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Annales Universitatis Mariae Curie-Skłodowska. Sectio H, Oeconomia 21, 23-30

1987

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ANNALES
UNIVERSITATIS MARIAE CURIE-SKŁODOWSKA
LUBLIN—POLONIA

VOL. XXI, 2

SECTIO H

1987

Dipartimento di Scienze Storiche e Sociali Università di Lecce

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**A Note on the Theory of Capitalist Economic Development
in Rosa Luxemburg**

Uwagi na temat teorii rozwoju gospodarki kapitalistycznej w poglądach
Róży Luksemburg

Замечания к теории развития капиталистической экономики
во взглядах Розы Люксембург

It is well known that Rosa Luxemburg wrote *The Accumulation of Capital* because she was convinced that there was a serious lack in Marx's analysis of capitalist development¹. In the second book of *Capital*, Marx built up some schemes of "enlarged reproduction", that is the real capitalist production in which surplus increases in every cycle². The newly produced wealth (surplus) increases because surplus itself is not generally consumed, but invested in new machinery. Therefore what Marx calls constant capital (means of production) grows faster and faster in relation to the variable capital (workers and their consumption). This in turn leads to a further increase of the final product.

Apparently in Marx's schemes there was not the problem of the so called "realization", that is of the conversion of surplus (newly produced wealth) into money, and afterwards of money into new machinery. Marx implies that somehow this realization happens, and his schemes of enlarged reproduction hint at a way of capitalist growth which has no limits on the purely economic level.

Apart from the law of the tendency of the rate of profit to fall,

¹ R. Luxemburg: *Die Akkumulation des Kapitals*, Italian transl.: Torino, Einaudi, 1960, chs. VII, VIII, IX.

² K. Marx: *Das Kapital*, b. II, ch. 21.

which is only a tendency, it seems that for Marx there were no mechanical (economical) obstacles for capitalism to develop indefinitely. So that Hilferding could write, joking a bit, that fortunately only a few people used to read the second book of *Capital*, otherwise socialdemocrats would be convinced that capitalism will not come to an end.

Now, the starting point of Rosa Luxemburg is precisely the "realization problem"³. She asked herself: who will buy the surplus product? If no one would buy it, capitalists would not make profits, and then would not buy new machinery. Enlarged reproduction would stop immediately. Thus, there must be some buyers. But who?

It is not workers, Rosa says, because they receive only what they need for their survival. But, above all, surplus by definition exceeds investments (in which wages are included); so, according to Luxemburg, even if wages could increase along with productivity, they certainly cannot increase proportionally to the increase of productivity⁴. Otherwise capitalists would invest for workers, not for their own profits; which is nonsense. Exploitation, Luxemburg concludes, is the bulk of capitalist development, and it requires that workers cannot "realize" the surplus.

On the other hand, capitalists cannot realize it either⁵. We can imagine that they buy and sell each other the surplus product of every field of production, but in this way, Luxemburg says, there will be no profits in general. If some capitalist does gain in this exchange, it is only because another capitalist loses the same amount, and the final general sum would always be zero.

In technical terms, Luxemburg's arguments appear just a trick. In fact capitalists do buy and sell each other their surplus and some workers do buy part of the surplus, because production cycles are different in time from one sector to another and because credit allows buyers to pay with wealth which does not yet exist but which is going to be produced. In an economy which is steadily expanding, the surplus of a previous cycle can be bought with the advances of the bigger surplus of the following cycle; or the surplus just produced by a particular sector of production can be bought with the surplus already realized in another sector.

But the basic sense of Rosa's problem is sound: she could not conceive a development in which the natural outlet of production, that is consumption, is so radically denied that all the surplus is made di-

³ Luxemburg, *op. cit.*, ch. XXV.

⁴ *Ibid.*, VII, p. 114—16; VIII, p. 125; etc.

⁵ *Ibidem.*

rectly of means of production⁶. Thus she puts the problem: is it possible that capitalism develops without increasing consumption? Her correct answer is: no.

There is, Rosa says, a third category which can be thought of as being the buyer of the surplus. It is the so-called middle class. The crowds of professionals, clients, civil servants, servants and so on which grow steadily along with capitalist development⁷.

In fact Marx, in three or four passages of his enormous production, says or hints that the increasing surplus is absorbed by these categories⁸. But this opinion — which was never developed by Marx — foreshadowed a kind of capitalism in which the very basis of capitalist production becomes more and more narrow, both economically and socially. Profits would be produced by an increasingly diminishing percentage of surplus, while a growing part of surplus would be consumed unproductively. Simple precapitalist reproduction would be restored and would replace enlarged capitalist reproduction.

This outlet is not only contrary to the whole Marxian conception of capitalism and of capitalist ethics, but is even contrary to the Marxian forecast that the two main classes of capitalism would gradually absorb the others (concept of proletarianization)⁹.

What is more, Luxemburg objected perfectly, on the logical level, that, according to Marx's definition, the middle classes are only paid by revenues not by capital. That is they are paid by that part of surplus — already realized — which forms the revenue of capitalists and the wages of workers. This means that, in order to pay the services of the middle classes and to make these classes consume, surplus must have already been realized¹⁰. The middle classes' consumption, then, cannot be the solution of the realization problem.

Luxemburg's solution of the problem is well known¹¹. For her, surplus product can only be sold to "third people", that is producers who are initially out of the capitalist economic system, like peasants and handcraftsmen: precapitalist producers. But, the more these third people

⁶ Luxemburg often criticizes Marx's definition of capitalism as a system of production for production: *ibid.*, p. 302—7, etc. See also p. 251, 285, 305, 324—5, 474—5.

⁷ *Ibid.*, VII, p. 116—7, etc.

⁸ See Marx: *Theorien ueber den Mehrwert*, Ital. transl.: vol. II, Roma, Editori Riuniti, 1973, ch. 18, B, 1, p. 620; vol. III, Torino, Einaudi, 1958, ch. 30, p. 569, 577.

⁹ See Marx-Engels: *Manifest der kommunistischen Partei*, Ital. transl.: Roma, Editori Riun., 1973, p. 36—40.

¹⁰ Luxemburg: *op. cit.*, VII, p. 117—8.

¹¹ See, above all, ch. XXVI and also the following one.

exchange with capitalism and buy its products, the more they get involved with capitalism; and finally they will be subject to the capitalist relation of exploitation. Now, as soon as they get into capitalist production (proletarianization), these old precapitalist producers can no longer be the third people who solve the realization problem of capitalism.

Thus, the capitalist system is time and again forced to enlarge its field by trying to find every time other new buyers of its products in the remaining precapitalist regions of the world. This explains, Rosa says, colonialism and imperialism. And since world is limited, also capitalism will soon come to an end.

The main objection which has been put forward to Luxemburg's solution of the realization problem came from Bucharin and, after him, from Sweezy and Napoleoni¹². These authors maintain that, when capitalism sells a part of its product outside, in order to get rid of the surplus product which is in excess, it must receive in exchange other commodities, so that the excess remains the same. "Luxemburg's solution" of the realization problem, then, should not be a solution.

But, from the third part of her book¹³, we can understand that Rosa implies that the export of the surplus to precapitalist economies happens mainly in the form of installations, equipments, sale on credit or loans, that is as investments more than as a proper exchange. As far as the precapitalist labourers within the capitalist economy are concerned, such as peasants and craftsmen, they do give their commodities in exchange for the capitalist commodities, but this is precisely the way capitalism absorbs them and turns them into wage-earners. This happens, as Marx explains¹⁴, through — first — the monopsonic control of their production; afterwards, through their formal submission (expropriation of their means of production); finally, through their real submission (technological transformation of production, which is a function of capital development).

So, that objection does not focus Rosa's problem. As we know, Rosa was astonished when she received a general flood of criticisms. She

¹² N. Bucharin: *Der Imperialismus und die Akkumulation des Kapitals*, Ital. transl.: Bari, Laterza, 1973, p. 41—2; Paul Sweezy, *The Theory of Capitalist Development*, Ital. transl.: Torino, Boringhieri, 1970, p. 241—2; Claudio Napoleoni, „Introduzione" to L. Colletti — C. Napoleoni, *Il futuro del capitalismo. C-ollo o sviluppo?*, Bari, Laterza, 1970.

¹³ On the historical conditions of accumulation (chs. 25—32).

¹⁴ See Marx: *Das Kapital*, b. I, ch. 24, on the original accumulation, and *Das Kapital. Erstes Buch. Sechstes Kapitel*, unpublished, Ital. transl.: Firenze, La Nuova Italia, 1969, p. 51—72.

had thought her thesis was so evident that possibly it would have been criticised as banal¹⁵.

But, among all the arguments which diverged from Luxemburg's view, only three I think deserve to be called analytical on the economic level. Moreover, two of them (those of Boudin and of Tugan-Baranowski) had been put forward before Luxemburg's book and had been already criticised in her book. To begin with, Otto Bauer objected to Luxemburg that surplus is absorbed from time to time by increasing population. But Rosa was perfectly right when she laughed at this argument¹⁶. In fact, in modern capitalist accumulation, based on the constant growth of productivity, increase in surplus is much faster than increase in population.

Boudin had partly explained the absorption of surplus through the waste of the armory industry (and so did many Marxists in the last three decades). But Luxemburg was still right when she objected that waste cannot grow proportionally to the surplus¹⁷. Otherwise the capitalist logic itself would be denied. It is worth noting that Boudin's argument of waste is strictly similar to Marx's thesis on the increasing unproductive consumption of the middle classes, on the one hand, and to Sweezy's and Baran's thesis of the waste caused by monopoly capital, on the other.

The same answer given by Luxemburg to Boudin holds also against the third argument: that put forward by Tugan-Baranowski¹⁸. Tugan imagined the logical possibility for capitalism to develop even if the whole surplus is invested every time in machinery.

Increase in machinery will produce technical progress, and then a constant increase in productivity. This, in turn, will make fewer and fewer workers able to produce what the whole society needs for its consumption. We can even imagine, Tugan says paradoxically, that at the very end of this process a single worker is able to put in motion the enormous amount of machinery which is sufficient to produce the consumption goods for the whole society.

This would mean that the whole society, except one person, would be made of unproductive consumers. Although logically correct, this view is, of course, really absurd.

¹⁵ Luxemburg: *Antikritik. Die Akkumulation des Kapitals*, p. 465.

¹⁶ *Ibid.*, p. 569.

¹⁷ Luxemburg: *Die Akkumulation etc.*, op. cit., p. 301 footnote.

¹⁸ M. Tugan-Baranowski: *Theoretische Grundlagen des Marxismus*, ch. IX, Ital. transl. in Colletti-Napoleoni, op. cit., p. 303—332. Luxemburg: *Die Akkumulation etc.*, op. cit., p. 298—305.

It is significant that the more consequential thinkers, Marx Tugan-Baranowski and Boudin, were forced in the end to resort to a growing parasitism in the capitalist society, due to the difficulty in seeing how surplus can be employed productively. Luxemburg, who was a no less consequential thinker, chose the opposite way: an entirely productive employment of the surplus. But this way led directly to economic determinism and to the now discredited theory of a necessary breakdown of capitalism.

We can see nowadays that neither the former three nor Luxemburg were right, because capitalism was then undertaking a new unsuspected way of employing surplus, not in order to restrain productivity, but in order to increase it further. This is the way of increasing variable capital along with, and even faster than, the increase of constant capital.

This increase of variable capital does not happen through a proportional increase in the number of workers; it happens through the increase of workers' consumption in order to increase their skill, and then their productivity.

We know that from the end of the last century up to now there has been a tremendous increase in the real wages of workers, both as direct capability of buying and as indirect wages (consumption of public services). At the same time, skilled people have increased enormously, both as independent labourers (professionals, skilled new artisans, intellectual labourers) and as dependent labourers (civil servants, technicians in the factories). Research and education have grown steadily at an even faster rate. All this shows a kind of development scheme which is the opposite to Luxemburg's and is somehow compatible with Marx's schemes of the second book of *Capital*.

This scheme is based on the assumption that increase in education and skill requires a proportional increase in workers' consumption, and is due to it — on the one hand, and causes a proportional increase in productivity, on the other. So, the increase in workers' consumption should be considered as productive consumption, that is as an investment which replaces a growing part of the surplus from the investment in constant capital to the investment in variable capital. This is what in general is maintained, in non-Marxian terms, by the scholars who study "human capital" and the economics of education.

This scheme solves both the realization problem, of Rosa Luxemburg, and the problem of a non-parasitic consumption of surplus, posed by Marx. In fact, only this solution allows capitalism to employ the growing surplus productively and at the same time to increase productivity.

No one of the classic Marxist thinkers had managed to foresee this kind of capitalist development, and this can be explained. During the last part of the nineteenth century and the first decades of the twentieth a great revolution happened in capitalist labour. The traditional skilled categories of labourers slowly disappear, mechanization of production increases, factory work becomes more and more mechanical and elementary. The division of labour is pushed to the extreme consequences.

All this appear to be the opposite of a growing skill in labour due to an increasing consumption by workers. In fact labour undergoes an increasing polarization. At one pole, highly skilled labourers, whose increased percentage seems not yet significant for the whole labouring population. At the other, a growing mass of elementary workers.

The so-called middle class, which grows at a social level, seems still not to affect the structure of capitalist production. We had to wait for the present decades, after the fifties, to understand that meanwhile three phenomena were growing faster and faster under the surface of Tayloristic production: mass scholarization on the medium and high level; higher mass consumption; increase of skill in production. Moreover, whilst many sociologists noticed these phenomena, very few people grasped the idea that there was a strong linkage between them, and that it was precisely this linkage which was going to subvert the whole structure of capitalist production. The linkage appeared clearly only with the beginning of the decline of the Tayloristic way of production.

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One last comment can be made about imperialism in Rosa Luxemburg. Since she wrote her book, and especially since the fifties up to now, many Marxists have seen in Luxemburg's thought the theoretical explanation of present capitalist economic imperialism. But this view has no basis.

The kind of capitalist expansion that Rosa depicted was founded on the necessity of enlarging the original economic space of capitalism under the same conditions as before. "Third people", in this scheme, would be changed into exploited workers, identical to the workers who were already exploited in central areas. No difference is mentioned by Luxemburg between central areas and workers and peripheral areas and workers. Thus, precisely the main phenomena of capitalist imperialism, that is the creation of two levels, developed and underdeveloped areas, was neglected by Luxemburg's theory.

STRESZCZENIE

Teoria akumulacji Róży Luksemburg jest próbą poprawienia teorii reprodukcji Karola Marksa. R. Luksemburg na czoło wysuwa problem realizacji, który jej zdaniem nie może być rozwiązany przy założeniu istnienia wyłącznie klasy kapitalistów i robotników. Twierdzi, że realizacja wymaga istnienia klas pośrednich, które są poza systemem kapitalistycznym, jak chłopi, rzemieślnicy. Z czasem klasy te „wchodzą” w produkcję kapitalistyczną, co wymaga szukania nowych nabywców produktów w przedkapitalistycznych rejonach świata. Tym wyjaśnia kolonializm i imperializm. Uważa, że „wciąganie” tych krajów w orbitę stosunków kapitalistycznych czyni problem realizacji niemożliwym do rozwiązania, co oznacza nieunikniony upadek kapitalizmu.

Obecnie widzimy, że Róża Luksemburg nie miała racji. Kapitalizm podjął nowy sposób wykorzystania nadwyżek, czego nie przewidywano wcześniej. Jest to proporcjonalne a nawet szybsze powiększenie kapitału zmiennego w stosunku do rosnącego kapitału stałego. Nie dzieje się to poprzez wzrost liczby robotników a dzięki wzrostowi ich konsumpcji, co zapewnia wzrost umiejętności a przez to wydajności pracy.

Od końca ubiegłego wieku do czasów obecnych ogromnie wzrosły płace bezpośrednie robotników, usługi społeczne (płace pośrednie), kwalifikacje. Ostatecznie kapitalizm wykorzystał rosnące nadwyżki wydajnie, a jednocześnie wzmógł wydajność.

РЕЗЮМЕ

Теория накопления Розы Люксембург — это попытка внести корректы в теорию воспроизводства Карла Маркса.

На первое место Р. Люксембург выдвигает проблему реализации, которую, по её мнению, нельзя решить при предпосылке существования лишь классов капиталистов и пролетариев. Она утверждала, что реализация требует существования некапиталистической среды (промежуточных классов) — крестьян, ремесленников. Со временем и эта среда „входит” в капиталистическое производство, отсюда — необходимость поиска новых покупателей продуктов в докапиталистических районах мира. Так объясняет Р. Люксембург капитализм и империализм. Она считала, что „вовлечение” этих стран в орбиту капиталистических отношений приводит к невозможности решить проблему реализации, что, в свою очередь, приведет к неизбежному краху капитализма.

В настоящее время мы видим, что Роза Люксембург была не права. Капитализм нашел новый способ использования излишков, чего не предвидела Р. Люксембург. Этот способ заключается в пропорциональном, даже в более быстром увеличении переменного капитала по отношению к растущему постоянному капиталу. В результате растет не число рабочих, а их потребление, что приводит к росту их умений и, в конце концов, к производительности труда.

С конца прошлого века до настоящего времени огромно возросла прямая заработная плата рабочих, расширился круг социальных услуг (косвенная заработная плата), выросли квалификации. В конечном итоге капитализм не только эффективно использовал растущие излишки, но повысил производительность.