'normal' conditions. As the market for capitalist commodities periodically grows too small, capital must remain unemployed and consequently part of the labour force, as well."¹⁴⁸ The extent of Luxemburg's misunder-

standing of Marx's method and consequent misrepresentation of his entire theory can be gauged by her repeated misinterpretation of quotations from precisely those chapters of Capital III in which Marx expounds the TRPF, in order that they should 'fit' into her theory of the limitations of the capitalist market:¹⁴⁹ indeed, in the preceding sentence to the one she commented on, Marx emphasised that the "so-called plethora of capital always applies essentially to the plethora of the capital for which the fall in the rate of profit is not compensated through the mass of profit!"¹⁵⁰ Marx's theory is thus exactly the opposite of Luxemburg's. For although the compensation for/falling rate of profit by an increasing mass of profit accelerates accumulation and thereby extends to the market, it is precisely this process that eventually depresses the rate of profit to the point where the valorisation of accumulated capital is no longer possible and a crisis of overproduction sets in.

In trying to modify Marx's schemes to depict reality directly, Luxemburg was unable to use them as a means towards the theoretical reconstruction of reality. Consequently, she remained in thrall to the appearance of crises of overproduction in the form of underconsumption and all manner of disproportions. Moreover, her repeated insistence that the market 'periodically' becomes too limited for capitalist production, suffers from the crippling limitation of all underconsumption theories, i.e. of being unable to explain a ^{periodic} phenomenon on the basis of a constant factor.

2.3.9. The politics of Luxemburg's theory of imperialism and breakdown

Luxemburg's intention in the Accumulation was two-fold: to refute the 'neo-harmonists' and, simultaneously, to explain imperialism. And in both cases her intentions were politically informed.

Against the tendency of Tugan Baranowsky, she argued: "Assuming the

accumulation of capital to be without limits one has obviously proved the unlimited capacity of capitalism to survive! ... If the capitalist mode of production can ensure boundless expansion of the productive forces ... it is invincible indeed. The most important objective argument in support of socialist theory breaks down; socialist political action and the ideological import of the proletarian class struggle cease to reflect economic events, and socialism no longer appears an historical necessity."¹⁵¹

Here Luxemburg unquestionably occupies the ground of Marxist orthodoxy. Yet whereas Marx supported this view by demonstrating the inner-necessity of a periodic inability to produce sufficient surplus value (both giving rise to and being overcome by crises of overproduction), Luxemburg imagined that capitalism suffers from a superfluity of surplus value (and only finds respite through the presence of non-capitalist consumers) : so soon as this external market is exhausted, however, surplus value can no longer be realised and the system literally and irreversibly 'collapses'.

The objection to Luxemburg's theory is not that she supports Marx's overall conception of the significance of economic development for the course of the class struggle - only with different arguments: rather, that her arguments considerably devalue the worth of the guidance which might be expected from Marxist economic theory.

Firstly, Luxemburg's theory of accumulation - as has been remarked upon - offers no clue to the necessity or causation of periodically recurring 'long-waves' of capitalist development or the shorter-term 'industrial cycle'. Instead, she could only conclude with an extremely mechanical theory of capitalist breakdown. For Luxemburg this conclusion was important because, she had argued ever since her polemic with Bernstein, it proved the 'objective necessity' of socialism. Yet while such a theory could help inculcate socialist conviction into the organised workers, it was useless as a means of gaining a perspective on the actual course of economic development and hence as a guidance to action. While in

Luxemburg's case a breakdown theory did not entail political fatalism, it could not be - as I have argued at length in relation to Kautsky- as adequate a guide to the tasks of revolutionary leadership as the theory of accumulation and periodic crises bequeathed by Marx. Thus because she had already, in effect, placed herself on the same methodological ground as her opponents in the 'Marxist centre', the theory which she counterposed to Bauer and Hilferding was not only less effective than Marx's in terms of theoretical struggle, but also furnished less potent intellectual weapons for the directly political struggle against her opponents' 'passive radicalism'.

Secondly, it is by no means clear that revolutionary politics were anything more than purely subjectively predicated on Luxemburg's theory of 'collapse'. Commenting on Luxemburg's location of the decisive problems of capital accumulation in the sphere of circulation, Grossmann pointed out that, in consequence: "The special form assumed by Luxemburg's theoretical proof of an absolute economic barrier to capitalist development comes close to / ^{saying} that the end of capitalism lies in the far distant future, because the thorough capitalisation of the non-capitalist lands still requires the work of hundreds of years."¹⁵² Indeed, elsewhere she expressly conceded that "in and of itself capitalist development still has a long road before it, since the capitalist mode of production as such still accounts for only the smallest part of total world production".¹⁵³ In this case, to speak of an economic barrier to capitalist development is, as Grossmann put it, a 'flight into the theoretical beyond'. Furthermore, in making a similar criticism of Luxemburg, Bukharin squarely posed the political implications: "But it is also a fact that the overwhelming majority of the world's population belongs to the 'third persons' ... Even if Luxemburg's theory were even approximately correct, the cause of revolution would be in a really poor position. For, given the existence of such a huge reservoir of 'third persons', which exists in reality, there can be practically no

talk of collapse. Then we would say ... capitalist expansion still has such a colossal field of activity at its disposal in the form of the 'third persons', that only utopians can talk seriously about some kind of proletarian revolution."¹⁵⁴

That there is no necessary or inner-connection between Luxemburg's theory of collapse and revolutionary politics can be demonstrated by the example of Cunow.

As a foremost spokesman for the official Marxism represented by Die Neue Zeit, Cunow was the first to use its pages to oppose Bernstein's 'optimistic' perspective on the future of capitalist economic development. In an article of 1898 - 'on the Breakdown Theory' - Cunow was the first theorist of note to intervene in the lively discussion aroused by Bernstein's polemic with Belfort-Bax, to defend the concept of capitalist 'breakdown' with reference to the limitations of the non-capitalist market.¹⁵⁵

Supporting his theory with a single quotation from Engels but without reference to any work of Marx, Cunow stated what in his opinion was "the concise version" of how they deduced "the collapse of the capitalist economic system":¹⁵⁶ capital accumulation involved the raising of productivity so that "under the present form of commodity distribution the consequent power of expansion of capitalist industry outstrips the capacity of the international market; in short, the unchained productive powers come into even sharper antagonism with the mechanism of the capitalist form of economy until they finally burst it asunder."¹⁵⁷

Cunow clearly based his theory of breakdown on the limitations of the market: "He makes no effort, however," as Sweezy pointed out, "to give specific content to the concept."¹⁵⁸ This was equally clearly, moreover, the theory taken over and refurbished by Luxemburg.

Anticipating Luxemburg by 15 years, Cunow argued that capitalism had

only been able to stave off 'the danger of a catastrophe' by the conquest of overseas markets in the previous decades. These "not only furnished an outlet for the ever developing superfluity", but also, thereby, "ameliorated the tendency towards crisis".¹⁵⁹ Bernstein, however, had mistakenly generalised the specific working of economic tendencies in a specific phase of capitalist development, without asking "whether the conditions are at hand for the expansion of the world market to keep pace with a further development of production".¹⁶⁰ For ultimately, according to Cunow, this was not possible: "It is only a matter of how long the capitalist mode of production can be maintained ... and under what circumstances the collapse will take place."¹⁶¹

Whereas in 1898, however, Cunow had wanted to defend the Party's 'far reaching aims' against 'opportunism' and even suggested that "a certain end is already in sight", by 1915 the very theory he employed for this purpose had facilitated his move to the right and served to legitimate the position of the SPD's pro-imperialist leadership against (amongst others) Bernstein's pacifist-internationalism. Cunow's appointment as editor-in-chief of Die Neue Zeit upon Kautsky's political dismissal in 1917 signified the complete divorce of the post-Rebel leadership from the previously dominant Marxist - centre - but also that it was possible to make an easy transition to supporting the political line of the leadership while apparently maintaining the party's traditional theory and world view. This transition could take place without involving a theoretical 'break' or obvious renegacy because, in general, Cunow simply made apparent and openly utilised the latent fatalism of the traditional orthodoxy while, in particular, the theory of imperialism he shared with Luxemburg was employed (in his hands) to justify the position of the leadership with no loss of consistency. In the course of a polemic with the leading representatives of the Marxist Centre in 1915, Cunow argued generally that whatever arose in the course of historical development

was determinate and necessary and thus could not be opposed in the name of ideology. (The prospects for nationalism and internationalism, for example, were economically conditioned, so that it was futile to demand a greater commitment to internationalism than was permitted by the present level of economic development.)¹⁶² In particular, however, Cunow drew on his theory of breakdown to argue precisely what Bukharin was to deprecate as the implication of Luxemburg's theory - that there was still such an enormous reservoir of 'third persons' at the disposal of capitalist expansion that only utopians could seriously talk of proletarian revolution. Moreover, Cunow (ironically but - from the point of view of the present argument - logically in agreement with the left on this point) argued against Kautsky that imperialism constituted a necessary phase of capitalist development.

On the basis of his theory of imperialism, however, Cunow argued that far from imperialism signifying the imminent end of capitalism, imperialism in fact meant that capitalism was very far from having exhausted its possibilities of development. Indeed, imperialism was an 'intensified' capitalism still on the ascendent and, moreover, given that the objective basis for socialism arises from the collapse of capitalism, was an historically necessary and progressive epoch on the road to socialism. Cunow was thus able to argue consistently within his mechanically materialist framework, that it was illusory to want to skip a necessary and progressive stage of economic development. If imperialism was still in its 'youth' as Cunow maintained, and the victory of socialism was posited on the complete development of capitalism, imperialism was an unavoidable stage on the (long) road to socialism. Accordingly, social democracy would do best to come to terms with imperialism and content itself with attempting to secure the best possible conditions for the working class during this period of development.

In relation to the preceding argument of this thesis, it may seem

paradoxical that in spite of a method shared with the most theoretically able centrists and a theory shared with the leading theoretical proponent of reformism, Luxemburg was unambiguously the political leader of the revolutionary left. Having previously sought to establish the strong influence of economic theory and analysis over politics, it seems that in the case of Luxemburg such revolutionary implications as there are to her economic theory were merely the predetermined expression of her revolutionary will.

Of course, there are clear social and historical reasons why, in spite of common ground in the realm of economic theory with, for example, Hilferding and Cunow, her politics were so different. For, as Thalheimer explains: "The theoretical differences which developed in the course of time were from the beginning based on ... the different social and political milieu from which they arose. Kautsky, Hilferding, etc. are the true offspring of the parliamentary and trade union stagnation period from 1890 - 1914. Rosa Luxemburg is rooted not only in Marxist theory - common ground to both, taken in the abstract - she is also rooted in the Russian and Polish movement whose character fundamentally differed from that of the German."¹⁶³

Luxemburg's politics, then, were conditioned by her 'Eastern' background, and it is only on the basis of this established fact that it can be understood how she could take up the prevailing method and the most popular theory in such a way as to avoid their reformist implications and render them compatible with a revolutionary perspective. Nevertheless, in using the materials at hand within social democratic Marxism, rather than reconstituting Marx's method and theory of accumulation, Luxemburg developed a theory that was severely flawed. Because of this, moreover, it was only (as we shall see) through the internally inconsistent addition of capital export, that her theory of accumulation could be complemented with a theory of imperialism that avoided a purely voluntaristic

relationship with the revolutionary perspective she hoped to support.

In accord with Marx's procedure, Luxemburg insisted that "the explanation for the economic roots of imperialism must be deduced from the laws of capital accumulation, since ... imperialism as a whole is nothing but a specific method of accumulation".¹⁶⁴ Yet because she misunderstood Marx's method and consequently misrepresented his entire theory of accumulation, her theory of imperialism could not be consistently based on her theory of accumulation and was thus unsatisfactory from the point of view of Marxist theory as well as empirically untenable.

Having mistaken the reproduction schemes for an intended depiction of the actual course of accumulation, and consequently found them wanting, Luxemburg could not but consider that the derivation of a theory of imperialism was impossible from Marx's theory "if one does not question Marx's assumptions in the second volume of Capital which are constructed for a society in which capitalist production is the only form".¹⁶⁵ "How can one explain imperialism in a society where there is no longer any space for it?", she asked.

In terms of Marx's theory/^{of} accumulation, the answer to Luxemburg is that the reproduction schemes are a means towards establishing in pure form the inner-barrier to capitalist development expressed in the TRPF. And it is precisely this 'law' which first provides the basis for explaining imperialism: as concrete developments made possible by the fragmentation of the capitalist system according to its historical precondition the nation-state, the uneven development of the capitalist states and the consequent relations between capitalist states as well as between capitalist states and non-capitalist areas of the world; but made increasingly necessary as the 'external' means for each national capital to counteract the inner-tendency of capitalist

development towards a falling rate of profit. Luxemburg was thus completely mistaken to conclude from the abstractions of the reproduction schemes that Marx failed to deal with foreign trade and at least provide a theoretical framework for analysing imperialism (and that, moreover, this was a 'gap' in Marx's work which her own theory was needed to fill).¹⁶⁶ Her own theory of accumulation was a theoretical device to solve problems for which the schemes were not intended to provide direct answers, and correspondingly misdirected her attempt to theorise the origins and motor of imperialism: "Capitalism needs non-capitalist strata as a market for its surplus value and (she added as an afterthought) as a source of supply for its means of production and as a reservoir of labour power for its wages system."¹⁶⁷ This conclusion, however, while wholly supported by her theory of accumulation, was not a satisfactory point of departure from which to explain imperialism.

Empirically, Luxemburg's theory does not correspond to the historical development of modern colonialism. During the centuries of capitalism's 'primitive accumulation', the colonies were not markets importing an otherwise unrealisable commodity surplus from Europe, but were areas in which production was developed (generally on the basis of slavery) in order to export raw materials and agricultural products to Europe. Then as later, far from surplus value being realised through colonial trade, it was rather pumped out of the colonies to be realised in newly developing capitalist countries.¹⁶⁸ Moreover, the development of industrial capitalism did not entail the increasing importance of colonial markets: indeed, the colonial lands only extended their importance as markets for Britain insofar as they industrialised while the important markets for Germany industry (in particular) were almost entirely other highly developed capitalist states.¹⁶⁹

Theoretically, Luxemburg's theory is incapable of explaining some of the most prominent phenomena of the imperialist epoch. For example, it

is only possible to explain the increasing synchronization of cyclical fluctuations on the world economy, when it is understood that - quite the opposite of what is to be expected on the basis of Luxemburg's theory - the more capitalist states developed their industry, the more they expanded the market for one another's products and became interlocked as they came to account for a relatively increasing share of total world trade.¹⁷⁰ (Because Luxemburg's theory was fixated on trade between developed capitalist states and non-capitalist lands, it is incapable of comprehending the increasingly unified movement of the world economy.)

Not only did Luxemburg's theory marginalise the problem of raw materials (which, after all, is a problem of production), it was also misleading in relations to another mainspring of imperialism implicit in Marx's analysis of the various concrete factors countervailing the TRPF - foreign trade. It was at the methodological level of 'capital in general' that Marx dealt with the production of surplus value and, consequently, laid bare the fundamental contradiction between the limitless potential for expanding the forces of production and the limited possibilities for valorising capital, while (especially in the Grundrisse) indicating the inner-'universalist' tendency of capital towards the creation of a world market. Only in Capital III, therefore - in beginning the transition into the concrete realm of the competing 'many capitals!' - did Marx consider the national fragmentation of the capitalist world market, and the significance of this for capitalist development as the struggle of capital against its inner-tendency towards overproduction took, in part, the form of a competitive struggle between unevenly developing national capitals for 'external' sources of extra-profit. In the case of foreign trade as a mainspring of imperialism, it is a countervailing tendency to the TRPF inasmuch as the most developed national capitals have an advantage over those less developed (not to mention undeveloped or non-capitalist lands) their higher organic composition of capital and productivity enable commodities representing increasingly less labour-time to be exported

in return for the same amount of either money (thereby realising an extra, in the sense of more than average surplus value) or commodities (thereby cheapening the elements of constant and variable capital). For Marx the problem for capital is to increase the quantity of surplus value, whereas for Luxemburg it is simply to realise an existing quantity. Luxemburg's theory cannot grasp the significance of 'unequal exchange' because she disregarded the fundamental problem of producing sufficient surplus value to continue capital valorisation: instead/ she insisted that the problem consists of producing too much surplus value, which can only be realised 'externally' by non-capitalist strata. From the point of view of Marx's theory of accumulation, therefore, her theory is doubly useless. Firstly, because crises of overproduction and the inner-necessity of imperialism arise whether or not there is a "metabolism" between capitalist and pre-capitalist modes of production ("without which", Luxemburg maintained, capital accumulation, "cannot go on").¹⁷¹ And, secondly, because it is completely beside the point whether injections of extra surplus value - with which developed national capitals stave off overproduction - are obtained by way of foreign trade with less developed capitalist or non-capitalist producers.¹⁷²

Most seriously, however, Luxemburg's theory shed no light on capital export as characteristic of imperialism. Already Marx had explained capital export as a concrete tendency countervailing the TRPF. Stimulated by the possibilities of a higher rate of profit, capital export became necessary as a means of temporarily overcoming the inner-barrier of capitalist production. Firstly, by enabling capital to be valorised which otherwise would be overproduced. And, secondly, by providing the advanced capitalist states with injections of additional surplus value. In Luxemburg's theory of imperialism, however, the problem of realisation is 'decisive'. She was well aware of capital's drive to command sources of raw materials and super-exploited labour power, but - she implied - these needs were not the mainspring of imperialism

and could not explain its necessity: "It is quite different", she argued, "with the realisation of the surplus value. Mere outside consumers qua other-than-capitalists are really essential. Thus the immediate and vital conditions for capital and its accumulation is the existence of non-capitalist buyers of surplus value, which is decisive to this extent for the problem of capitalist accumulation."¹⁷³ She was also well aware of the importance of capital export. Yet she was unable to integrate capital export into her theory - in an entire chapter on 'International Loans' she was unable to relate these to the decisive problem of how surplus value produced in the capitalist states was to be realised in the non-capitalist lands. Indeed, Luxemburg's account recognises that by means of capital export an additional surplus value is produced overseas for the purpose of allowing accumulation to proceed at home: "Realised surplus value, which cannot be capitalised and lies idle in England or Germany, is invested in railway construction ... etc. ... in the Argentine (etc.) ... The important point is that capital accumulated in the old country should find elsewhere new opportunities to beget and realise surplus value, so that accumulation can proceed."¹⁷⁴ This, of course, is in accordance with Marx's theory in that it deals with capital export as a means of overcoming problems in the sphere of production, by producing an additional surplus value under favourable conditions abroad. Yet by the same token, the question of capital export was not posed in any necessary connection with the problem of realisation (or with the sphere of circulation generally), and so is dealt with in the manner of ^{an} unintegrated afterthought. Indeed, as Grossmann maintained: "The fact of capital export is not only incompatible with Rosa Luxemburg's theory, but directly contradicts it."¹⁷⁵

For Luxemburg as with the revolutionary left as a whole, imperialism was the "final stage" of capitalist development.¹⁷⁶ From the point of view of this impeccably 'orthodox' position, however, it is a weakness of her

theory of accumulation as the intended basis of a theory of imperialism, that the necessity of non-capitalist markets accompanies capitalist development from its very first beginnings. For this is a constant feature of capitalist development, out of which it is impossible to explain the newly arising phenomena of the "imperialist phase of capitalist accumulation".¹⁷⁷ The most relevant implication of Marx's theory of accumulation for explaining the onset of imperialism, is that each period of upturn under capitalism involves raising ever further the organic composition of capital and hence the inner-barrier to capital valorisation. Ultimately, then, the factors countervailing the TRPF are not capable of autonomous mobilisation to the extent necessary to overcome crises of overproduction but eventually have to be mobilised systematically. First of all through monopolies (the development of which is hastened by the acceleration of capital concentration and centralisation in the course of crises) and then, increasingly, through state intervention. Ignoring the guidelines of Marx's theory, Luxemburg's own theory of accumulation was in no position to explain why imperialism first appears when capitalism is already relatively highly developed. (Her neglect of the monopoly form of capitalism as a main characteristic of imperialism - so apparent to her contemporaries - has already been commented upon.)

It is true, that in accord with her theory (that "the accumulation of capital becomes impossible in all points without non-capitalist surroundings"). Luxemburg distinguished three phases for the periodisation of the accumulation of capital:¹⁷⁸ "... the struggle of capital against natural economy; the struggle against commodity economy" and imperialism ("the competitive struggle of capital on the international stage for the remaining conditions of accumulation").¹⁷⁹ This historical progression, however, was not logically derived from her theory of accumulation. Consequently, Luxemburg had only one way to escape the implications of her theory - of 'imperialism' as a constant accompaniment of capitalism throughout the whole history of its development - so as to be able to theorise imperialism as a new, and 'final' stage of capitalism. And that

was through the introduction of capital export.

Luxemburg clearly saw capital export in association with protectionism and "the dominant role of finance capital and trusts" as the "typical external phenomena of imperialism", and upheld their "connection with the final phase of capitalism" and their "importance for accumulation".¹⁸¹ This position, however, was not contingent upon or even internally consistent with her theory of accumulation. Yet overriding the logic of her own theory was the requisite of her revolutionary will: in order to uphold an orthodox Marxist theory of imperialism - which she propounded as the necessary basis for 'proletarian politics' - Luxemburg was forced to depart from her theory of accumulation by way of the internally inconsistent additions of factors normally associated with the theories of Hilferding, Bukharin and Lenin.

Once modified by the introduction of capital export, Luxemburg's theory of accumulation was able to theorise imperialism as the 'final stage' of capitalist development. The going over of capitalism to capital export was inexplicable and hence indeterminate in terms of Luxemburg's theory but, nonetheless, once introduced constituted the crucial link between her theory of accumulation and the politically vital theorisation of imperialism as necessarily culminating in capitalist 'breakdown'.

In the wake of the violent opening-up of all forms of non-capitalist ('natural') economy to commodity exchange, argued Luxemburg, comes: "The imperialist phase of capitalist accumulation which implies universal competition comprises the industrialisation and capitalist emancipation of the hinterland where capital formerly realised its surplus value."¹⁸² Because capital export, therefore, tended "to establish the exclusive and universal domination of capitalist production", it equally undermined the basis of the "metabolism between capitalist economy and those pre-

capitalist methods of production" which alone "makes accumulation of capital possible".¹⁸³ For Luxemburg, then, the ultimate contradiction of capitalist development was between the conditions for realising surplus value (which "requires only the general spreading of commodity production") and those of its capitalisation (which "demands the progressive supercession of simple commodity production by capitalist economy").¹⁸⁴ International loans, moreover, raised up new competition so that, altogether, their "corollary" was that "the limits to both the realisation and the capitalisation of surplus value keep contracting ever more".¹⁸⁵

In terms of the structure of her theory of accumulation capital export was something of a deus ex machina. Once introduced, however, capital export explained how the non-capitalist market was continually narrowed by imperialism, and thus explained why capitalist development has an inner-tendency towards collapse. As soon as capital export has done its work of establishing the 'exclusive and universal domination of capitalist production', Luxemburg concluded, "accumulation must come to a stop".¹⁸⁶ "The realisation and capitalisation of surplus value becomes impossible to accomplish. Just as soon as reality begins to correspond to Marx's diagram of enlarged reproduction, the end of accumulation is in sight, it has reached its limits ... and the collapse of capitalism follows inevitably, as an objective historical necessity."¹⁸⁷

Luxemburg did not introduce capital export as the means of theorising capitalist breakdown because the socialist revolution directly depended on that eventuality. Her purpose was rather to establish imperialism as the epoch of capitalist development in which the tendency towards collapse was arrested, and as the reason, therefore, "for the contradictory behaviour of capitalism in the final stage of its historical career".¹⁸² For these were the new conditions under which the class struggle would unfold and according to which, therefore, socialist strategy had to be reorientated.

For Luxemburg, the role of theory was to "show us the tendency of development".¹⁸⁹ Hence the conclusion of her theory of imperialism and breakdown : "Though imperialism is the historical method for prolonging the career of capitalism, it is also a sure means of bringing it to a swift conclusion. This is not to say that capitalist development must be actually driven to this extreme : the mere tendency towards imperialism of itself takes forms which make the final phase of capitalism a period of catastrophe."¹⁹⁰ Because, under imperialism, accumulation proceeds at the cost of 'eating-up' its own medium of development, it is an epoch of increasingly destructive competition between capitalist states "for what remains still open of the non-capitalist environment".¹⁹¹ Because the non-capitalist area contracts as capital accumulation seeks to expand unabated, "imperialism grows in lawlessness and violence, both in aggression against the non-capitalist world and in ever more serious conflicts among the competing capitalist countries".¹⁹²

The purpose of Luxemburg's theory was, of course, political: "... capital accumulation is not just an economic but also a political process."¹⁹³ The conclusion of her Anti-Critique was a scornful rebuttal of 'official' Marxism, which sought to justify its pacifist strategy on the basis of a 'harmonist' theory of accumulation and the "logical conclusion of this idea" (of interpreting "the phase of imperialism not as a historical necessity ... but as the wicked invention of a small group of people who profit from it").¹⁹⁴ This theory, so Luxemburg argued, leads to the utopian perspective of an "historical compromise" between the working class and broad sections of the bourgeoisie in order to 'moderate' imperialism and isolate its (ostensibly) "small group of beneficiaries".¹⁹⁵ Against this 'historical compromise', Luxemburg's theory debouched into the 'historical alternatives' of socialism or barbarism (either "the decline of civilisation or the transition to the socialist mode of production").^{195a}

For Luxemburg imperialism was the historically necessary stage of capitalism's collapse. Imperialism was an epoch of both the universal heightening of the competitive struggle amongst nation states and of the class struggle - an epoch, therefore, pregnant with war and revolution. With war, because "political power is nothing but a vehicle for the economic process", so that militarism, long associated with capitalism's expansion into non-capitalist areas, now became the means of life or death competitive struggle between the most developed capitalist states: "In this way, imperialism brings catastrophe as a mode of existence back from the periphery of capitalist development to its point of departure."¹⁹⁶ And with revolution. Not only because of the direct burden of war and the threat of war thereby imposed on the working class, but also because working class living standards were constantly lowered by the indirect taxation raised to finance military aggrandisement: "The more ruthlessly capital uses militarism ... the more it depresses the conditions of existence of all working strata, the more the day-to-day history of capital accumulation on the world stage changes into an endless chain of political and social catastrophes and convulsions: these latter, together with the periodic economic catastrophes in the shape of crises, make continued accumulation impossible, and the rebellion of the working class against the rule of capital necessary, even before it has reached the limits it set for itself."¹⁹⁷

Revolution was 'necessary' not in the sense of inevitable, but in the sense that socialism was needed, indeed, was indispensable as the only 'historical alternative' to barbarism. Whether imperialism as the epoch of capitalist collapse would give way to socialism, therefore, all depended on the consciousness and involvement of the "socialist proletariat ... as an active factor in the blind play of forces".¹⁹⁸ Luxemburg was confident in the ability / ^{and} willingness of the working class to fight, but believed that they had been misled by the party leadership over how to fight imperialism.¹⁹⁹ Accordingly, the revolution depended on their

consciousness that "the position of the proletariat with regards to imperialism leads to a general confrontation with the rule of capital".²⁰⁰

And: "In this case, too, a correct conception of Marx's theory offers the most fruitful suggestions and the most powerful stimulus for this consciousness."²⁰¹ The whole point of Luxemburg's mammoth work, therefore, was that it posed the 'historical alternatives' of 'socialism or barbarism', and thereby defined the 'specific rules of conduct' or 'method' of fighting imperialism.²⁰²

2.4. Conclusion: Luxemburg's 'economics' as the introduction to her politics

The import of Luxemburg's Accumulation and Anti-Critique was to theorise the conditions and aims under which the class struggle had to be waged. Although Luxemburg's theory of breakdown was potentially ambiguous politically, it was the only way in which - given the methodological stance she shared with her Austro-Marxist contemporaries - she could elaborate a theory of accumulation compatible with her revolutionary politics. And even then, her prior commitment to revolutionary practice forced her to modify this theory. Ruth Fischer's deduction of 'all' Luxemburg's (ostensible) political 'errors' from her theory of accumulation, it can be concluded, was merely tendentious.

Nevertheless, there is a link between the errors of her theory of accumulation and her political shortcomings in organisational questions. This link, however, cannot be made simply by deducing one from the other. Rather, it can be shown that both her theory of accumulation and theory of organisation are predicated upon a common deficiency in her 'rezeption' of Marx's Capital. Luxemburg's substitution of the mode of exchange or realisation for the mode of production as the central concern of Marxian economic theory, influenced her theoretical outlook to the detriment of her theory of accumulation and political conceptions alike.

According to Marx's procedure, it is necessary to start with production as the central concern. Firstly because production is - in general - the fundamental human activity. Secondly - and specifically - however, because under capitalism it is only possible to penetrate and explode the objective, independent appearance of economic forms - the commodity, money, labour power, capital - if, instead of treating them as given (as in exchange) the effort is made to investigate the underlying social relations from which they arise and according to which they are constantly reproduced. It was precisely by starting from the production and hence origin of all these forms that Marx was able to question the apparently unquestionable reification of social relations into objective forces, and in so doing expose both the material and ideological basis of bourgeois hegemony. Without further elaboration on this theme, the reification of social relations into material forces underlies the irresistible logic of apparently independent and objective forms and movements of capitalist economy over individuals, social classes and state institutions alike. Likewise - as I argue below - it is necessary to grasp / ^{the} significance of reification to understand the objective, material nature of bourgeois ideology and its consequent implications for working class consciousness and political organisation.

In common with her contemporaries, however, Luxemburg's political conceptions and strategy disregarded the significance of Capital as a 'demystification' of the reified forms of appearance of capitalist economy (and hence of power and ideology). This, I believe, was at least partly the consequence of her misplaced concern for the process of exchange at the expense of Marx's focus on production. And this, moreover, I suggest as a more plausible explanation of the influence of her 'economic' theory on her politics than either the Stalinist construct quoted earlier or the naive 'break' imputed by Nettl.²⁰³ In the light of these remarks, I will now discuss the political consequences of Luxemburg's omission of this dimension of Marx's Capital from her theoretical framework.

3. Luxemburg's Spontaneism and Marx's Capital

3.1. New coordinates and tactics for socialist strategy

Luxemburg's theorisation of imperialism, as the most highly developed form and final stage of capitalist development, provided her political efforts with a foundation in political economy. For from her earliest years in the SPD, her concern (following Parvus) had been to reorientate the tactics of her adopted Party in accord with new tendencies of capitalist development and the consequently changing conditions of the class struggle.

As early as 1899, she argued that: "The era of militarism, naval expansion and protectionism brought on by the opening up of China reacts back upon the domestic social relations of the European countries, in that it strengthens reaction while sharpening the antagonisms between government and ruling classes on the one side and working people on the other. The powerful industrial upswing called into being by the new Asian markets accelerates, for its part, the demise and proletarianisation of small producers. Thus economically as much as politically, vigorous new life is breathed into the class struggle."²⁰⁴ Yet the very opening up of the Asian markets which stimulated militarism and industrial expansion, also meant a contraction of their political and economic field of activity: in the absence of new outlets, therefore, "there is no alternative for the European states other than mutual confrontation until the period of the final crisis sets in politically".²⁰⁵ For Luxemburg, this perspective (as she concluded) opened up "splendid prospects". Indeed, this triumphant sense of the coming of a new and decisive stage in the class struggle - of an epoch of war and revolution - was to inform the whole of Luxemburg's subsequent political career.²⁰⁶ (And was plainly the point of departure and gist of her theory of accumulation and imperialism.)

While Luxemburg shared in the confident optimism of contemporary social democracy, her hopes were based neither on the prevailing 'passive expectancy' nor simply entrusted to 'spontaneous' developments. "How long the consequently arising lean years of capitalism will last", she insisted

in 1899, "will depend essentially on the level, on the progress of the labour movement in the capitalist countries".²⁰⁷ Accordingly, as early as 1900 she took the Party leadership to task for the lack of genuine international solidarity involved in their purely parliamentary and verbal reaction to the war in China, and confronted that year's Congress with the need to 'rouse up' the masses.²⁰⁸ Although constrained by her bloc with the leadership against Revisionism, Luxemburg's sense of the changed objective situation already made her increasingly impatient with the SPD's 'tried and tested tactic'.

It is in this context that we can understand her enthusiasm - and joy - at the 1905 Revolution. Firstly, it confirmed the dawning of a new epoch in the development of capitalism and the class struggle. Speaking of the global impact of 1905, she wrote (in 1906) that: "With the Russian Revolution closes the nearly 60 year period of the peaceful, parliamentary rule of the bourgeoisie. With the Russian Revolution we have already entered the period of transition from capitalist to socialist society,"²⁰⁹ How long this period would last, depended on the "international class conscious proletariat" gaining "strengthening, clarifying insight into ... this redeeming period", as well as "the necessity of growing into the tenacity, clarity and heroism in the coming storms as quickly as ... the Russian proletariat".²¹⁰ Secondly, the revolutionary movement of the Russian working class had - at last - proved the necessity and provided in the practice of the mass strike the form of struggle with which to challenge fundamentally the strategy and tactics of the labour movement in the West. Just as Marx had generalised fundamentally important political conclusions from the last great upsurge of the European working class in 1871, Luxemburg evinced the same concrete internationalism in her Mass Strike: the German workers, she insisted, must "learn to look upon the Russian Revolution as their own affair, not merely as a matter of international solidarity with the Russian proletariat, but first and foremost, as a chapter of their own social and political history".²¹¹ And at the 1906 Congress, she proclaimed the Russian proletariat a

"model" and insisted that "according to the general situation in Germany we should also make ourselves ready for such struggles in which the masses are decisive".²¹² In hindsight, therefore, we can see that her still more or less latent opposition to the conservatism of the Party leadership, was bound to break into the open so soon as the political crisis in Germany matured to an extent sufficient to bring the practical consequences of Luxemburg's position into sharp opposition to its dogged parliamentarism. It was finally in the face of a "lively mass movement" that Luxemburg was forced to fight for the revolutionary integrity of the SPD on the immediate level, and thus against the leadership's and its spokesman Kautsky's merely 'passive radicalism'.²¹³

These considerations, of course, belie any general characterisation of Luxemburg's politics as simply 'spontaneist'. It is the element of truth in this 'charge', however, that we must now consider.

3.2. Luxemburg's alleged 'spontaneism'

At first sight, there is no hint of 'spontaneism' at the level of her Marxist world-view. Her works abound with passages along the lines of her public avowal at the 1907 Congress of the Socialist International: "The historical dialectic is not valid for us in the sense that we wait and be patient until it brings us success."²¹⁴ On the contrary, insisted Luxemburg: "Socialism will not fall as manna from heaven. It can only be won by a long chain of powerful struggles in which the proletariat, under the leadership of social democracy will learn to take hold of the rudder of society to become instead of the powerless victim of history, its conscious guide."²¹⁵ Indeed, an active fight for socialism by the working class was imperative, because: "... if the proletariat fails to fulfil its duties as a class, if it fails to realise socialism, we shall crash down together in a common doom."²¹⁶ Moreover, even in the allegedly 'spontaneist' Mass Strike, Luxemburg cannot be criticised for belittling the political or

organisational/tactical role of the party in realising the revolutionary potential of the working class: "... the Social Democrats are called upon to assume political leadership in the midst of the revolutionary period. To give the cue for, and the direction to, the fight; to so regulate the tactics of the political struggle in its every place and at every moment that the entire sum of the available power of the proletariat which is already released and active, will find expression in the battle array of the Party."²¹⁷ Indeed, the role of the vanguard is decisive for the success of the extraordinary - yet blind - spontaneous movement of the masses: "A consistent, resolute, progressive tactic on the part of the social democrats produces in the masses a feeling of security, self-confidence and desire for struggle; a vacillatory, weak tactic, based on an underestimation of the proletariat, has a crippling and confusing effect upon the masses."²¹⁸ It was the role of the party, therefore, to raise the consciousness of the working class as to the implications of the new period: "... to make clear to the widest layers of the proletariat the inevitable advent of this revolutionary period, the inner social factors making for it and the political consequences of it."²¹⁹ Consequently, the social democrats should "seize and maintain the real leadership of a mass movement" becoming "in a political sense the rulers of the whole movement".²²⁰ (The same reasoning lay behind the urgency and eventual bitterness of her famous polemic with Kautsky in 1910).

Yet, notwithstanding that Luxemburg's world-view and corresponding conception of the role of the party cannot be characterised as 'spontaneist', once we extend the analysis to encompass the source and development of social democratic organisation, a lapse into undialectical 'organic' conceptions becomes evident. For Luxemburg the struggle of the working class depended for success on the leadership of social democracy. However, as we will now see, Luxemburg's theory of organisation implied that even if success was not directly guaranteed then the conditions for success were.

3.3. Luxemburg's 'organic' view of 'organisation as process'

Luxemburg correctly emphasised the 'process element' in the development of class consciousness and organisation.²²¹ She understood that in order for revolutionary socialist consciousness and organisation to arise, the experience of the working class in 'friction' with the capitalist order needs to be supplemented and mediated with a scientific understanding of the process.²²² Nevertheless, she did not fully appreciate that neither science nor, therefore, this indispensable mediation can be the product of the historical process itself: and that - consequently - these can only be introduced through the conscious intervention of an agency organised apart from the process on the basis of an irreducibly independent 'Rezeption' of scientific socialism. In spite of her revolutionary activism, Luxemburg was by no means free of an 'organic' conception of class consciousness and organisation, which entailed an overly-determinist bent. Correspondingly, her weaknesses in the field of organisation concerned not just the type of organisation that could be the vanguard but, above all, her theoretical and practical failure to realise that for a socialist vanguard to develop through the objective process, it also has to be subjectively prepared and constructed. Because of this, she underestimated the ability of the existing leadership to restrain and disorientate a revolutionary upsurge, while overestimating the ease with which the working class could see through and discard its old leadership and a new leadership 'arise'.

Luxemburg had an 'organic' conception of 'organisation as process': "... social democratic activity ... arises historically out of the elementary class struggle ... party organisation, the growth of the proletarians' awareness of the objectives of the struggle and the struggle itself are only different aspects of the same struggle."²²³ However,

to maintain that organisation and class consciousness 'arise' organically as mere 'aspects' of the revolutionary process, is to marginalise any consideration of the role of the party in raising class consciousness (or, indeed, of the need for a party as predicated precisely upon ideological barriers to generalised socialist consciousness).

On the one hand, therefore, her conception of the development of class consciousness and organisation was, as she concluded from her observation of the mass strike, that: "... the living dialectical explanation makes the organisation arise as a product of the struggle."²²⁴

However, as Lukacs explains: "Rosa Luxemburg saw very clearly that 'the organisation must come into being as the product of struggle'. Her mistake was merely to overestimate the organic nature of the process while underestimating the importance of conscious organisation."²²⁵

She thereby exaggerated the possibility of organisations capable of combat being generated in the heat of the struggle itself, and consequently minimised the necessity of constructing strong organisations in advance of an immediately revolutionary situation.²²⁶

On the other hand, a corollary of this position was that opportunism or any leadership proving a barrier to the mass movement would be more or less automatically cast aside through the revolutionary process itself. Once the masses were in motion, argued Luxemburg, "no breaking by the Party leadership will be capable of doing much; then the masses will simply push aside their leaders who set themselves against the storm. This can just as well happen in Germany one day".²²⁷ Finally, we may conclude, the horrendous inaccuracy of this last remark surely reveals how little her theory of organisation corresponded to the real nature and spontaneous potential of the working class movement. (In the German Revolution, by the time the KPD had 'arisen' the first wave of working class insurgency was over: at the onset of the period of revolutionary crisis, moreover, the majority of the working class turned towards its traditional organisations.)

Symptomatic of Luxemburg's conception of organisation arising out of the process of struggle itself, was her conflation of trade union with socialist organisation: she failed to distinguish them as radically distinct types of organisation, arising in different ways. It is not only "trade unions", according to Luxemburg, which "arise as a product of the struggle", but also "all fighting organisations of the proletariat".²²⁸

She distinguished the role of trade unionism and social democracy very clearly.²²⁹ The distinction Luxemburg failed to draw, however, was between the specific modes of origin of trade union and social democratic reformism on the one side, and of revolutionary socialism on the other (having them similarly 'arise' from the same process). Yet inasmuch as trade unions reflect the 'spontaneous' resistance of the working class to a given unequal distribution, their action cannot help but ratify the principle of unequal distribution and thus arises as an expresion - indeed, a component of - rather than a challenge to the class relations of capitalist society. "By contrast", as Anderson continues, "a political party is a rupture with the natural environment of civil society, a voluntarist contractual collectivity, which restructures social contours: the union adheres to them in a one-to-one relationship. A revolutionary party ... embraces more than the working class; it includes intellectual and middle class elements which are bound by no inevitable ties to the socialist movement at all. Their allegiance is created, against the grain of the social structure, by the work of the revolutionary party itself."²³⁰

With these distinctions in mind, we can see that Luxemburg's organisational concepts were more applicable to trade unionism than revolutionary socialism. Because socialist consciousness and organisation does not arise spontaneously or organically among the working class, the minority of class conscious workers (and intellectuals) with sufficient theoretical knowledge to have drawn socialist conclusions from their experience, have to be

organised and trained so as to be able to guide the majority in the same direction. Luxemburg recognised as a precondition of social revolution that Marxism must enter into proletarian consciousness: "It is fundamental to the historical upheaval as formulated in Marx's theory that this theory should become the form of working class consciousness and, as such, a historical factor in its own right."²³¹ Nor would she have denied the indispensable agency of the party if the elements of scientific socialism were to enter into and be taken up within the working class. Because of her organic (or 'spontaneist') conceptions, however, she wholly disregarded the mode of origin of the party as the agency of socialist organisation and consciousness - for this, as Trotsky put it, was not a question "of a purely 'historical' process, that is of the objective premises of conscious activity, but of an uninterrupted chain of ideological, political and organisational measures for the purpose of fusing together the best, most conscious elements of the world proletariat ... whose numbers and self-confidence must be constantly strengthened, whose connections with wider sections of the proletariat must be developed and deepened".²³² For, as Waters succinctly explains in counterposing Lenin's conception of the relationship between historical development and the party to Luxemburg's notion that the historical process itself would give rise to the organisational preconditions of victory: "... organisation and tactics are created not by the process but by those people who achieve an understanding of the process by means of Marxist theory and who make themselves part of the process through the elaboration of a plan based upon their understanding."²³³

Luxemburg's error did not lie in her stress on the spontaneous struggles and initiative of the masses but rather in the failure to understand their limitations. Consequently, she did not appreciate that to realise the revolutionary potential of working class struggle requires the intervention of a vanguard. A vanguard, moreover, not only imbued with Marxist theory, but with sufficient organisation, training and experience in the working class movement to be able to mediate spontaneous practice with theory.

This is as far as I wish to go in comparing Luxemburg with a more or less 'received' Leninist position on this question. The purpose of the remainder of this chapter will be to further explain the source of her conception of how socialist class consciousness and organisation arise; firstly in terms of her methodological approach, but secondly (and at length) in relation to the limitations of her 'Rezeption' of Capital.

3.4. The first determinant of Luxemburg's 'organic' view of class consciousness and organisation:

Luxemburg's deficiency of concrete analysis

Luxemburg confidently entrusted the historical process to give rise to the kind of organisation she believed necessary for victory. The corresponding neglect of practical necessities, of recruiting, organising and training such a vanguard, may be seen as symptomatic of Luxemburg's politics generally, inasmuch as it evinced (as Eley has it) "an important deficit of thinking about larger matters of practical strategy"; in particular, "an unwillingness to problematise the SPD's existing conception of the 'proletariat' and its actual relations to the working class".²³⁴ For if 'party organisation' and the 'growth of the proletarians' awareness' are simply to 'arise' directly out of the elementary class struggle, then this can only be - according to the fundamentals of historical materialism - because the 'social being' of the working class thus determines. Yet for this to have been established rather than asserted, Luxemburg would have had to ground her conception (as Eley insists) in a concrete analysis of "the material situation of the working class ... its internal divisions of sex, skill, religion, ethnicity and age; its experience of production and reproduction; its encounters with the state as both repressive and an ideological agency; and its class relations with employers, administrators, tradesmen, teachers and priests".²³⁵

Luxemburg's shortcomings in this regard are apparent in her analysis of the "social base" of opportunism as being external to the working class as such: "parliamentarism", according to Luxemburg, "provides the soil for such illusions of current opportunism ... by placing intellectuals, acting in the capacity of parliamentarians, above the proletariat", while the growing labour bureaucracy proved yet "another source of contemporary opportunism".²³⁶ It is true that she also related "opportunistic trends" to "the very nature of socialist activity and the contradictions inherent in it" and "unavoidable social conditions".²³⁷ Yet these insights were pitched at the most general level, and were not followed through by means of concrete analysis. In particular, in spite of her concern with Revisionism, she did not relate the reformist practice at the basis of this political/theoretical tendency to sectionalism within the working class, and to the material situation of the mainly skilled and unionised sections of the working class on which the SPD's electoral support and especially its mass membership were based. Consequently, Luxemburg all too easily imagined that opportunism had the shallowest roots and only awaited a powerful upsurge of the working class to be washed away, thereby 'regenerating' the SPD into a truly revolutionary party. On the other hand, of course, her 'organic' conception of development rendered her political views rather determinist in this respect, and thus tended to obviate the need for concrete analysis.

As abstract and general as her conception as to how class consciousness and organisation would arise, was her reasoning on strategy and tactics. According to Luxemburg, not only is "the proletarian army ... recruited" but it also "becomes aware of its objectives in the course of the struggle itself".²³⁸ This is so, because (in general): "The unconscious comes before the conscious. The logic of the historical process comes before the subjective logic of the human beings who participate in the historical process."²³⁹ In this one-sidedly determinist formulation, the subjective

failure to give out a concrete perspective with appropriate tactics and strategy is not only implicitly justified but even elevated into a principle. Accordingly, Luxemburg continued: "The tendency is for the directing organs of the socialist party to play a conservative role ... every time the labour movement wins new terrain those organs work it to the utmost." Ironically, of course, her revolutionary but organic conception of organisation and tactics led her - at this point - to parallel the very immobilism implicit in the evolutionary-organic perspective of the Marxist Centre she was later to attack.²⁴⁰ Of later practical importance, moreover, was her consequently easy debating point that "the working class demands the right to make its own mistakes".²⁴¹ This betrays no understanding that the duty of the conscious vanguard is to help the working class as a whole avoid mistakes. For these will not always be fruitful in the sense that lessons will be drawn in such a way as to ensure future victory: 'mistakes' can be so sanguinary in their consequences as to be merely destructive of organisation and corrosive of morale, in which case the result can be a long-term setback to the labour movement and a regression in the learning-process of the working class. (The 'Spartakus uprising' may be taken as a case in point: a mature leadership could have helped the revolutionary minority in Berlin to avoid falling victim to the Government's carefully staged provocation. The example of the Bolshevik's position during the 'July Days' in Petrograd comes to mind.) This error, of course, was directly related to Luxemburg's theory of accumulation and collapse: necessarily unilinear, it does not comprehend the possibility (implicit in Marx's LTRPF) of the capitalist class defeating the working class politically, so as to be able to recover economically by vastly increasing the rate of exploitation.

This same tendency to abstractness is apparent in her writings on the mass strike. From the standpoint of her strong dialectical sense of totality, Luxemburg demonstrated that in accordance with the character of the period - of the level of economic development and the corresponding pattern

of social relations - there was a dialectic of economic and political struggles within which particular issues could generate general revolutionary conflicts: struggles for particular ends focussed the existing strength of the working class, while enhancing organisational strength, morale and consciousness and leading on to new goals. Impressive though this was, however, Luxemburg's analysis comprehended the mass strike only at the level of the most abstract form of movement of the revolutionary process, while neglecting its concrete forms and separate stages. Thus in the Mass Strike, for example, the Soviets were not even mentioned, while even in her later critique of the October Revolution she neglected their role as the concrete expression and highest form of mass struggle and organisation.²⁴² Likewise, she persistently failed to recognise the seizure of power as a distinct and practical task: instead, she subsumed the particular stage of insurrection beneath her general conception of the mass strike as "identical with a period of revolution" and failed to break completely with Kautsky's 'organic' notion of organising 'for the revolution'.²⁴³ Consequently, her commitment to "a revolutionary class struggle" often had more the appearance of moral injunction - as the "only source of the moral rebirth of the proletariat" - than of a concrete perspective combining trade union and parliamentary tactics with mass action into a strategy for power.²⁴⁴ Accordingly, her prescriptions for action were too vague for the severely 'practical' outlook of most social democrats. It was for this reason, moreover, that in the famous polemic with Kautsky in 1910, Luxemburg did not have it all her own way.²⁴⁵

The occasion for Luxemburg's political break with Kautsky was his response to her call for the SPD to lead a mass demonstration strike as the "natural, inevitable heightening" of the already developing - and unprecedented - mass movement over the Prussian suffrage.²⁴⁶ Luxemburg dissected the "purely parliamentary" logic of Kautsky's contrast between the 'East' and the 'West' and his formalistic separation of the 'strategy of overthrow' from the 'strategy of attrition', and declared him to be a "theoretical cover"

for those elements in the Party and trade unions who feared the mass movement, curtailed it, and desired nothing more than to call it off.²⁴⁷ For his part, however, Kautsky attempted to rebut Luxemburg's call for action by probing her general conception of the mass strike at its weakest, most abstract point. Kautsky maintained that she propounded the mass strike not so much on the basis of a concrete analysis, but in terms of "general psychological considerations supposed to hold for every mass action where and whenever this may develop".²⁴⁸ He showed convincingly the absence of analogy between the contemporary situation in Germany and that of Russia in 1905. He denied that Germany in 1910 was entering into its own 1905.²⁴⁹ In particular, he argued, the social basis of support and the power of the state was basically intact and not in disarray or internal decomposition.²⁵⁰ In this context, therefore, Kautsky quoted Luxemburg to the effect that the mass strike "must continually become more and more critical, taking new and more powerful forms".²⁵¹ He then posed the critical question: "So once a mass action is inaugurated, it must go forward rapidly from street demonstrations to a demonstration-strike, from demonstration-strike to coercive-strike - and what then? What 'critical developments' remains open to us then?"²⁵² Kautsky argued that to unleash a political mass strike depends on the concrete situation and cannot be justified simply by the need to surpass previous forms of struggle. To launch a mass strike without the conditions for victory was to court defeat and demoralisation. For such a struggle could not be partial or limited but necessarily involved a clash with the full power of Prussian militarism, precisely because - concluded Kautsky - to democratise Prussia would be tantamount to the "overthrow of the Junker-regime".²⁵³

Luxemburg's conception of the organic development of consciousness, organisation and tactics from the class struggle, meant, in effect, that although she continually stressed the role of the revolutionary subject, its

development and role were predetermined by the objective logic of the historical process. This restricted her political effectiveness in two ways. Firstly (and directly), her organic conception implicitly obviated the need to follow her politically decisive split from Kautsky with practical steps towards the organisation of an effective left-fraction within the SPD. Consequently, as the editors of her Collected Works point out: "Rosa Luxemburg wanted to develop the revolutionary vocation of the Party in the struggle against Revisionism and ... Centrism, yet at the same time tied her own hands through a mistaken conception of the Party ... with which she was incapable of realising the leading role of the party ... which she recognised as necessary."²⁵⁴ Secondly (and fundamentally), her consequently linear connection between economic development and social revolution signified that her political break with the Marxist-Centre was far from having been consolidated through a systematic theoretical critique of Kautsky's Marxism. Because of this, she all too easily lapsed into the conventional social democratic view of history as the ultimate guarantor of success.²⁵⁵ Consequently, her activist opposition to the endemic 'verbal radicalism' (Pannekoek) and parliamentary immobilism of social democratic Marxism was insufficiently fundamental to provide the theoretical basis for a politically effective alternative and the eventual reorientation of the German labour movement along revolutionary lines.²⁵⁶

As in the case of her opposition to the 'neo-harmonist' trend in economic theory, the effectiveness of Luxemburg's political opposition to the Marxist Centre was curtailed, because methodologically she occupied much the same ground as her opponents and was thus incapable of a really radical critique. The fundamental failings of Luxemburg's theory of accumulation have been attributed to her inadequate mediation of abstract and concrete levels of analysis. A strikingly similar criticism, moreover, is to be made in relation to her political thought.

We have seen that Luxemburg's political thought was characteristically deficient in concrete analysis. She

failed to analyse, for example, the internal composition, material situation and correspondingly varied political predispositions of different strata of the working class, which would have at least qualified her conception of the organic or 'spontaneous' origin and development of revolutionary organisation and tactics. This, however, is not the only point to be made: her organic conception itself was a barrier to even seeing the need for this kind of analysis. If we are to penetrate further her political thought, therefore, we must consider the theoretical roots of Luxemburg's organic view of these matters. Consequently, it is once again necessary to return to her failure to grasp Capital as an investigation and critique of value-form. For because of this, she precluded herself from understanding the significance of successively more developed forms of value (through which Marx unfolds his 'critique of political economy') as a successively deeper penetration of the reified social structure, amounting to a composite 'laying bare' of the material basis of the spontaneously arising 'false consciousness' of the whole of the working class. In other words, her 'Rezeption' of Capital did not just involve a misrepresentation of Marx's theory of accumulation: it also led her to interpret Marx's work in a one-sidedly 'economic' manner, by obscuring the significance of his critique of economic forms as the basis for a materialist theory of bourgeois ideology. This was critical for her theory of class consciousness and organisation: for only an understanding of the material basis of 'false consciousness' or bourgeois ideology could have revealed the objective barriers to the development of socialist consciousness and organisation, thereby fundamentally displacing all notions of their organic or spontaneous origin. Correspondingly, because Luxemburg failed to appreciate the ideological import of value-form, she had no conception of the objective ideological barrier to socialist consciousness and organisation and hence easily lapsed into an 'activist' variant of the prevailing organic conceptions.²⁵⁷

In her political thought as in her theory of accumulation, therefore, the methodological source of her shortcomings was not just that, at times, her conceptions were either

one-sidedly abstract or too ensnared with concrete appearances: rather, they arose from a deficient mediation of the abstract categories of Capital with concrete problems of economic development and class consciousness. In the rest of this chapter, therefore, I will pursue this argument by way of an outline of the theory of ideology - and its implications for organisation questions - to be derived from Capital.

3.5. The second determinant of Luxemburg's 'organic' view of class consciousness and organisation:

Luxemburg's neglect of Capital with respect to ideology and organisation²⁵⁸

3.5.1. Ideology and consciousness: the 'missing link' in orthodox Marxism

Whether socialist consciousness was to arise from organisation and education (Kautsky) or from mounting waves of mass action (Luxemburg), the determination of 'consciousness' by 'social being' was generally thought of within the Second International as simple and direct.²⁵⁹ The following is devoted to the elements of an alternative already to be discovered in Capital. My basic thesis is that Marx lays bare the essential structure and dynamics of the capitalist economy which are fetishistically disguised, and in so doing reveals their appearance on the surface of capitalist society as the foundation of 'prevailing ideology'. Capital, therefore, furnishes the starting point for a general materialist analysis of ideology in capitalist society and its effectiveness in securing the 'non-economic' conditions for its reproduction. Moreover, this is the starting point from which the Marxist theory of organisation is to be derived.

Ideology (and culture) cannot be held to determine the direction and outcome of social change in the last instance: but neither can their influence on consciousness - particularly in retarding the formation of socialist consciousness - be neglected without, at the very least, leading to errors in the expected pace of developments. As the translator's

'Introduction' to Habermas' Legitimation Crisis remarks:

"... the Frankfurt School already questioned the assumption that the internal development of capitalism would not only create the objective conditions for a classless society, but the subjective conditions for the emancipation of the proletariat as well. There was a recognised need to supply the 'missing link' between Marx's critique of political economy and his theory of revolution ..."²⁶⁰

The 'classical' theorists, however, generally failed to grasp Capital as an analysis and critique of reified social relations and simultaneously, therefore, as a preparatory exploration of the foundations of bourgeois ideology. Without this grasp, Capital was interpreted one-sidedly and narrowly as the 'economics' of bourgeois society. And politically serious was their consequent inability to incorporate a materialist understanding of ideology into their political perspectives.

3.5.2 The role and concept of ideology

Ideology is important in structuring the social consciousness which integrates the working class into bourgeois society - by securing, to a greater or lesser extent, the acquiescence of the working class in its own subordination. Ideology thereby provides a crucial element of the 'superstructure' within which the non-economic conditions of capitalist reproduction are secured. However, just as Marx's reproduction schemes reveal not only the economic preconditions for harmonious capital accumulation but also, by the same token, the immanent possibility of crisis, so, to posit the non-economic conditions of reproduction is, implicitly, to reveal the possibility of capitalist breakdown should the working class be shown capable of breaking the bounds of prevailing ideology.

Although ideology is a medium through which men know the world and accordingly act, it is false consciousness and not true knowledge. However, this must be understood not in the sense of subjective errors of understanding or delusion imparted by schools, the mass media etc., but as

corresponding to how social relations under capitalism are actually experienced. For the social structure of capitalism has the historically unique quality of presenting its essential or real relations in an opaque or inverted form. As Godelier puts it: "It is not the subject who deceives himself but reality which deceives him."²⁶¹ Ideology, therefore, arises from the social relations and processes of capitalist production. And once established, ideology - as Gramsci understood - is a 'material force' in its own right, which serves to "cement and unify" the "entire social bloc".²⁶²

The key methodological starting point for conceptualising ideology in contrast to science, is Marx's distinction between essence and appearance.²⁶³ As Jakubowski explains: "Ideology is the concept which corresponds to the real existence of the surface, as opposed to the correct, total consciousness which sees beyond the surface to the essential form of social relations. The reality of bourgeois society is made up not only of material relations but also of ideology."²⁶⁴ For the individual, ideology explains society and reconciles him to his place in it: yet because ideological understanding has its point of departure in immediately given appearances and not in the underlying or essential structures and processes, it is true and real subjectively while being objectively false. Science, on the other hand, is distinguished by the ability to penetrate beyond appearance to the essence. Knowledge of the essential relations of capitalist society, therefore, is only possible through the appropriation and application of science: otherwise, living in and thus under the sway of immediate, apparent reality, individuals and social classes cannot transcend ideology.

3.5.3. Capital and the theory of ideology

According to Marx, vulgar political economy "remains in thrall to the appearance of the capitalist mode of production".²⁶⁵ However, although Luxemburg maintained

that political economy was "a source of bourgeois class consciousness", she did not grasp that, as a 'critique' of political economy, Capital not only 'laid bare' the economic laws of motion of capitalist society but also, at the same time, 'laid bare' the objective nature of the system's ideological defences.²⁶⁶ By scientifically 'defetishising' political economy, Marx's critique fulfilled its political purpose of enabling socialist strategy to be based on the objective dynamic of capitalist reproduction, while disclosing the material solidity of bourgeois ideology in order to understand the conditions under which the potential consciousness of the working class as the subjective agent of socialism might be realised.

In particular, Luxemburg understood that capitalism is characterised by "two basic structures"; firstly, the production and exchange of commodities and, secondly, the wage labour/capital relation.²⁶⁷ Yet she did not appreciate that the development of the multi-dimensional exploration of value-form, through which Marx conceptualised these structures, was also a critique of the fetishism through which the objective core and hence essential condition of bourgeois ideology is successively compounded.

The first of these structures arises from the separation of the producers. This means that products take the social form of commodities but, in so doing, come to dominate their producers through the mechanism of commodity fetishism.²⁶⁸ Because producers are atomised, individual concrete labours and use values have to be socialised through exchange: and this depends upon their reduction to commensurable quantities of general, 'abstract' labour or values. Consequently, direct social relations exist only through exchange - between commodities, therefore, but not between producers - and are subject to no social regulation other than the spontaneously arising 'law of value'. Commodity producers, therefore, live within and through 'fetishised' social relations: this means that commodity producers are not able to see that they are dominated by forces which are ultimately socially produced. Indeed, in the eyes of commodity producers, the mediation of their social relations through

things and their consequent subjection to the law of value "have already acquired the stability of natural, self-understood forms of social life ... for in his eyes they are immutable".²⁶⁹

This 'perversion', as Marx calls it, is developed as it becomes the social norm to exchange commodities against money. For individual labour to become a uniform part of the total labour of society, the value of the commodity in which it is embodied must be expressed in the external form of a price - i.e., as a quantity of another commodity that, through social usage, has evolved into the 'universal equivalent' or money. Once established, however, money does not appear as socially created - as a developed form of the real existence of value - but, instead, seems to be a natural object endowed with the unique social property of being able to purchase and thereby endow commodities with value. It is the money form, according to Marx, that "actually conceals, instead of disclosing, the social character of private labour, and the social relations between the individual producers".²⁷⁰ Consequently, the surface forms of commodity society (which are the point of departure for immediate experience), spontaneously enter consciousness as "a self-evident necessity imposed by nature".²⁷¹

The second of the 'basic structures' of capitalism identified by Luxemburg arises from the additional separation of the producers from the means of production. This arises as labour power itself becomes a commodity, and capitalism universalises commodity production to its historical and logical conclusion. Consequently, the phenomenon of fetishism associated with commodity production is not only taken up into capitalism but is strengthened to become even more impenetrable: "... under the capitalist mode of production", writes Marx, "and in the case of capital, which forms its dominant category, its determining production relation, this enchanted and perverted world develops still

more."²⁷² Under capitalist commodity production, it is even more the case that commodities are the active elements and men merely their appendages. Firstly, the content of capital as a social relation is disguised by its immediate material form and apparently natural or intrinsic property of having the power to dispose of labour. Secondly, the worker's separation from the means of production and consequent subordination to capital is, simultaneously, his loss of control over the labour process and degradation to the status of a use-value (or 'factor of production'). The powers of labour, in other words, appear as an intrinsic or technical property of the means of production or as the powers of another class.

Capital fetishism, however, does not just emanate from the essential social relations of capitalist production: it is also necessary to take into account the technical form in which the exploitation of labour power proceeds. For, according to Marx, it was only as labour was subordinated to the action of machinery that the productive power of labour was not merely obscured but "takes the appearance of an intrinsic property of capital in which it is incorporated".²⁷³

Marx demonstrates that the historical development of the means of raising the productivity of labour has taken place through "particular modes of producing relative surplus value".²⁷⁴ Each of these, moreover, acted successively to compound the fetish form of capital.²⁷⁵ However: "Every kind of capitalist production ... has this in common, that it is not the workman that employs the instruments of labour, but the instruments of labour that employ the workman. But it is only in the factory system that this inversion for the first time acquires technical and palpable reality."²⁷⁶ From 'cooperation' developed 'manufacture', under which the method of producing relative surplus value was to decompose the various artisanal skills into successive unskilled, partial operations. However, although this reduced the workman to an appendage of the workshop, "the narrow technical basis" of the labour process limited the production of relative surplus value while,

because manufacture "possesses no framework apart from the labourers themselves, capital is constantly compelled to wrestle with the insubordination of the workman".²⁷⁷

Because of this dependence on the worker's subjectivity, the transcription of bourgeois social relations onto existing technique could not ensure the unfettered exploitation of labour power and the rising rate of relative surplus value necessary for capital accumulation. The solution for capital was the transformation of technique: it was factory production (or "machines organised into a system") that finally placed bourgeois social relations on an adequate technical foundation.²⁷⁸ For it was machines that enabled the labourer to be displaced from the centre of the labour process and relegated to the role of attendant: "... the tool proper is taken from man and fitted into a mechanism."²⁷⁹ Machines, therefore, exclude the worker from any influence over the production process and complete the division between mental and manual labour.²⁸⁰ The life-long specialism of serving a machine consummates the transformation of the worker into a passive object whose actions are commanded by things or another class. Human force and attributes are now completely fetishised.

Workers are like independent commodity producers in being condemned to helplessness in the face of the crisis-ridden motion of the economy: but for them, this alienation from conscious social control is reinforced and concentrated in the daily experience of the production process. Finally, Lukacs explains the import of capital fetishism from the point of view of individual workers and their ideology: the individual is confronted by a system which "functions independently of him and he has to conform to its laws whether he likes it or not ... his activity becomes less and less active and more and more contemplative". Ultimately, therefore: "The contemplative stance adopted towards a process mechanically conforming to fixed laws and enacted independently of man's consciousness and impervious to human intervention ... must likewise transform the basic categories of man's immediate attitude to the world ..."²⁸¹ Politically, therefore, the immediate reality experienced by individual

workers (and, in different ways, members of all classes) severely limits apparent possibilities of social change to a range of adjustments which do not, as Gramsci put it, 'touch the essentials'. Existing social relations and institutions are sustained by appearing as 'natural' and thus being taken for granted.

Excursus.

A note on social democratic Marxism and machine production

I have already commented on Hilferding's neglect of use-value. I now wish to indicate an analogous misrepresentation of Marx's Capital in the prevailing view amongst social democratic and later Marxists of technology as implicitly 'neutral' (and, therefore, to be simply 'taken over' and utilised under socialism). Insofar as Capital established the fetishistic import of machine production, rather than uncritically recording the development of neutral technique (in the so-called historical sections), then this is further evidence of an incomplete grasp of Marx's work on the part of the social democratic successors of Engels.²⁸²

In Chapter 3, I criticised Kautsky for his failure to apply Marx's analysis of value-in-process to the understanding of either the 'laws of motion' or the ideological forms of capitalist economy. Kautsky's failure to grasp the method and hence only partial appropriation of the content of Capital, however, further extended to the exclusion of Marx's critique of the capitalist labour process from his purview. This is demonstrated by his uncritical attitude to machine production as an agency of emancipation: "Only the machine will make it possible to abolish this mental limitation for the masses of the workers; but only the abolition of the capitalist mode of production will create the conditions under which the machine may fulfil in the most complete manner its magnificent task of liberating the working masses."²⁸³ Together with the lack of a conception of the all-sided development of personality arising from and

necessary for the progress of 'freely associated' labour, Kautsky's incomprehension of Capital at this point not only debased his analysis of capitalism but even distorted his vision of socialism. It led to a technocentric notion of socialism common in the Second International (and later), and a consequent obfuscation of the dialectical relationship between individual and social development possible under socialism.

This is particularly clear in Kautsky's commentary to the Erfurt Programme, in which he described socialism as factory organisation carried over to embrace the whole of society: "As today in a large industrial establishment production and the payment of wages are carefully regulated, so in a socialist society, which is nothing more than a single gigantic industrial concern, the same principle must prevail."²⁸⁴ As Scharrer aptly comments: "This curtailment of the socialist aim to the immediate process of production corresponds to a further serious shortcoming: nowhere do we find in Kautsky the concept of the individual. Rather production 'for and through society' and the 'needs of production', as opposed to the needs of the individual, occupy the foreground."²⁸⁵

In spite of instances revealing "a residual technicism in one form or another", Reinfelder succinctly distinguishes Luxemburg's position as the one in line with Marx on this question: "... she explicitly rejects the idea of a technocentric continuum in the transition to socialism."²⁸⁶ Indeed, in spite of the present more or less 'Leninist' critique of Luxemburg on matters of organisation, her work directed against Lenin on this question was surely right to rebut his 'hymn' to factory discipline: "The self discipline of the social democracy is not merely the replacement of the authority of the bourgeois rulers with the authority of a socialist central committee. The working class will acquire the sense of the new discipline, the freely assumed self-discipline of the social democracy, not as a result of the discipline imposed on it by the capitalist state, but by extirpating, to the last root, its old habits of obedience and servility."²⁸⁷

We have already seen that the two basic structures of capitalist production entail an intrinsic inversion, whereby the things made by men come to mystify and dominate them. As forms of value, the social essences of commodity and capital are fetishised into natural appearances. However, as has been emphasised, this is not a journey from reality to illusion, but the inverted reflection of one reality in the form of another. The wage form, in contrast, is (as Geras explains) "an illusory form which is itself the source of a number of other illusions".²⁸⁸

Social processes and powers 'really are' transferred to things in the social guise of commodity and capital, in the course of, respectively, the transition from the atomised sphere of production to exchange and in the process of production itself. Unlike either commodity or capital fetishism, however, the wage form has no basis in production but rather arises in circulation as a pure illusion. For, in accord with the appearance of the relationship between the individual capitalist and the individual labourer as purely contractual (as free and equal, in other words), the capitalist appears to exchange wages for labour: consequently, the value of labour power appears falsely as the value of labour. "The wage form", as Marx writes, "extinguishes every trace of the division of the working day into necessary labour and surplus labour, into paid and unpaid labour. All labour appears as paid labour."²⁸⁹ Which is to say, as Geras comments, that "it conceals the essential feature of capitalist relations, namely, exploitation".²⁹⁰ For just as workers are not free but forced to sell their labour power in order to live, the wage labour/capital relation is not simply a contract between equal individuals as it appears in the sphere of circulation, but (as Marx's theory of surplus value and of the transformation of values into production prices reveals) is essentially unequal, comprising the exploitation of one class by another.

Unlike value form, the wage form is a purely illusory expression of exchange relations. "The exchange between capital and labour", says Marx, "at first presents itself

to the mind in the same guise as the buying and selling of all other commodities."²⁹¹ 'Value of labour', however, is an irrational expression: "That which comes directly face to face with the possessor of money on the market, is in fact not labour, but the labourer. What the latter sells is his labour-power. As soon as his labour actually begins, it has already ceased to belong to him: it can therefore no longer be sold by him. Labour is the substance, and the immanent measure of value, but has itself no value. In the expression 'value of labour' the idea of value is not only completely obliterated, but actually reversed. It is an expression as imaginary as the value of the earth."²⁹² Because the value of labour power presents itself in the form of the 'value of labour' and because, furthermore, exchange-value and use-value are "intrinsically incommensurable magnitudes", the unique value-creating use-value of labour power is concealed (and with it, the source of profit, the whole secret of capitalist production).²⁹³ Through wage form, therefore, workers appear as a mere 'factor of production'.

Although the appearance of the wages form as the 'value of labour' is 'imaginary' and 'irrational', Marx emphasises that it is not an illusion easily seen through or dissipated: "These imaginary expressions arise, however, from the relations of production themselves. They are categories for the phenomenal forms of essential relations."²⁹⁴ Consequently, the basis of the ideological superstructure of capitalist society is the inverted forms of appearance of social relations of production in the sphere of circulation: in particular, concludes Marx, the illusion of wages as the proper reward for labour is the key to bourgeois ideology: "Hence, we may understand the decisive importance of the transformation of value and price of labour-power into the form of wages, or into the value and price of labour itself. The phenomenal form, which makes the actual relation invisible and, indeed shows the direct opposite of that relation, forms the basis of all the juridical notions of both labourer and capitalist, of all the mystifications of the capitalist mode of production, of all the illusions as to liberty, of all the apologetic shifts

of the vulgar economists."²⁹⁵

Because the inverted reality of the realm of appearance is opaque, the equally real but underlying exploitative social relations are, so Marx insists, "beyond the cognizance of the ordinary mind".²⁹⁶ Thus without a scientific grasp of totality able to penetrate the inverted forms of appearance to uncover the underlying or essential relations of capitalist society, it is not possible to comprehend why in capitalist society in particular (as Marx understood in a general historical sense as early as 1845-46), the prevailing ideology is nothing more than "the dominant material relations grasped as ideas".²⁹⁷ In Capital, therefore, Marx concluded that: "... in respect of the phenomenal form 'value and price of labour', or 'wages', as contrasted with the essential relation manifested therein, viz., the value and price of labour power, the same difference holds that holds in respect to all phenomena and their hidden substratum. The former appears directly and spontaneously as current modes of thought; the latter must be discovered by science."²⁹⁸ From this it is but a short and logical step to appropriate a materialist theory of bourgeois ideology derived directly from Marx's investigation of value form. Yet as we shall see, of the theorists from the era of the Second International, only Lenin seems to have been influenced by an adequate 'Rezeption' of Capital in this respect. I will now draw some conclusions from the foregoing argument for the Marxist theory of organisation, while indicating their relevance to the critique of Luxemburg's organisational theory and practice.

3.5.4 Implications for class consciousness and organisational questions

We have seen that the two basic structures of capitalist economy give rise to the 'automatic fetish' of the commodity

and capital forms of value, together with the illusions contingent upon the wage form: social structures are collapsed into natural, apparently immutable facts, and class relations automatically legitimised in the form of free and equal exchange relations. Ideologically, therefore, the forms of appearance of capitalist society engender attitudes of fatalism and passivity, while restricting the political horizons of workers.

These forms of appearance (even when 'irrational') are the 'real forms of existence' of capitalist relations within which the working class exists and which, therefore, enter into working class consciousness: "... the reconciliation of irrational forms in which certain economic relations appear and assert themselves in practice", comments Marx, "does not concern the active agents of these relations in their everyday life. And since they are accustomed to move about in such relations, they find nothing strange therein... They feel as much at home as a fish in water among manifestations which are separated from their internal connections..."²⁹⁹ In this case, consciousness capable of transcending its immediate environment cannot arise spontaneously (indeed, is systematically contradicted by spontaneously arising 'modes of thought') and must, therefore, clearly originate from a source outside the immediate experience of the working class.

In addition, because of systematic reification and inversion, the nature of the underlying or inner-relations of capitalist production is counter-intuitive.³⁰⁰ Consequently, only science can provide sufficient distance from immediate reality and an adequate method to reveal the essentially exploitative structure and crisis-ridden dynamic of capitalist production - and the consequent necessity of overthrowing the system as a whole: "... it is self-evident", argued Marx, "that conceptions which arise about the laws of production in the minds of agents of capitalist production and circulation will diverge drastically from these real laws and will merely be the conscious expression of the visible movements."³⁰¹ Accordingly, "it is a work of science to resolve the visible, merely external movement

into the true intrinsic movement" of the capitalist mode of production.³⁰²

From the above, it is evident that socialist class consciousness and consistently revolutionary working class organisations cannot arise spontaneously, but rather depend upon the successful propagation among the working class of a world-view and strategy based upon independently formulated theoretical knowledge. It is true that Luxemburg quoted Lassalle to the effect that: "Only when science and the workers, these opposite poles of society, become one, will they crush in their arms of steel all obstacles to culture."³⁰³ Further, she added: "The entire strength of the modern labour movement rests on theoretic knowledge." Yet, as we have seen, Luxemburg did not consistently carry through this position in her later career. It was a correct insight but unrelated (except in a merely negative sense) to her 'Rezeption' of Capital. Indeed, this position was simply contingent upon the needs of her polemic against the revisionist assault on the SPD's theoretical basis: because it was not grounded in Marx's analysis of the forms of appearance of capitalist production, her position on the role of theory all too easily became either hazy or even directly contradicted in the course of polemics undertaken in different circumstances.³⁰⁴

Finally, if socialist consciousness cannot arise spontaneously then, self-evidently, neither can socialist organisations. The recruitment of cadres and, through them, the raising of socialist consciousness amongst increasingly wide layers of the working class, can proceed only by way of a constant organisational effort by that section of the working class and intelligentsia who (through whatever experiences and for whatever reasons) have already assimilated at least some aspects of Marxism. This effort on the part of Marxists (who, although self-selecting, have always - at least since the time of Marx and Engels - had to be convinced by the subjective efforts of others) has to be constant, because it cuts against the grain of existing reality and thus challenges, to a greater or lesser extent, the existing consciousness of those sections of the working

class not influenced by basic Marxist ideas. And this effort has to be organised (indeed, highly centralised) not merely in the interests of technical efficiency but, above all, to safeguard political integrity. Marxist theory furnishes a certain degree of insulation from bourgeois ideology, yet the party and its members exist within the forms of appearance which unceasingly give rise to corrosive ideological pressures. Consequently, centralised political direction is necessary lest, otherwise, the party - or faction - begin to decompose under the pressure of an inimical ideological environment.

Luxemburg's organisational theory and practice was strongly influenced by her position of individual rather than organisational influence within the SPD, as well as by the particular issues with which she polemically engaged. Yet from the point of view of theoretical critique, Luxemburg's organisational conceptions could only have been predicated upon an incomplete 'Rezeption' of Capital. Her positions in this respect reflect a lack of the theory necessary precisely in order to establish a certain distance from immediate socio-historical circumstances. The consequences of her lack of a materialist understanding of bourgeois ideology and its implications for working class consciousness and political organisation were, of course, evident in her disregard (in the SPD, at least) for the practical problems of political opposition. As Waters comments: "To mount an effective opposition to the leadership ... was a job that Rosa Luxemburg never really tackled. Year after year she maintained a blistering political opposition, but until the war began, she never tried to draw around her, organise and lead a group within the SPD."³⁰⁵

I have attempted to deepen my earlier political criticism of Luxemburg by establishing the same kind of connection between her inability to reconstruct Marx's analysis of capitalist production in terms of value-in-process and her conception of the development of socialist consciousness and

organisation, that exists - albeit more obviously - with her theory of accumulation and breakdown. However, just as Luxemburg's mistaken 'economic' theory was used to support invaluable political conclusions, so the elements of her 'political' spontaneism were associated with her timely "insistence on the demystifying effects of mass political struggle" (Geras).³⁰⁶

The foregoing reading of Capital has disclosed the elements of a materialist theorisation of bourgeois ideology, from which has been derived the correctness of Lenin's political/organisational axiom: "Class political consciousness can be brought to the workers only from without, that is, only from outside the economic struggle, from outside the sphere of relations between workers and employers."³⁰⁷

('From outside' is not to be understood, as in Kautsky's formulation, in a crude sociological sense, but rather in the theoretically developed political sense of 'from outside' the immediate experience and spontaneous struggles of the working class.) This, however, is incomplete. The foregoing deals only with the moment of conflict in the contradictory relationship between the spontaneously arising consciousness of the working class and socialist or revolutionary consciousness and organisation. Yet Capital also encompasses the corresponding moment of unity, inasmuch as it indicates a theory of the possibility and conditions for dissipating the tenacious hold of bourgeois ideology.

This possibility is given by the movement of the working class itself, from which arises the tendency to transcend the point of view of the individual in an isolated relationship with 'his' employer and view social relations in their totality (as class against class). In and of itself, struggle between wage labour and capital is functional for the system: because, by proceeding in the spontaneous form of a dispute over the apparently contractual terms of the exchange, conflict over the essential relations themselves is avoided. In tendency, however, the equally spontaneously arising collective forms of organisation through which the working class wages its immediate struggle, potentially replicate the methodological standpoint of totality from which

science penetrates the forms of appearance of capitalist society. After considering the way in which exploitation of labour power appears in exactly the opposite form in exchange, Marx comments: "To be sure, the matter looks quite different if we consider capitalist production in the uninterrupted flow of its renewal, and if, in place of the individual capitalist and individual worker, we view them in their totality, the capitalist class and the working class confronting each other. But in so doing we shall be applying standards entirely foreign to commodity production."³⁰⁸ The tendency of working class action to confront (as Luxemburg demonstrated) the capitalist class as a whole, thus makes it much easier to penetrate the phenomenal forms constituting bourgeois ideology so as to be able to see, for example, that the working class receives back only a portion of what it produces.³⁰⁹

The conditions under which bourgeois ideology can be dissipated were not, unfortunately, developed in Capital. Marx's strictures on spontaneously arising ideas and the indispensable role of science, however, speak against any fully autonomous or automatic development of class consciousness. Yet the experience of mass struggle undoubtably makes the working class, beginning with its more organised and militant sections, increasingly receptive to socialist ideas. In this context we can better understand the importance Marx attached to a correct understanding of economic crises.

In the face of attempts to mobilise the countervailing tendencies to the TRPF, the working class has to fight harder and on an increasingly wider front to fulfil its culturally ingrained expectations. Moreover, the larger the scale, the harder the struggle, the more the workers' experience transcends that of the individual or section and the more, therefore, the consciousness corresponding to that new experience tends towards class consciousness. Furthermore, as the class struggle develops, the resignation of isolated individuals confronted with an apparently natural, immutable order of affairs, begins to be contradicted by the experience that their fate depends on their subjective efforts - not as individuals but as a class.

Thus the reified and mystified social structure gives rise to bourgeois ideology, but - as we have seen - simultaneously gives rise to the 'economic law of motion' of capitalist production which, in turn, tends to undermine its ideological defences by setting in process the development of elementary working class consciousness.

The hermetic seal of bourgeois ideology thus comes under pressure as the standpoint of the individual commodity owner is transcended by class consciousness. It cannot be systematically penetrated and dissipated, however, until class consciousness is transformed into socialist consciousness. Yet the catalytic elements of this transformation - the popularisation of elementary socialist doctrine amongst the working class as a whole and scientific insight into its conditions of struggle on the part of the activists - cannot arise spontaneously, but depend ultimately on the irreducible development, appropriation and propagation of scientific socialism. Science or Marxist theory then, has independent origins, but constitutes an input into the class struggle which is indispensable in helping the working class to overcome the barrier of bourgeois ideology. For even though Marxism is not a speculative development but part of a political practice within the working class movement, the actual process of theoretical discovery is not an intrinsic part of even the widest particular struggles, and so necessarily takes place 'externally' (in the sense of separately from but within the working class as a whole). In conclusion, therefore: Marxism must be implanted within the working class movement insofar as the development of the class struggle gives rise to a spontaneous tendency towards unity with socialist politics, and the consequent need to be within the working class in order to extend and develop these struggles while exerting political influence in the course of shared experience. Correspondingly, Marxism must remain theoretically and organisationally distinct in accord with the moment of conflict between the existing consciousness of the working class and socialist consciousness, and the consequent need to develop the latter through a struggle against and 'from outside' the former.

This contradictory relationship between Marxist theory and organisation and the working class, therefore, is not an a priori construct or merely contingent upon particular historical circumstances, but arises from the fundamental nature of capitalist society itself and is, accordingly, theorised on the basis of Marx's analysis of value-form. This is not to say, of course, that the Leninist theory of party organisation was simply derived from value-form. Yet, as I have attempted to show, Lenin's theory seems to have taken into account the ideological implications of the value form and wage form, and was thus able to comprehend both unity and conflict in the contradictory relationship between class and party. Consequently, Lenin's organisational norms were based on a successful theoretically guided mediation of the moments of 'spontaneity' and 'exteriority' in the development of socialist class consciousness. Luxemburg, in contrast, as we have seen in relation to her theory of accumulation, neglected Marx's development of value form and, therefore (in this case), its implications for bourgeois ideology and the corresponding limitations of spontaneity. Consequently, she one-sidedly stressed the moment of unity while playing down the moment of conflict in the relationship of class and party. She thereby fell short in her organisational conceptions and practice of the requirements for an effective struggle against opportunism and centrism within the SPD.

1. R. Fischer, Die Internationale, Vol.8, No.3 (1925), p107; quoted by Nettl, Rosa Luxemburg, London, 1969 p167.
2. See Nettl, ibid., pp165-71, and P. Frohlich, Rosa Luxemburg, London, 1972, pp140-41.
3. "... the theory of capitalist collapse the cornerstone of scientific socialism." Reform or Revolution, in Rosa Luxemburg Speaks, M-A Waters ed., New York, 1970, p83.
4. Gesammelte Werke, Vol.1, Pt.1, Berlin, 1974. pp548/49,
5. Reform or Revolution, in Waters ed., op. cit., pp67/68.
6. Capital I, p41.
7. Capital II, pp119/20; see also, for example, Grundrisse, p94.
8. Reform or Revolution, p69.
9. ibid., p42 (see also p41).
10. ibid., p44.
11. ibid., p62.
12. ibid., p61.
13. ibid., p62 (emphasis added).
14. 'Stagnation and Progress of Marxism', in Waters ed., op. cit., p108 and p109.
15. Reform or Revolution, p44; see also p48 and p62.
16. ibid., p44.
17. ibid., p46.
18. ibid., p44.
19. ibid.,
20. See Capital III, pp250-59.
21. Briefe an Leo Jogisches, 1967, p332, quoted by Paul Mattick, Krisen und Krisentheorien, Frankfurt am Main, 1974, p88. Accordingly, it is insufficient to note - as does Anwar Shaikh - that: "As a revolutionary activist, she was completely opposed to the reformism which the disproportionality theory seemed to engender ... And so she set out to revive the Marxist underconsumptionist debate." 'An Introduction to the History of Crisis Theories', in US Capitalism in Crisis, published by the Union for Radical Political Economics, New York, 1978, p228.

It is true, of course, that the various versions of the 'breakdown' theory were all predicated upon underconsumptionist theory. Yet although Luxemburg returned to earlier underconsumptionist positions as her point of departure, she advanced beyond them only by means of employing the method of the more recent disproportionality theories.

22. The Accumulation of Capital, London, 1951, p317 (henceforth Accumulation).
23. *ibid.*, p35; see also p32.
24. *ibid.*, pp35/36; see also p46, p216 and p274.
25. *ibid.*, p199.
26. *ibid.*, p31 and p103; see also p233 and Luxemburg, The Accumulation of Capital - An Anti-Critique, in Rosa Luxemburg and Nikolai Bukharin: Imperialism and the Accumulation of Capital, ed., K. Tarbuck, London, 1972, p96 and p103 (henceforth Anti-Critique).
27. Accumulation, pp264/65.
28. *ibid.*, p42.
29. *ibid.*, p34.
30. See *ibid.*, pp104-5.
31. *ibid.*, p300 and pp329/30.
32. *ibid.*, p97.
33. *ibid.*, p100.
34. Hynryk Grossmann, 'Die Goldproduktion im Reproduktionsschema von Marx und Rosa Luxemburg', in Festschrift für Carl Grünberg zum 70. Geburtstag, Leipzig, 1932, p165 (Much of the ensuing argument in this section is indebted to this article).
35. Accumulation, p100.
36. *ibid.*
37. *ibid.*, p99.
38. *ibid.*
39. See Grossmann, *op. cit.*, p175 and pp178-184.
40. *ibid.*, p166.
41. See Accumulation, p119.
42. *ibid.*, p131.
43. *ibid.*, p202; see also Anti Critique, p55.
44. *ibid.*, p189.

45. ibid., p132.
46. ibid.
47. Anti-Critique, p57.
48. Accumulation, p133; see also p137 and pp352/53.
49. ibid., p300.
50. N. Bukharin, Imperialism and the Accumulation of Capital, in Tarbuck ed., op. cit., p178.
51. Marx's depiction of the conditions of expanded reproduction - as, indeed, the whole of his analysis in Volumes I and II of Capital - is conducted on the assumption that commodities sell at their value. This, of course, can only be the case when supply and demand are in equilibrium and problems of realisation thereby excluded.
52. Accumulation, pp40/41.
53. M. Kalecki, 'The problem of effective demand with Tugan-Baranowsky and Rosa Luxemburg', in Selected Essays on the Dynamics of the Capitalist Economy, Cambridge, 1971, pp151/52.
54. Accumulation, pp78-80.
55. See Anti Critique, p98 and p51; here p61., Luxemburg repeated her error in the chapter she contributed to Franz Mehring's biography of Marx (in which she explicitly states that Volume II occupies the same, more concrete level of analysis as Volume III): "In the first Volume we are in the factory, in the deep social pit of labour where we can trace the source of capitalist wealth. In the second and third Volumes we are on the surface; on the official stage of society." (Karl Marx, London, 1966, p377; emphasis added). This was, of course, directly contradicted in the opening paragraph of Capital III (Marx's methodological introduction, in effect)! See also R. Rosdolsky, The Making of Marx's Capital, London, 1977, pp63-72.
56. Anti-Critique, p62.
57. Rosdolsky, Roman, The Making of Marx's Capital, London, 1977.
58. Anti-Critique, pp56/57, and p57.
59. ibid., (emphasis added); see also Accumulation, pp132/33.
60. Rosdolsky, op. cit., p69.
61. Accumulation, p79.
62. ibid.
63. Capital III, p193.
64. Accumulation, p300.

65. *ibid.*, p155.
66. See *ibid.*, pp131-33. I have not criticised Luxemburg's dismissal of consumption in this regard, as this would merely be to repeat Bukharin's arguments. (See Bukharin, *op. cit.*, pp166/67 and pp173-77; see also Hynryk Grossmann, Die Akkumulations - und Zusammenbruchsgesetz des kapitalistischen Systems, Leipzig, 1929, pp135/36 in this regard).
67. Accumulation, p137.
- 67^a. Anti-Critique, p57; see also Accumulation, pp137/38 and p165.
68. Capital II, p495, quoted in Accumulation, pp140/41.
69. Capital II, p496.
70. See Accumulation, p143.
71. R. Day, 'Rosa Luxemburg and the Accumulation of Capital', in Critique, No.12 (Autumn-Winter 1979-80), p87.
72. Capital II, p498.
73. See Accumulation, pp141-43.
74. Day, *op. cit.*, p86.
75. Accumulation, p147.
76. See *ibid.*, pp145/46.
77. Day, *op. cit.*, p87.
78. This process is elaborated in Altvater - Hoffmann - Semmler, Vom Wirtschaftswunder zur Wirtschaftskrise: Okonomie und Politik in der Bundesrepublik, Berlin (West), 1980, p42.
79. Day, *op. cit.*, p89.
80. T. Kemp is apposite in this regard: "Marx was mainly concerned with what happened when the credit system broke down in the course of a financial crisis: but it is clear that he sees the expansion of credit in the boom as pushing on the reproduction process." (Theories of Imperialism, London, 1967, p57). For a concise treatment of the provisional emancipation of capital accumulation from the constraints of the money commodity through the credit mechanism, see Mattick, *op. cit.*, pp111-114. S. Dwojlazki locates the source of Luxemburg's error in her concentration on money as means of exchange, while neglecting it as means of payment and hence as the basis of credit. To deal with one function of money while disregarding the other was a false abstraction and thus analytically misleading. 'Zur Theorie des Marktes', in Internationale, Vol.6, No.15 (15.July 1923), pp393-95.

81. Capital II, p349, quoted in Accumulation, p163.
82. ibid., p164; see also p159.
83. See Anti-Critique, p57 (quoted above).
84. ibid., p74 and p75.
85. ibid., p71; see also p57.
86. Bukharin, op. cit., p198.
87. ibid., p201.
88. Anti-Critique, p73.
89. Accumulation; p165.
90. See ibid., pp335/36.
91. ibid., p335.
92. See ibid., p340.
93. See ibid., p337.
94. Rosdolsky, op. cit., p94.
95. Day, op. cit., p90.
96. M. Dobb, Review of The Accumulation of Capital in Modern Quarterly, Spring 1952, pp97-98; see also Joan Robinson, 'Introduction' to Accumulation, p25.
97. Accumulation, p341.
98. For an expansion of this point, see Day, op. cit., pp90-92.
99. Robinson, op. cit., pp25/26.
100. TSV II, p512.
101. It is only in this sense that the conventional 'wisdom' as to Marx having no developed theory of crisis has any validity.
102. Capital II, p500.
103. ibid., p499.
104. Capital III, p245.
105. 'Die Akkumulation des Kapitals bei wachsender organischer Zusammensetzung', in Unter dem Banner des Marxismus, Vol.III, No.6.
Benedikt's long article deserves to be ranged alongside Bukharin's Imperialism and the Accumulation of Capital as

a theoretically powerful - and honest - representative of the orthodox communist critique of Luxemburg in the 1920's (particularly as Bukharin neglected Luxemburg's argument on the organic composition). Benedikt's article in effect concluded a wide-ranging debate on the theory of imperialism during the 1920's which, as even articles in the KPD and Comintern's official theoretical journals revealed, was to a great extent conducted in the shadow of Luxemburg's work.

106. *ibid.*, p872.
107. *ibid.*, p891.
108. In his 1934 critique, Pannekoek also corrected Grossmann's schema to show a slow development of economic crisis "instead of a catastrophic eruption" tantamount to the 'collapse' of capitalism. 'The Theory of the Collapse of Capitalism', in Capital and Class No.1 (Spring 1977), pp68-70. Here p70.
109. For the mathematical proof see *ibid.*, pp894-96. A more recent algebraic treatment of the process of accumulation accompanied by a rising organic composition of capital, which confirms Benedikt's result as well as his basic conclusions outlined below, is to be found in Jörg Glombowski's third mathematical appendix to Rudolf Hickel, 'Zur Interpretation der Marxschen Reproduktionsschemata', in Mehrwert, No.2 (Feb.1974) pp117-22.
110. *ibid.*, p899.
111. *ibid.*, p904.
112. *ibid.*
113. *ibid.*, p905.
114. *ibid.*, p906 and p908.
115. *ibid.*, p908.
116. Marx makes this abundantly clear in Chapters I and II of Capital III; most succinctly and unmistakably, however, on p108.
117. Benedikt, *op. cit.*, p911.
118. Capital II, p108.
119. H. Grossmann, 'Marx, Classical Political Economy and the Problem of Dynamics', in Capital and Class No.2 (Summer 1977) and No.3 (Autumn 1977); for the relevant part of Grossmann's argument, No.3, pp78-89 (quotations from p80, p84 and p89).

120. Capital III, p257; see also TSV II, p492, p521, p529 and p532.
121. TSV II, p492 and p521.
122. Rosdolsky, op. cit., p505.
123. Marx's stress on the conditions for producing surplus value rather than those of its realisation corresponds, of course, to the general priority accorded to the activity and relations of production by historical materialism. Marx analysed capitalism as a unity, within which production is dominant and so governs circulation and distribution to become a process of reproduction (rather than recirculation!). See, for example, Grundrisse, pp99-100, and Capital II, p57.
124. Accumulation, p34; see also, for example, Anti-Critique, p49.
125. Accumulation, p326; see also Anti-Critique, pp76/77.
126. It is true, of course, that Marx's analysis of the formation of the average rate of profit - which entailed the transformation of values into the more concrete intermediate category 'prices of production' - came before his laying bare of the TRPF. This was necessary, however, in order to demonstrate that total price and total profit equalled - because simply expressing in more concrete form - total value and total surplus value. Moreover, therefore, that observable developments in the sphere of the 'many capitals' were to be grasped as concrete forms ultimately reflecting the inner-relations of 'capital in general'.
127. Accumulation, p259.
128. Mario Cogoy, 'The Fall of the Rate of Profit and the Theory of Accumulation: A Reply to Paul Sweezy', in Bulletin of the Conference of Socialist Economists, Winter 1973, p59. Cogoy is succinct and definitive on this point; see pp56-59. For Marx's argument see Capital III, pp242-43, Capital I, pp521-22 and the Grundrisse, pp339-341.
129. For Marx, see TSV III, pp364-69.
130. Capital III, p213.
131. Accumulation, p110 and p320.
132. *ibid.*, pp337.
133. *ibid.*, p338.

134. Much of the argument of this thesis draws its relevance from the assumed validity of Marx's LTRPF. The acceptance that the operation of the TRPF is not logically predeterminate (but only logically possible), however, does not require the abandonment of either the present or previous criticism of social democratic economic theory from the point of view of value analysis. For the value categories by means of which the TRPF was worked out are still the best means of grasping the causation and tendency of capitalist development. It is just that once the element of indeterminacy is introduced into Marx's formulation of the TRPF, his 'law' still orientates our analysis by telling us what to look for, but can no longer be relied upon to tell us - in advance of analysis - what we must find.
135. At this point it is worth drawing attention to the significance of the rate of turnover of capital as a co-determinant of the rate of profit. (See Capital III, p144 and p151) In its conventional presentation, however, G. Kay emphasises that the LTRPF "takes no account of the detailed analysis of temporality contained in Capital II". ('The Falling Rate of Profit, Unemployment and Crisis', in Critique, No.6, p55) Kay demonstrates that as the turnover period of capital is reduced, a given variable capital can be advanced more often by the capitalist, so that the amount of variable capital used in a given time increases (without additional outlay of wages); and, with it, the amount of surplus value and hence the annual rate of profit. Kay uses Marx's distinction in Capital II between the 'real rate of surplus value' and the 'annual rate of surplus value' to show how the acceleration of turnover can offset the TRPF. Once again, Marx's theory can be seen to require concrete analysis rather than being a substitute for it: "It is, of course, true that the acceleration of capital cannot indefinitely prevent a fall in the rate of profit if the pressures for such a fall are present. For the acceleration of capital, like the rate of surplus value, has definite theoretical limits, since production must always occupy a positive amount of time. But to ignore the effects of turnover for this reason, and to insist continuously on the ultimate necessity for the rate of profit to fall, is nothing more than a retreat from concrete analysis into the most abstract type of speculation." (ibid., p62, note 7).
136. E. Böhm - Bawerk, Karl Marx and the Close of his System, ed. P. Sweezy, London, 1975, p30.
137. Accumulation, p335; see also p345.
138. ibid., p335.
139. ibid., p348.
140. ibid.
141. ibid., p330.
142. ibid.

143. Cf. *ibid.*, pp346/47: "The diagram does indeed permit of crises but only because of a lack of proportion within production, because of a defective social control over the productive process."
144. *ibid.*, p130.
145. Grossmann (1929), *op. cit.*, p21.
146. Accumulation, p347; see also pp345-47.
147. Capital III, p251.
148. Anti-Critique, p126.
149. See also Accumulation, pp345/46. For a further example of Luxemburg's confusion of the 'valorisation needs' ('Verwertungsbedürfnissen') of capital with the 'extent of the market' ('Absatzmöglichkeiten'), see Grossmann (1929), *op. cit.*, pp131/32.
150. Capital III, p251 (emphasis added).
151. Accumulation, p325.
152. Grossmann (1929), *op. cit.*, p21.
153. Einführung in die Nationalökonomie, Berlin, 1925, p292, quoted *ibid.* This work was written in the years immediately preceding the Accumulation. Both in her main work and in works dating from the turn of the century, however, she implied that the extent of the non-capitalist market "is yet insignificant as against the high level of development already obtained by the productive forces of capital". (Accumulation, p446; see also quotations to this effect from 1898 and 1899 in H.H. Paul, Marx, Engels und die Imperialismustheorie der II Internationale, Hamburg, 1978, pp143/44. Whether or not and, if so, to what extent the world market was capable of further expansion remained inconclusive in Luxemburg's work.
154. Bukharin, *op. cit.*, pp260-61.
155. H. Cunow, NZ, Vol.17, Pt.1 (1898), pp356-64 and pp424-30.
156. *ibid.*, p358.
157. *ibid.*
158. Sweezy, The Theory of Capitalist Development, New York, 1968, p194.
159. Cunow, *op. cit.*, p426.
160. *ibid.*, p424.
161. *ibid.*, p427.

162. This and the following summaries of Cunow's argument in pamphlets and articles in 1915-16 are paraphrased from Grossmann (1929), op. cit., pp42/43; Salvadori, Karl Kautsky and the Socialist Revolution: 1880-1938, London, 1979, pp90-91; but mainly from Gustav Mayer 'Der deutsche Marxismus unter den Krieg', in Archiv für Sozialwissenschaft und Sozialpolitik, Vol.43 (1916/17), pp122-23, pp126-28 and pp152-53.
163. 'Die Theoretische Arbeit Rosa Luxemburgs', in Internationale, Vol.2 Nos.19/20, (Feb.1920). p18.
164. Anti-Critique, p61.
165. ibid.
166. "Marx's analysis of accumulation ... entails the a-priori exclusion of the process of imperialism." Anti-Critique, p145. See also pp165-70. For every concrete factor impelling capitalism towards imperialism, Luxemburg registered the corresponding complaint that it was not taken account of by Marx's reproduction schemes! (See Accumulation, p351, p361, p417 and p428).
167. Accumulation, p368.
168. See, for example, Grossmann (1929), op. cit., pp396-415 and pp467-470.
169. See ibid., pp443-48.
170. See ibid., pp448-49.
- 171: Accumulation, p416.
172. Luxemburg has it that: "From the aspect both of realising the surplus value and of procuring the material elements of constant capital, international trade is a prime necessity for ... capitalism - an international trade which under actual conditions is essentially an exchange between capitalistic and non-capitalistic modes of production." ibid., p359 (emphasis added).
173. ibid., pp365/66; see also pp351/52.
174. ibid., pp426/27.
175. Grossmann (1929), op. cit., p175.
176. Accumulation, p417.
177. ibid., p419.
178. ibid., p365.
179. ibid., p368.
180. See Anti-Critique, p60.

181. Anti-Critique, p60.
182. Accumulation, p419.
183. *ibid.*, p417 and p416.
184. *ibid.*, p421.
185. *ibid.*
186. *ibid.*, p417.
187. *ibid.*
188. *ibid.*
189. Anti-Critique, p146.
190. Accumulation, p446.
191. *ibid.*, p416 and p446; see also Anti-Critique, p147.
192. *ibid.*, p446.
193. Anti-Critique, p146.
194. *ibid.*, p148.
195. *ibid.*
- 195^a. *ibid.*, p147.
196. Accumulation, p452; Anti-Critique, p147.
197. Accumulation, pp466-67 (quoted according to the translation in Anti-Critique, p146).
198. Anti-Critique, p147.
199. See *ibid.*, pp144/45.
200. *ibid.*, pp147/48.
201. *ibid.*, p147.
202. *ibid.*, p148 and p145. It is not my concern here to enter into the debate as to whether Luxemburg's thought on the importance of the formulation 'socialism or barbarism' as the basis of revolutionary socialism was marked by 'a fundamental continuity from the turn of the century' (Geras) or, on the other hand, whether the presentation of this open alternative originated only 'under the impact of the war and the collapse of the International' (Löwy). See Michael Löwy, 'Rosa Luxemburg: a new evaluation', in NLR No. 101-102 (Feb-April 1977), pp139-40 (Review of Norman Geras, The Legacy of Rosa Luxemburg, London 1976). The Accumulation and its polemical restatement in the Anti-Critique date, of course, from either side of Löwy's 'watershed'. It seems, however, that in the later text Luxemburg believed herself to be pointing-up arguments at least implicit in her earlier work, rather than introducing

- new ones. (See, for example, Anti-Critique, p60).
203. This is scathingly dismissed by Geras, *ibid.*, pp24-25.
204. 'Verschiebungen in der Weltpolitik', in Gesammelte Werke, Vol.1, pt.1, pp363/64. For this and similar quotations to the same effect, see: H-H Paul, *op. cit.*, p145.
205. Letter from Luxemburg to Jogiches (9.1.1899) in Briefe an Leon Jogiches, Frankfurt, 1971, p127; quoted by H-H Paul, *op. cit.*, p145.
206. See, for example, Reform or Revolution, in Waters ed., *op. cit.*, pp53-57.
207. 'Verschiebungen in der Weltpolitik', p364, quoted H-H Paul, *op. cit.*, p145.
208. See H-H Paul, *ibid.*, pp145/46.
209. 'Die russische Revolution', in Gesammelte Werke, Vol.2, Berlin, 1974, p9.
210. *ibid.*, p10.
211. The Mass Strike, in M-A Waters ed., *op. cit.*, p204.
212. Gesammelte Werke, Vol. 2, p180.
213. 'Ermattung oder Kampf', in *ibid.*, p372.
214. In *ibid.*, p237.
215. Junius Pamphlet, in Waters ed., *op. cit.*, p269.
216. 'Speech to the Founding Convention of the German Communist Party', in *ibid.*, p412.
217. The Mass Strike, in *ibid.*, pp189/90.
218. *ibid.*, p190.
219. *ibid.*, p200.
220. *ibid.*, p190. See also 'Ermattung oder Kampf', in Gesammelte Werke, Vol.2, p352. Tony Cliff makes much the same case on the basis of different quotations; see his Rosa Luxemburg, London, 1980, pp33-36; see also, in this regard, the editors 'Introduction' to Gesammelte Werke, Vol.2, pp15-16, pp20-22 and pp28-30. It is true that, at least in emphasis, the role of organisation is 'upstaged' in this and other of Luxemburg's polemics by her stress on the creativity and revolutionary potential of independent working class action. Considering the content of Luxemburg's interventions, however, this was hardly surprising. The need for the working class to be led by strong social democratic organisations was not an issue in the German labour movement, whereas

- Luxemburg's main concern was precisely to make these organisations fulfil their revolutionary vocation by reorientating them away from introspective and parliamentary routinism.
221. See G. Lukacs, 'Towards a Methodology of the Problem of Organisation', in History and Class Consciousness, London, 1971, pp316/17.
 222. For Luxemburg's theory of class consciousness as a 'frictional process', see Nettl, op. cit., pp136-38; and as underlying her organisational conceptions, p198.
 223. 'Organisational Question of Social Democracy', in Waters ed., op. cit., p118.
 224. The Mass Strike, in *ibid.*, p196.
 225. Lukacs, op. cit., p316.
 226. Cf. Trotsky: "... the preparatory selection of the vanguard, in comparison with the mass actions that were expected, fell too short with Rosa; whereas Lenin - without consoling himself with the miracles of future actions - took the advanced workers and constantly and tirelessly welded them together into firm nuclei..." 'Luxemburg and the Fourth International' (1935), in Waters ed., op. cit., p452. Waters uses the same quotation in her Introduction, pp21/22; for an expansion of the present argument, see this whole section - on 'The Nature of the Revolutionary Party' - pp17-24.
 227. 'Die Theorie und die Praxis', in Gesammelte Werke, Vol.2, p419. See also 'Ermattung oder Kampf', in *ibid.*, p349 and Fröhlich, op. cit., p143. With regard to opportunism, she wrote to Roland Holst (1904) that: "Opportunism is in any case a plant which only flourishes in brackish water; in any strong current it dies of its own." Quoted by Nettl, op. cit., p128. With regard to the ability of leaders to assert and maintain their supremacy vis-à-vis the masses, Robert Michels was more astute. Cf. Political Parties, New York, 1968, pp168/69.
 228. The Mass Strike, in Waters ed., op. cit., p196 (emphasis added).
 229. See *ibid.*, p208.
 230. 'The Limits and Possibilities of Trade Union Action', in T. Clarke and L. Clements ed., Trade Unions Under Capitalism, Glasgow, 1978, p335.
 231. Vorwärts, 14 March 1903, quoted by L. Kolakowski, Main Currents of Marxism, Vol.II, Oxford, 1978, p82.
 232. Trotsky, op. cit., in Waters ed., op. cit., p454.

233. Waters, *ibid.*, p22.
234. G. Eley, Review of Geras (*op. cit.*), in Critique, No.12 (Autumn-Winter 1979-80), p143.
235. *ibid.*, p147.
236. 'Organisational Question of Social Democracy', in Waters ed., *op. cit.*, p128; see also The Mass Strike, *ibid.*, p214, p218 and p129.
237. 'Organisational Question of Social Democracy', in Waters ed., *ibid.*, pp128/29.
238. *ibid.*, p118.
239. *ibid.*, p121.
240. Lukacs considers that the "sharp antithesis between an 'organic' and a dialectical revolutionary appraisal of the situation can lead us even more deeply into Rosa Luxemburg's train of thought, namely to the problem of the role of the party in the revolution and ... its consequences for organisation and tactics". 'Critical observations on Rosa Luxemburg's, Critique of the Russian Revolution', in *op. cit.*, p272 (for an expansion of this theme see further pp279/80 and pp284/87).
241. 'Organisational Question of Social Democracy', in Waters ed., *op. cit.*, p130.
242. See Lenin - Rosa Luxemburg: Analyse Ihrer Differenzen, Schriftenreihe des Kommunistischen Studentenbundes Göttingen, Göttingen, 1971, pp48-49. This is not, of course, to say that Luxemburg was unaware of the Soviets: indeed, Zinoviev recorded that "she was the first of the militant Marxists to understand the meaning of the Soviets even in 1905". Quoted by Lelio Basso, Rosa Luxemburg: A Reappraisal, London, 1975, p105. For a passing comment on the role of the Soviets in 1905, see Luxemburg's 'Die Theorie und die Praxis', in Gesammelte Werke, Vol.2, p389.
243. Thus in August 1917 Luxemburg wrote in Spartakus No.6 that the duty of the party is only "to say what is", but "must bravely leave to history itself any concern as to whether and when a mass revolutionary uprising results from this". (Quoted by Basso, *ibid.*, p165). In 1924, Trotsky was to criticise Luxemburg's "fatalistic and passive manner of dealing with the principle problems of revolution" in connection with the alleged responsibility of Brandler's "revolutionary fatalism" for the miscarriage of the so-called 'German October'. In so doing he summarised the Bolshevik attitude: "... the general strike does not settle the problem of power; it only poses it. To seize power, it is necessary to organise the armed insurrection on the basis of the general strike." 'Problems of Civil War', in International Socialist Review, March-April 1970, pp10/11.

244. Reform or Revolution, in Waters ed., op. cit., p85.
245. This politically decisive polemic was conducted in the pages of Die Neue Zeit. Luxemburg's articles are included in Gesammelte Werke Vol. 2., and Kautsky's are reprinted in Die Massenstreikdebatte: Beiträge von Parvus, Rosa Luxemburg, Karl Kautsky und Anton Pannekoek, Antonia Grunenberg ed., Frankfurt, 1970. Grunenberg introduces these polemics with a lengthy summary and commentary. See also C. Schorske (who places the 'debate' in its general historical and inner-Party context), German Social Democracy: 1905-1917 (The Development of the great schism), New York, 1972, pp177-187. For the intellectual context and the 'placing' of the Kautsky/Luxemburg debate in the historical development of socialist strategy generally, Anderson is unsurpassed; see 'The Antimonies of Antonio Gramsci', NLR, No.100 (Nov.1976 - Jan.1977), pp61-65).
246. 'Was Weiter', in Gesammelte Werke, Vol.2, p294.
247. 'Ermattung oder Kampf', in ibid., p361 and p374; see also 'Die Theorie und die Praxis', in ibid., p396.
248. Kautsky, 'Was Nun', in Grunenberg ed., op. cit., p107.
249. See Kautsky, 'Eine Neue Strategie' and 'Was Nun', in ibid., pp164-67 and p111. Luxemburg's reply to Kautsky was posed in terms of the general and historical bankruptcy of the Prussian regime, but still offered no concrete analysis as to the possibility of its overthrow; see 'Die Theorie und die Praxis', in op. cit., p391.
250. See Kautsky, 'Eine Neue Strategie', p169.
251. Kautsky, 'Was Nun', p107 (quoting Luxemburg, 'Was Weiter', in op. cit., p290; see also Luxemburg, 'Ermattung oder Kampf', in op. cit., p371).
252. Kautsky, ibid.
253. Kautsky, ibid., p109.
254. 'Introduction' to Gesammelte Werke, Vol.2, p30.
255. See, for example, The Junius Pamphlet, in Waters ed., op. cit., p315.
256. "The weak point of all the non-Russian radical groups in the International", wrote Lukacs, "lay in the fact that while their revolutionary positions diverged from the opportunism of the open Revisionists and the Centre they were neither able nor willing to give them any concrete organisational form." ('Towards a Methodology of the Problem of Organisation', in op. cit., p302). The consequences were, as Lukacs continues, that "their opponents, and above all the Centre, were able to blur these distinctions in the

minds of the revolutionary proletariat", while (as Mandel comments): "The young Spartakusbund and later the KPD were to pay a terrible price for this failure to use the intervening decade (i.e. before 1918) to build a real leadership team: they were forced to undertake this task in the midst of the revolution." 'Rosa and German Social Democracy', in International, Summer 1977 (Vol.3, No.4), p12. Moreover, there was a close association between Luxemburg's failure to grasp political problems in concrete organisational terms and her generally deficient grasp of concrete forms of struggle and tactics. Because of their lack of organisational clarity, concluded Lukacs, the politics of the left "were denied any interaction with practice" and, consequently: "... they were unable to concretise themselves or to develop through the productive self-criticism entailed by the attempt to realise themselves in practice. Even when they came close to the truth they retained a markedly abstract and utopian strain." (ibid.) This, of course, was also to exert a detrimental effect on the capacity of the German left during war and revolution.

257. Otto Bauer, for example, held that: "... the achievement of the party depends on the energy and pressure of the popular movement to which it gives a conscious goal and whose results it stabilises... But the effectiveness of the party is nothing accidental. The 'subjective factor' is itself a product of 'objective factors'. Each phase of a party's development produces patterns of organisation and leading staffs who are adapted to the requirements of this phase of development." Die illegale Partei, Paris, 1939, p21; quoted by Raimund Loew, 'The SPD from the Hapsburgs to Hitler', NLR, No.118 (Nov-Dec. 1979, p47).
258. Kautsky, followed by Lenin, used the term 'ideology' in the neutral sense of a coherent body of ideas. (It has also been used in this way in this thesis.) In the following, however, 'ideology' is used in the manner of Marx and Engels to denote 'false consciousness'.
259. As Lukacs wrote in 1924: "The impossibility of the economic evolution of capitalism into socialism was clearly proved by the Bernstein debates. Nevertheless, its ideological counterpart lived on uncontradicted in the minds of many honest European revolutionaries and was, moreover, not even recognised as either a problem or a danger." Lenin, London, 1977, p24.
260. Jürgen Habermas, Legitimation Crisis, London, 1976, ppXX/XXI. And not just the Frankfurt School. Karl Korsch wrote in the early 1920's: "When researching the antagonistic relations between the different classes and class fractions... it is advisable to take into account not only the material but also the ideological forms in which such antagonistic relations ... come to the fore." Revolutionäre Klassenkampf, Berlin, n.d., p92.

261. Quoted by N. Geras, 'Marx and the Critique of Political Economy', in R. Blackburn ed., Ideology in Social Science, London, 1972, p296.
262. A. Gramsci, Prison Notebooks, London, 1971, p328.
263. See, for example, Capital III, p817.
264. F. Jakubowski, Ideology and Superstructure in Historical Materialism, London, 1976, p104.
265. TSV III, p485.
266. 'What is Economics' (Pt.1 of her Introduction to Political Economy), in Waters ed., op. cit., p244; for examples of her definitions of political economy, see ibid., p245 and Anti-Critique, p54.
267. Anti-Critique, p52.
268. For Marx's critique of commodity fetishism see, in particular, Capital I, p71-83.
269. ibid., p75 (emphasis added).
270. ibid., p76.
271. ibid., p81.
272. Capital III, p827; see also TSV III, p488.
273. Capital I, pp606/7; see also p333.
274. ibid., p321.
275. For the mode of 'cooperation' see ibid., pp334/35; and for 'manufacture', p360.
276. ibid., p423.
277. ibid., p368 and p367; see also p331 and p437.
278. ibid., p418.
279. ibid., p374.
280. ibid., p423.
281. 'Reification and the class consciousness of the proletariat', in Lukacs (1971), op.cit., p89.
282. How well Engels understood Marx on this question may be seen by his interpolation of the major heading Capitalist Production between the end of Chapter 14 ('Division of Labour and Manufacture') and the beginning of Chapter 15 ('Machinery and Modern Industry') of the first volume of Capital. There is no textual basis in Marx for this heading. It appears to have been added by Engels in the clear understanding that machinery was more than just new technique onto which was grafted bourgeois social relations.

283. Kautsky, Foundations of Christianity, London, n.d., p205.
284. Kautsky, The Class Struggle, New York, 1971, p138 (emphasis added).
285. M.Scharrer, Arbeiterbewegung im Obrigkeitsstaat, Berlin (West), 1976, p27.
286. M. Reinfelder, 'Introduction' to P. Slater ed., Outlines of a Critique of Technology, London, 1980, p28.
287. Luxemburg 'Organisational Question of Social Democracy', in Waters ed., op. cit., pp119/20; Cf. Marx: "... in Germany ... where the worker is subject to bureaucratic discipline from his infancy and believes in ... higher authority, it is above all a question of teaching him to walk by himself." Letter to Schweizer, 13.10.1868, in D. Fernbach ed., The First International and After, Harmondsworth, 1974, p156.
288. N. Geras, 'Marx and the Critique of Political Economy', in R. Blackburn ed., Ideology in Social Science.
289. Capital I, p539.
290. Geras, op. cit., p298.
291. Capital I, p540.
292. *ibid.*, p537.
293. *ibid.*, p540.
294. *ibid.*, p537.
295. *ibid.*, p540 (emphasis added).
296. *ibid.*, p541.
297. Marx and Engels, The German Ideology, ed., C. Arthur, London, 1970, p64.
298. Capital I, p542 (emphasis added).
299. Capital III, p779.
300. See *ibid.*
301. *ibid.*, p313.
302. *ibid.*
303. Luxemburg, Reform or Revolution, in Waters ed., op. cit., p37; see also the conclusion to 'What is Economics', in *ibid.*, p249.

304. Thus in 1908, for example, she angrily rebutted the Revisionist Eisner's attack on theoretical instruction at the SPD's Berlin school in favour of 'factual material'. She accused him of having "no idea that the working class knows 'the facts' from experience". "What the masses have need of", she insisted, "is ... theory, which gives us the possibility of systematising the facts and so forging a deadly weapon against the enemy." Quoted by A. Meier, Proletarische Erwachsenenbildung, Hamburg, 1971, p39. Lacking a firm theoretical basis on this question herself, however, Luxemburg's formulation on the need of the working class (and, in particular of its cadre) for theory was easily unbalanced. Whereas Lenin insisted on the importance of educational work even in a directly revolutionary period (*ibid.*, p57), Luxemburg over-reacted against the revisionist theory that the working class was insufficiently mature to take power, and reformist conceptions of how to 'educate' the working class: reflecting the pressures of the revolutionary period, Luxemburg lapsed into an almost fatalistic 'organic' view: "To educate the proletarian masses in socialism. Does that mean to hold lectures and distribute leaflets and pamphlets. No, the proletarian socialist school has no need for any of that. They are educated by taking action." ('To the founding Conference of the KPD', quoted in *ibid.*, p74).
305. 'Introduction' to Waters ed., *op. cit.*, p18.
306. Geras, *op. cit.*, p301.
307. Lenin, What Is To Be Done?, in Selected Works, Moscow, 1970, p182.
308. Capital I, p586.
309. See *ibid.*, pp567/68.

CONCLUSION

For the superscription to this thesis, I chose a quotation from Luxemburg which asserted the political importance of theory. This stated the main assumption or hypothesis informing my study, and can now be affirmed as its general conclusion: "... there is the closest connection between the understanding and treatment of theoretical problems and the practice of political parties over long periods."¹

This hypothesis was tested by way of approaching German social democracy from the vantage point of its economic theory. In Part I, I argued that the 'Rezeption' of Capital was central in the displacement of Lassalleanism, and in shaping the Marxism of the Erfurt Programm. In Part II, I concentrated on four politically influential theorists and, in each case, analysed the obvious as well as the not so obvious links between their economic theory and political thought. In the case of Kautsky, I demonstrated that much of his well known political thought can be freshly illuminated from the angle of his relatively obscure economic writings. Unlike Kautsky, Parvus and Hilferding were first of all economic theorists, for whom economic theory and analysis was the bedrock of their political positions. This is not to say that, in either case, politics was a 'superstructure' without influence on its economic 'base'. For example, Parvus was restrained by his political radicalism from pursuing the eventually reformist implications of his economic theory, while within Hilferding's economic theory there was the tension between his Marxian theory of value and his Lassallean theory of the state. Nonetheless, the political evolution of Parvus and Hilferding alike was first and foremost conditioned by their economic theory. Finally, it is also the case that Luxemburg's political achievements and limitations were greatly influenced by her understanding and application of Marxist economic theory. Indeed, I have argued that the perennial problem of the continuity between her 'economics' and her 'politics' can be resolved once considered from the vantage point of her 'Rezeption' of Capital: her fixation on problems of circulation led her into a selective 'Rezeption' of Capital which, on the one hand, led her towards a theory of 'breakdown' while, on the other hand,

precluding an awareness of the ideological import of capitalist relations of production, which otherwise could have provided a valuable corrective to the overly 'spontaneist' logic of her brilliant insight into the dynamic and potential of mass movements.

Of course, there are limits to the extent to which social democratic politics were influenced by economic theory and the underlying 'Rezeption' of Capital. In the case of Parvus, for example, I argued that his eventual theoretical limitations were leading him into a blind alley: yet, I was unable to establish that his ultimate departure from revolutionary politics, or subsequent political evolution, were particularly influenced by considerations of economic theory. Nonetheless, my conclusion as to the political importance of theory - and of economic theory, in particular - does not so much need to be qualified as placed in context among the wider determinates of political biography and working class politics. Throughout this thesis, I have indicated the influence of the thinking of particular theorists on social democratic politics generally. Yet, in a general history rather than a monograph, theory would have to be articulated with other factors to show, for example, the theory and practice of the socialist labour movement in the context of, but not merely as a moment of, its sociology or wider economic development.

My conclusion is neither new nor specifically Marxist. Keynes, for example, maintained that "the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood".² Taken seriously, however, this conclusion has continuing implications for both scholars and socialist activists.

The strength of English social history, as well as more recent studies of the German labour movement as it was 'on the ground', in the workplace or community, and from the point of view of the composition, culture and daily experience of the working class, have proved an indispensable corrective to traditional labour history with its focus on national organisations and their leaders, strategy, programme and theory. Nonetheless, to counterpose labour history 'from below' to the traditional approach 'from above', would be to lurch from an established one-sidedness into another. The

challenge, of course, is to articulate these approaches, rather than bringing them together in a merely eclectic manner.

Finally, a subsidiary conclusion arising from my analysis of the 'Rezeption' of Capital - and corresponding critique of social democratic economic theory - is not only that Capital was unsurpassed at the level of fundamental theory, but that shortcomings in the social democratic 'Rezeption' of Capital were ultimately detrimental to social democratic political theory and practice. This is an argument for taking Capital seriously, in terms of its own method and content - as a whole, therefore: conversely, the example of the saga of the reproduction schemes should caution against turning to Capital for ready-made arguments to adorn one or other 'radical' trend in economic theory. Moreover, this conclusion highlights the politically telling implications of failing to illuminate new and unforeseen developments on the basis of the law of value. However, this is a subsidiary conclusion: it is only because social democratic economic theory exerted influence over social democratic politics in the first place, that errors in the social democratic 'Rezeption' of Capital told politically. For, with respect to Kautsky, Parvus, Hilferding and Luxemburg, it was worth considering the close relationship between political shortcomings and the failure to assimilate wholly, or apply systematically, the law of value, precisely because these were the theorists at the forefront of applying and developing Marxist theory, with the intention of informing a politically adequate response to problems arising from the imperialist development of capitalism. Finally, therefore, if the theory and practice of present-day Marxists in relation to contemporary capitalism is to rival - let alone surpass - that of the social democratic Marxists in relation to imperialism, more has to be done than merely taking into account and correcting the theoretical shortcomings of previous generations. Because change is constant, the theory through which reality is grasped must be applied continuously. Yet, if theory is to function as science and not ideology, it must just as continuously be corrected and developed: not only in the light of what is judged to be erroneous or correct in the theory of past generations but, above all, according to the test of current experience and theoretical reflection. Consequently,

because - as is particularly clear in the case of Hilferding - the form of capitalist development is constantly changing, and the political implications of theory are rarely immediate or obvious, established Marxist theory should not be taken for granted: indeed, any failure to confront the comforting certainties of established theoretical guidelines and political routine with the uncertainties of open-ended criticism, runs counter to the theoretical renewal and political innovation without which society can be neither interpreted nor changed. For - as is particularly clear in the case of Kautsky - if Marxist theory does not develop, it not only fails as a guide to action but tends to become a sterile ideology, functioning only to integrate its adherents within an ultimately barren practice.

1. Luxemburg, The Accumulation of Capital - An Anti-Critique, in K. Tarbuck ed., Imperialism and the Accumulation of Capital, London, 1972, p144.
2. J.M. Keynes, The General Theory of Employment, Interest and Money (1936), London, 1973, p383.

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