

Michael R. Krätke

Rosa Luxemburg – Her analysis of Imperialism
and her contribution to the critique of political economy

First draft (march 2007)

1. Rosa Luxemburg as a political economist

Like Antonio Gramsci, Rosa Luxemburg has been perceived and praised as a political theorist in the first place. That perception, dominant as it still is among her admirers on the Left in Europe and all over the world, is thoroughly and misguided. Rosa Luxemburg was very well acquainted with political economy, she belonged to the relatively small group of people who actually had studied Marx' *Capital*, all three volumes of it, and a lot more. Unlike Gramsci, Rosa Luxemburg did make several contributions to the critical and radical political economy in the Marxist tradition. Actually, her main contributions to Marxist theories are in the field of political economy. Even her polemical work, her contributions to the debate on "revisionism", her contributions to the debate on the "mass strike" and the tactical options of a large working class movement in Europe, are interspersed with and supported by political economic arguments and reflections proper. In the older biographies of Luxemburg, for instance in the biography by Peter Nettl, widely read and still the most influential in the English speaking world, her work as an economist is not ignored, but set apart in a special and relatively appendix, not even a chapter of the main text, at the end of the voluminous book (cf. Nettl 1965). In Laschitzka's comprehensive biography, however, Luxemburg's work as an economist is described in much detail for the first time, following the course of her struggles with herself and with the material at hand (cf. Laschitzka 2000). The time has come to correct the conventional picture in which Luxemburg in her role as a political orator, journalist and writer of radical tracts on the political tactics of the labour movement remains completely separated from Luxemburg in her role as one of the first (and very few) radical political economist in the Marxist tradition.

Rosa Luxemburg actually was one of the first women and certainly one of the very few socialists, who were ever admitted to a study of economics and graduated with honors, eventually even received a doctorate in economics. Early in the year 1897, she submitted her doctoral thesis at the Faculty of Law of the Technical university of Zürich. Her promoter was Julius Wolf, who had himself engaged in the debate triggered off by Engels' price question put forward in his introduction to *Capital*, volume II: How a solution of the riddle of the general rate of profit on the base of and consistent with the tenets of Marx'

theory of value would look like – a solution that would only be provided by volume III of Capital. However, Luxemburg did not deal with Marxian economics and its unsolved riddles in her doctoral dissertation. Instead, she had studied the industrial development of Poland under the impact of Russian – Tsarist – Empire. It was an empirical and historical study, based upon extensive research in the libraries and archives in Paris, undertaken in 1894/95. Nonetheless, she deemed it as “socialist dissertation” herself – in a private letter – and was delighted that it was received with much praise by Julius Wolf (cf. Laschitzka 2000, p. 66). She also had the pleasure to see her doctoral dissertation published as a book (already the next year, 1898, by Duncker and Humblot in Leipzig). The socialist character of her study was not evident at first glance – but her book provided a strong argument against Polish nationalism, including Polish nationalism in the socialist camp, supported by strong economic evidence. Poland as an economic region, in particular its industrial districts under Russian rule, had been thoroughly integrated into the larger economic region of (Western) Russia. Regarding the level of economic integration that had been achieved, national independence for the Polish industrial regions was no longer an option. The Polish industrial working class had become part of the Russian working class and there were no deep divides between the Russian and the Polish industrial and commercial classes left. Hence, Luxemburg’s dissertation provided a strong and well founded argument against Polish nationalism, including the nationalism on the Left (cf. Luxemburg, GW 1.1, pp. 185 e.s.).

2. Rosa Luxemburg’s view of the Marxist legacy and progress in Marxist theory

Already in the 1890s, Rosa Luxemburg complained about stagnation and lack of intellectual effort and theoretical progress in the Marxist camp. Marxism had by then been firmly established within the German labour movement – by the joint efforts of many disciples of Marx and Engels, gathering around the project of a new journal, the *Neue Zeit*. Until Engels’ death in 1895, there was not much progress in terms of theoretical and / or empirical work in the Marxist tradition while the larger parts of the work of Marx and Engels remained either unpublished or were simply unavailable. The most substantial contributions actually came from Engels himself, including the invaluable contributions he made by editing the late Marx’s manuscripts (and reediting older publications). After Engels’ death and thanks to the publication of Capital, volume III in 1894, the academic

Marx-critique thrived for a while. For some years, refuting Marx alleged theories became an academic fad, although the adversary stayed thoroughly excluded from whatever field or discipline of the academia. The young socialist intellectuals, even the most brilliant, had no chance whatsoever of an academic career – like Marx in his days –, nor were they very much interested in such careers.

Rosa Luxemburg showed her peculiar reading of Marx for the first time in a review article, published in the *Neue Zeit* in 1899. Against the popular cry “Back to the classical economists” which recurred among economists in the German speaking world where the “historical school” still prevailed, she insisted that the classical school had exhausted its potential and reached its historical limits in the work of David Ricardo. The only possible progress was to be found beyond the reach of classical political economy and was only to be attained by a radical break with their method of metaphysical, a-historical abstraction and their no less metaphysical conception of markets and exchange as natural and eternal forms of any economic system. In order to get there, Marx had to adopt a dynamic and historical view of the economy and to turn the method of deduction of the classics around – into a method of dialectical abstraction and dialectical development – deduction – of categories (cf. Luxemburg GW 1.1, p. 735). Contemporary readers might be surprised that Rosa Luxemburg already in 1899 anticipated one of the basic tenets of the so called “new lecture of Marx” of the 1970s and later: Briefly but clearly, she stated that the Marxian theory of value was fundamentally different from Ricardo’s labour theory of value. Marx dealt with value and the specific sort of social labour producing value as peculiar, historical categories. The first and crucial achievement of this dialectically organized theory of value was the solution of the riddle of money, creating an indissoluble link between the theory of value and the theory of money from the very beginning. Regarding this crucial theoretical achievement in theoretical economics, any step back to the classics had become impossible. Further theoretical progress in political economy was only possible by following the road of systematic dialectical reasoning, the dialectical method, pioneered by Marx. Political economy could either declare its bankruptcy as a social science or follow the road opened up by Marx’ critical effort (cf. Luxemburg, GW 1.1, pp. 736, 737).

In the same year, in her polemic against Bernstein, she argued straightforwardly: Bernstein was wrong with respect to the facts, he misread the development of capitalism

in the past, present and future, and he misinterpreted Marx. He missed the essentials of Marx' theory of crises, and he had lost any understanding both of the crucial role of the labour theory of value for the cohesion of Marx' systematic theory of capitalism as well as its peculiar content – the analytical link between abstract labour and money. The very secret of Marx' critical concept of the capitalist mode of production, its historical specific and its temporary nature, its transitoriness had escaped his notice. That is why he fell prey to the false evidences of actual, short term events as well as to the academic fads of the day (cf. Luxemburg, GW 1.1, p. 415). The time for resignation for the labour movement had not come as capitalism had not yet exhausted its self-destructive tendencies which continued to play and would become even more prominent in the future. But she admitted that the final stage of capitalism had not yet arrived. Capitalism on a world scale was still in the rise, its development as a world system was not yet accomplished. Actually, world capitalism was passing through a period of transition (Luxemburg, GW 1.1, p. 385). A transition period between the rise and the coming inevitable decline of world capitalism. Crises still occurred, but stagnation – short periods of prosperity followed by much longer periods of depression – prevailed (cf. Luxemburg, GW 1.1, p. 385, 386). But as the capitalist world market could no longer be expanded by sudden moves forward once it is fully developed, world capitalism would approach its final period of slump and decay (ibidem). As long as the world market was still in the making it was still far away from that full maturity that Marx had presupposed in his theory of cyclical, periodical crises. Such regular crisis cycles, however, would come in the future.

In 1903/04, Rosa Luxemburg spend nearly a year with the intensive rereading of Marx' work. For the 30th anniversary of Marx' death, she prepared two longer articles in order to take stock of the Marxian legacy and the state of the art of Marxian political economy. In her first article, she started with a rather disturbing diagnosis: No progress whatsoever but stagnation, even a standstill in Marxist research and theoretical development – although the late Marx' work, because of its incomplete and rather sketchy character should challenge his pupils to develop it further in all directions. There had been popularizations of Capital, volume I, but the publication of Capital, volume III had not yet with any response whatsoever even from the most dedicated Marxists. Only volume III, however, had provided the solutions to the most salient problems of Marx' theory - and to the “basic problem” of the rate of profit in particular. Marx' Capital, Rosa Luxemburg insisted, was only to be understood as a systematic whole, all three volumes together

- and the rather “incomplete” presentation of the theory of value in Volume I was but a starting point, not to be confounded with the whole of it which was not fully developed until the analytical progress made in volume III (cf. Luxemburg, GW 1.2, p. 363, 365).

Why was there no progress in Marxist political economy, no lively debates, no research leading towards new insights? Not because Marx’ theory was outdated and had been rendered obsolete by recent developments of capitalism. But because it was far too much advanced for the immediate theoretical needs of the labour movement (cf. Luxemburg, GW 1.2, p. 368). Accordingly, one can draw the conclusion from Rosa Luxemburg’s argument that the time of Capital, volume III was still to come. Rosa Luxemburg had made an important point here. Her concern about the stagnation of theoretical research in Marxist political economy becomes even more urgent when we take into account her views on the state of the art in the official, academic economics. According to her, academic economics had lost all theoretical orientation, grown completely unfertile and had nothing to say about the real economic problems of the day. Neither historicism nor marginalism were able to explain what was going on in the real worlds of capitalism during the long prosperity that began in 1895 and lasted, more or less, until 1914. The belle époque of industrial capitalism, the high times of imperialism saw the bourgeois ruling class without any economic theory worth its while (cf. Luxemburg, GW 1.2, p. 376, 473f).

On the other hand, in the Marxist camp quiet ruled. The *Neue Zeit*, starting in 1883, had thoroughly established a Marxist hegemony within the German labour movement – after some years of struggle. Kautsky had done a lot to propagate the basic tenets of Marxism, including the critique of political economy. In the longest book review ever published in the *NZ* he had tried to explain why every socialist, every Marxist should study Marx’ Capital, volume II – but to no avail (cf. Kautsky 1885). In later years, he had organized several replies to Tugan-Baranowsky’s book on the history and theory of crisis which for the first time made use of Marx’ reproduction schemes in order to construct a theory of (unlimited) capitalist growth. Louis Boudin, Otto Bauer and others responded and Kautsky himself added a long essay on Marx’ theory of crisis, followed by an article on the same topic by the young Otto Bauer (cf. Kautsky 1904, Otto Bauer 1905). But, as a matter of fact, the most remarkable contribution to the development of Marx’ theory in these years was a defense. A defense written by the young Rudolf Hilferding in

response to the Marx-critique that the leading Austrian economist of the day, Eugen von Böhm-Bawerk, had launched against Marx' theory after the publication of volume III in 1894 (cf. Sweezy 1968). In his defense, Hilferding addressed some elements of Marx' theory of value which clearly lacked elaboration – like the famous problem of the “reduction” (of skilled, complicated labour to unskilled, simple labour) -, contributions that are still valuable today as they open the way towards a sophisticated treatment of the “reduction problem” (cf. Krätke 1998). One year later, Kautsky started publishing some of Marx' unpublished papers in three volumes, under the title *Theories on Surplus Value*, actually a part of the much larger Marxian manuscript of 1861-63 (Kautsky 1905 – 10). At that moment, Rosa Luxemburg reentered the debate on Marxist political economy. In her review of the first volume published in 1905 she expounded her views on the peculiarities of Marx' economic theory and method in particular. The manuscript edited by Kautsky was just a first sketch, unfinished, fragmentary – in fact a research manuscript which had been written not for publication but in order to sort out the problems, the answers and the best way of presentation (cf. Luxemburg, GW 1.2, p. 463) - and that was, of course, also true for larger parts of the manuscripts that Engels had edited. In such a text, one could see Marx' “dialectical method” at work: In Luxemburg's perception that meant nothing but to deal with every economic category as a historical category, to put all economic relations in their appropriate historical context and to follow the course of their historical development (cf. Luxemburg, GW 1.2, p. 466, 468, 472).

In 1910, with the first publication of Rudolf Hilferdings *Finance Capital*, hailed and praised by nearly all the leading intellectuals of the Left, the debate on Marx' economic theory and its use value as a device to explain recent developments in world capitalism, gained momentum again. Before, only the Russian debate on the development of capitalism in Russia and its course had provided some heated and sustained debates among socialist intellectuals of different breeds on the tendencies of world capitalism and the development of capitalism in particular countries. Now, all the leading Marxist theorists of the time reacted to Hilferdings pioneering work. Curiously enough, Rosa Luxemburg did not, although she was very well aware of the challenge put forward by Hilferding's effort – in particular with respect to some provinces of Marx' economic theory which had been left in a rather rudimentary state of elaboration, like the theory of money and credit or the theory of crisis.

3. Teaching Political Economy

For several years, from 1908 onwards, Rosa Luxemburg, taking over from Rudolf Hilferding, taught political economy at the College that the German Social Democratic Party had established in Berlin in order to give the future functionaries of the party and of the trade unions some higher education. An education that was generally denied to working class people in the German Empire. Political economy occupied an important, even central place in the curriculum of the party school. Luxemburg was delighted to teach and she was an outstanding teacher who soon occupied a central position in the party school, highly appreciated by her students. She pressed for the enlargement of the courses in political economy, history and sociology, and drew up new courses for the school – for instance a course on the history of socialism. Her work as a teacher of political economy for the future cadres of the German labour movement got her to write her major works on political economy.

It started with a textbook, a new introduction to political economy. Her many lectures on political economy were to be published as a book. Rosa Luxemburg was ambitious enough to write a completely new introduction to political economy of her own, based upon her party school lectures. She was highly critical of the way in which economics was taught in Germany and elsewhere. In several articles, she had attacked the style of thought and the lack of thought and theoretical rigour in academic economics ; in the debate on revisionism she had rejected any kind of conciliation or marriage between the Marxian theory of value and the new, marginalist and subjectivist theory of marginal utility as it had already been proposed by younger economists on the Left and as it would be proposed again and again. Regarding her style of exposition, she was under the influence of the still dominant historical school of political economy in Germany. In her textbook as in her lectures she would not restrict herself to a commentary on Marx' Capital. Her course and her textbook were meant to address the theoretical and political adversary, bourgeois political economy in its present state, right away.

When Hilferding's book on Finance Capital was published in 1910, she was busy preparing her introduction into political economy – both as a book and as a series of eight

smaller booklets. The opening chapter of the book (or the first of the series of booklets) was devoted to the scope and method of political economy itself – “what is political economy”? From the very first sentence onwards, Rosa Luxemburg launched an all out attack on the conventional wisdom of academic economics. Not other Marxists or Marxism was her target, but the celebrities of contemporary economics. She took issue with the conventional view of the “economy” or “economic man” and “economic action” as an a- or supra-historical feature of human life and insisted upon the historical specificity of capitalism as the one and only historical form of an economy that could ever give rise to a particular science of political economy. Because economic processes in modern capitalism are dark and devious, because capitalism brings forth phenomena like crises, like price fluctuations, like unemployment which are both unintended and undesired by most economic actors, the need for a specific science arises. The need for a science that could discover the hidden “laws” of the economy and explain the ways in which capitalism works, develops and expands (cf. Luxemburg, GW 5, p. 571 – 575). Against the common view of economics as the study of national economies, then and still today prevailing in academic economics, Rosa Luxemburg defended the view that any capitalist economy in its historical setting and development could only be conceived of as part of a world economy. As a matter of fact – and according to all available statistical evidence, industrialization and expansion of international trade went together. The most industrialized countries were also the most engaged in international trade, first and foremost with other industrial countries. Capitalism develops as a world system, produces and thrives upon an ever expanding world market which is also the ultimate form of an universal economic process completely beyond the reach of any particular economic actor (Luxemburg, GW 5, p. 580 e.s.). In the same chapter, Rosa Luxemburg explains why Marx’ critique provides both the culmination and the historical end of political economy. With Marx, the focus of political economy shifts from the rise to the decline and end of capitalism, hence to socialism and the end of political economy or economics as a science (cf. Luxemburg, GW 5, p. 587).

Only parts of her manuscripts for the planned textbook on political economy, known as *Introduction to Political Economy* (or in the German original to *Nationalökonomie*, the official name of the science of economics at that time) had survived and were actually published after her death in 1925. Some of the chapters that would have been crucial for any course on political economy and would have

provided first rate evidence as to the precise reading of Marx' economic theory that Rosa Luxemburg endorsed, are missing – like the chapter on value or the chapter on the rule of capital and the rate of profit. The crucial chapter on the history and theory of crises is missing as well. Others, like the chapter on wages, show the peculiar way in which Rosa Luxemburg read and interpreted Marx – as a rather political political economist indeed. Presenting the Marxian theory of the determination of wages – by the “value of labour power” – she immediately grasped its weak spot, the element of indeterminacy of the wage level inherent to it. But instead of writing a comment or critique of that theory, she took the turn to reformulate it – in a very political manner, introducing collective political action, trade union action as one way in which an “economic law” might actually be asserted (cf. Krätke 2006a). Unfortunately, also the chapters dealing with the world market and the making of a capitalist world economy are missing. The chapters on economic history prevail in quantitative terms, dealing with precapitalist and premodern societies. The chapter on exchange and commodity production and market relations is actually built and presented as an abridged and simplified version of another piece of economic history: The history of the rise of market and commodity economies in outline (cf. Luxemburg, GW 5, p. 716). Not surprisingly, Paul Levi who edited the surviving parts of the manuscript in 1925, presented the book as a first sketch of a comprehensive Marxist history of economy and culture (Levi 1925).

Rosa Luxemburg did not write a review of Hilferding's book – the only major tract on political economy in the Marxist tradition to be published since Engels' death fifteen years ago. But she was most certainly intrigued by the way in which Hilferding tackled the major relevant problem that had come to the forefront ever since the Bernstein – debate: How to make head and tails of the recent changes in world capitalism, how to explain the recent developments of capitalism, including an array of structural changes, within the framework of Marx' theory. Hilferding had done a good job, pioneering into fields where Marxists had seldom been – like the realm of finance and financial transactions, the financial markets of various kinds (although Marx had been there before as many of his then unpublished and unknown manuscripts clearly show). His work has been hailed by leading Marxist intellectuals as the one and only supplement to Marx' Capital and many had followed Hilferding's views on Imperialism as the peculiar set of policies pursued by finance capital on the international level (as presented in much detail in the last part of his seminal book). Rosa Luxemburg did not directly respond to that,

although she clearly disagreed. Actually, her effort to write a big book on the same topic herself, was an offspring of her work to edit her party school lectures as a kind of textbook of political economy – including a concise and comprehensive exposition of Marx’ economic theory. According to her own testimony, she stumbled across another big unsolved problem in Marx’ theory, probably while she was looking for the right way to construct her planned chapter on the history and theory of crises in capitalism. Inevitably, that topic led her back to basics, to Marx’ theory of accumulation.

This turn to a critique and reformulation of some basic tenets of Marx’ theory of accumulation should not surprise us. In the concluding chapter of her *Introduction to Political Economy*, Luxemburg had stated clearly enough what she regarded to be the central problem of the science of political economy: “*How is a capitalist economy possible?* That is the basic question for the science of political economy” (Luxemburg, GW 5, p. 770). Because capitalism is but a historical, hence transient form of economic life, it has its historical origins, its peculiar historical developments, but also its historical ends. Hence, political economists have not only to examine what conditions, what combination of historical circumstance had once made the rise of capitalism possible, and what allowed for its further development, but it had also to find out, what conditions, what combination of circumstances made the further existence, the survival or the further development of capitalism impossible in the longer run (cf. Luxemburg, GW 5, p. 772). How? By following the intrinsic laws of the rule of capital which provide a dialectical linkage between the possibility and the impossibility of capitalism. At a certain level, the development of capitalism becomes self-destructive, ruining the basic prerequisites of any human society by its very course. First and foremost, Luxemburg considers capitalist development in her *Introduction* as expansion and accumulation beyond all limits. Obviously, her book on accumulation was meant to provide an answer to both questions – how capitalism was possible during its life and times and how and why it would become impossible as a consequence of its own development - an answer apt for the times of high imperialism.

4. Another explanation of the phenomenon of Imperialism

With her book on the accumulation of capital Rosa Luxemburg actually achieved something that she did not expect and had not intended: She triggered off a long lasting debate among Marxist political economists on the basic tenets of Marx' theory of accumulation (cf. Krätke 2006). In the first place, she had taken issue with outsiders and / or critiques of Marxism, like Tugan-Baranowsky, not with the Marxist orthodoxy. She dared to criticize Marx, but had good reasons to see herself in accordance with the majority of Marxists in Germany who had not embraced Tugan's view of an ever expanding and growing capitalist economy at all. Her criticism of Tugan – geared against the “mystification that commodities are bought by commodities, not by people” (cf. Luxemburg, GW 1.2, p. 385) was widely approved among her fellow-Marxists. To her surprise, she was harshly criticized and her Marx-critique was rejected by the leading Marxist theorists of her day. The critics came from the left, the right and the centre, among them were Anton Pannekoek, Gustav Eckstein, Otto Bauer, Hilferding and Kautsky. Lenin himself prepared a rather polemical article against Rosa Luxemburg's book in 1913 in which he completely rejected her views as misguided, even dangerous (cf. Lenin 1913). Although most critics agreed that Rosa Luxemburg had tried to tackle an important problem, nobody saw any merit in her peculiar approach. Luxemburg's *Accumulation* became a “livre maudit” that even her admirers preferred to ignore.

Rosa Luxemburg's critique of Marx' treatment of the problem of accumulation, however, remained rather tempered after all. Again and again, she stressed that the manuscript is unfinished, that Marx had not been able to produce a final solution to the problem he was actually trying to pinpoint and tackle in his manuscripts. In her view, the problem had not been solved by Marx, he had even created some confusion during his quest. Volume II (and III) of Capital remained unfinished manuscripts, as she stated again in the chapter that she wrote for Mehring's biography of Marx, written in 1914 (cf. Luxemburg, GW 4, pp. 291 – 301). Although Marx had provided the basics – even for a theory of crisis – volume II still had the character of a (research) manuscript “that stops half way through”, and the section dealing with accumulation and enlarged reproduction was, unfortunately, the “most incomplete” (Luxemburg 2003, p. 139, 142). In her assessment of the manuscripts, she followed Engels' description as he gave it in his introduction to Capital, volume II, published in 1885 (cf. Krätke 2005). As we know now, after Engels' redaction manuscripts for Capital, volume II have been published and Marx' original manuscripts for this volume have nearly all been published (or are to be published

a few month's from now), In particular, Marx was struggling with a specific problem from the first time when he elaborated a reproduction scheme of his own in 1862 onwards: That is the interrelationship between the monetary circuit and the exchange between the different parts of the social product that exist in the form of specific use values. In 1881, when Marx dropped his last effort to finish the manuscript of Capital, volume II (that is his manuscript VIII), he had not yet found a solution for this problem: How to present the intermediary monetary circuits and the big exchanges between the sections of social capital, between groups of capitalists and between capitalists and workers, as mere moments of one comprehensive process of social reproduction – and accumulation.

Rosa Luxemburg has made her stance quite clear: In his various efforts, Marx had lost track of the real issue. He went wrong when he formulated the problem as a problem of money and kept looking for “sources of money”. The problem to be solved was not additional or sufficient money (or gold) in circulation, the real issue was additional effective demand (or sufficient counter-value, as Marx would have put it). Who would be willing and able to buy and use additional means of production, who would be able to turn accumulation into real investment? What had to be explained in the first place, was the structure of the “great social transaction of exchange” that ensued from the structural change of the surplus production (cf. Luxemburg 2003, p. 128 et passim). .

In the *Accumulation of Capital* , Rosa Luxemburg remains highly ambivalent in her (re)appraisal of Marx' theory and method. According to her, Marx' is wrong and goes astray, using the wrong abstractions, he jumps from fiction to fiction and distorts the real process of accumulation in a diagram instead of using his famous dialectical (historical) method. She criticizes some of the premises of Marx' model – too simplistic and at odds with his own theory of capitalist development. When capital accumulates we should presume that labour productivity rises, when capital starts to accumulate we should presume that it accumulates at an ever increasing path. Right. No objection from Marx himself should be expected. But Luxemburg's critique goes much further and remains highly ambivalent. On the one hand, Rosa Luxemburg criticizes the theoretical fictions or models that Marx constructs. Obviously, the diagram of “simple reproduction” depicts a theoretical fiction as it is an analytical device covering just one, although crucial, moment of the whole of the reproduction process. Accumulation on an equilibrium path is a fiction as well, although meant as an device to analyze the conditions and causes of

disequilibria or crises. Frustrated with Marx' incomplete solutions, Luxemburg rejects the exercise altogether. Those diagrams will not do the job. They will not be able to help us understand and analyze the real historical process of capitalist accumulation, they "cannot explain the actual and historical process of accumulation" (Luxemburg 2003, p. 328). But on the other hand, Rosa Luxemburg is convinced that there are "economic laws" pertaining to modern capitalism and explaining its course of development. Accordingly, there should be similar general "laws of accumulation".

When Rosa Luxemburg wrote her book – in rather short time, challenged by Hilferding and worried by her own vain efforts to come to grips with a popular exposition of the basic laws of capitalist reproduction - she was looking for another, plausible explanation of the phenomena of high imperialism. The building of empires abroad was nothing new in the history of modern capitalism as she had remarked herself (cf. Luxemburg, GW 3, p. 193 et passim). But the phenomena of colonialism and imperialism had never been explained within the context of Marx' laws of capitalist development. Marxist political economy, despite its theoretical aspirations, had no theory fit for an explanation of the historical process of imperialism, the making of a capitalist world market and a capitalist world economy in its different phases and stages. That was what Luxemburg was after and that was what she jumped at, dropping her critical review of accumulation theory altogether. One cannot be surprised that her critics did not follow her, rather tried to show that a solution of the problem in Marx' terms was indeed possible – even when they appreciated Rosa Luxemburg's approach to the phenomenon of imperialism.

Her solution is, however, a tricky one. Regarded as the historical solution to the specific problem of accumulation, as she saw it, imperialism, the conquest and annexation of colonies, does not immediately provide what is requested. According to Rosa Luxemburg's analysis, the intrinsic problem of accumulation in capitalist economies is the need for additional effective demand for additional commodities – produced by capitalist enterprises in the developed, capitalist world. But how can "non-capitalist" areas or societies provide such additional effective demands? By what means can they buy and use the commodities that are additional and thus exceed the effective demand available in the capitalist world?

Obviously, they cannot. Rosa Luxemburg's critics, like Otto Bauer, made this point and rightly so. First, the economy in the "non-capitalist" parts of the world would have to be thoroughly transformed. As there are no "natural markets" outside the capitalist world, they have to be created. In one way or the other, except in the case of a purely gold- or silver-producing and –exporting colony, the additional "effective demand" coming from the "non-capitalist" areas has to be created and mobilized. That amounts to no less than a complete transformation of the economic structure of those pre-capitalist societies that the great powers of industrial capitalism invaded and conquered. Rosa Luxemburg, for one, was very much aware of this problem inherent to the solution to the "accumulation problem", as she had presented it. The last chapters of her book are largely devoted to a description – and partly analysis – of the process by which the "non-capitalist" areas of the world, once they have been conquered by one or the other of the capitalist great powers, are thoroughly transformed by their colonizers. As there are no markets by nature, they have to be created. As not all people on the world do engage in commodity production by nature, they have to be forced or seduced to do so. As not everything in the world is for sale by nature, the wealth and riches outside of the capitalist world have to be transformed into commodities. All that is to be achieved by a long historical process – and those very transformation processes provide the core of what imperialism in its high times is all about: The creation of a world market and, eventually, of a capitalist world economy.

Unfortunately, when Luxemburg's book on accumulation was published, the only major debate among Marxist economists referring to the international economy was a debate on money and the interpretation and explanation of new phenomena in the international monetary system. The debate on gold and paper money, actually triggered off by rising inflation in several European countries during the long prosperity of had raged for a while since 1911. Rosa Luxemburg did not engage in that debate. Nor did the participants in that debate (Hilferding, Kautsky, Varga, Otto Bauer and others) refer to her work. Some of the participants were clearly aware of its importance for any theory of imperialism - gold production took place in colonies which were part and parcel of the British Empire: Without the gold mines of South Africa and Australia firmly under control of the British Empire, the international gold standard could not be upheld. Capital export, with London as the monetary hub of the capitalist world economy, actually the one and only truly international financial market of the time, had become crucial for the

international monetary system.. The system of international loans, the internationalization of public debt and the circuit of capital export, had become largely concentrated in the City of London. Rosa Luxemburg clearly saw the central importance of international loans and the whole system of international credit for the phenomena of high imperialism - she devoted a whole chapter of her book to the matter. But she never tackled its links with the international monetary system. Neither Marx nor the Marxists after him were able to fully integrate the international flows of money, the flows of international trade and the international circuits of capital.

5. What is still valid today?

Today, the matter seems settled. Rosa Luxemburg's critique of Marx' scheme of extended reproduction or accumulation is rejected, although we can now demonstrate in all necessary detail that in 1881, when he dropped his last manuscript for *Capital*, volume II, Marx himself had not yet finished the job – in particular with respect to the analysis of the accumulation process – despite several efforts since 1857/58. The passages that Engels did actually leave out do not fill the gap – although they provide some light as to Marx' own understanding of his “reproduction schemes” (cf. Krätke 2005, 2006 c). But the ensuing debate, triggered off by Rosa Luxemburg's critique, has shown that a revised and extended scheme of the conditions of a dynamic accumulation process can be constructed and the conditions of an “equilibrium path” for capitalist growth can be specified. With respect to the problem of imperialism, Rosa Luxemburg's basic formula does not appear to be very convincing either – at least at first glance. If there is, as she suggests, a general solution to a general problem haunting capitalism from its very beginnings, what is the specific approach to explain the phenomena of the high tide of imperialism of the belle époque until 1914?

The most important contribution of Rosa Luxemburg's big book lies in her approach to the problem of colonialism / imperialism. That very approach is normally subsumed under the formula of the “non-capitalist” area's which are indispensable for the accumulation of capital, providing markets, resources and investment opportunities. Wrong. The famous non-capitalist area's / societies / spaces – whether inside or outside of the heartlands of capitalism – do provide nothing of the kind unless their economic and

social structure is thoroughly transformed under the impact of the capitalist great powers invading them. Once they have been transformed, they present both a problem and a solution for the economies of the advanced capitalist countries when- and wherever they are becoming integrated into the capitalist world market. To put it more specifically, in her book, Rosa Luxemburg is already criticizing herself, going far beyond the simple formula that she initially presents as the core of her new approach.

In the last part of her book, Rosa Luxemburg discusses how the imperialist powers try to transform the economies of the countries and regions they colonize into something that fits into the economy of the respective Empires, not necessarily into the capitalist world market as such. These are the most innovative chapters in the whole book, the first version of a Marxist theory of capitalist colonialism and its impact upon the regions and societies of the world subjugated by it. Luxemburg describes the transformation process as a sequence of stages: First comes the “struggle against the natural economy” (chapter 27 of the *Accumulation*). It is inevitable because capital at home cannot just sit and wait for the slow disintegration of the natural (subsistence) economy in the newly acquired colonies which might take generations. The expropriation of natural resources, their transformation into either private or public property (in the hands of the colonizers and their indigenous allies) is part and parcel of this process which can last for centuries. Collective property as it exists, is ignored or destroyed, including the vast public utilities (hydraulic works) as they have existed in many of the colonized regions long before the arrival of the colonizers. However, the introduction of private property relations in the colonizes often fails, and the colonial power has to start all over again.

The logically necessary next stage is the introduction of commodity production and commodity exchange (chapter 28). The population of the colonies has to be driven into a market economy, their mode of production has to be changed into commodity production as an everyday, habitual practice. More often than not, the foreign capitalist powers use force in order to open up the economies of colonized and non-colonized countries and regions for their trading activities. A historical practice that reminds us of the fact that the limits of markets used to be politically defined and redefined again and again. Once markets have become well entrenched in the economies of the colonies, the “struggle against the peasant economy” gains momentum (chapter 29). It is a prolonged fight against the local, rural or peasant economy, based upon a traditional pattern of the

distribution of labour between agriculture and rural (house) industries. In the end, the rural peasant economy is destroyed, the rural (house) industries submerged under a flood of manufactured goods from the advanced capitalist countries, the traditional agriculture transformed into industrial mass crop production for the world market. As the social bases of self-sufficiency in a peasant economy are destroyed, colonialism produces an ever growing mass of rural and urban poor. The whole process, as described by Rosa Luxemburg, is driven by organized violence in different forms. Force is needed in order to transform highly civilized pre-capitalist economies, both natural subsistence economies and highly developed market economies, into “underdeveloped” countries. The outcome of imperialism is not a sustainable solution for the problem of accumulation in the world of advanced capitalist countries, as Rosa Luxemburg saw it, but a complete failure: The creation of a Third World, dependent upon the colonial powers and increasingly becoming a burden to them. Once in a while, the colonial powers can use them as makeshift substitutes for their crumbling markets in the capitalist world in times of crisis, but never for long. Already Marx had demonstrated in much detail, that even a rich and large colony like India was not profitable at all for the British state and society – except a few thousand individuals (members of the colonial administration and army, shareholders of the East Indian Company).

If the developed capitalist industrial nations of the North need markets for their surplus production and investment chances for their surplus capital, classical colonialism is just not good enough. They have to create a variety of sustainable and expandable markets in the countries they have conquered and keep under control. They have to create another capitalist economy – their very counterpart – in the colonized world. Accordingly, the problem of accumulation, as Rosa Luxemburg saw it, is multiplied not solved on the scale of the capitalist world economy. In one of the last chapters of the *Accumulation*, Rosa Luxemburg actually starts to tackle the problem of the next stage – after the “substitution of commodity economy for a natural commodity” the substitution “of capitalist production for a simple commodity production” (Luxemburg 2003, p. 399). How does one of the capitalist great powers force its colonies on the path of capitalist “development”, how does it create a modern capitalist and industrial production abroad? “Primitive accumulation” by all means of organized colonial force is not enough the colonizers have to export money and capital to the regions of the world they want to “develop”. The main item that Rosa Luxemburg describes – and analyzes to some extent –

are international public loans, capital being transferred from the colonial powers to “underdeveloped” countries and regions, either formally colonized or not, in order to allow them to buy and pay for basic industrial equipment. Railroad building and armament are the main examples. First and foremost, foreign loans are given to non-colonies, independent states outside the heartlands of European and American capitalism which are becoming “young capitalist states” as Rosa Luxemburg dubs them (Luxemburg 2003, p. 401). An artificial market for industrial, factory products from the advanced capitalist countries is created by means of an ever increasing amount of international loans which become the primary outlet for surplus capital from the world of advanced capitalism. Already in the times of high imperialism.

Obviously, Rosa Luxemburg did not anticipate the success of the “developmental states” in the “underdeveloped” world. She did not deal with the rise of Japan as an industrial, commercial and financial Great Power during the period of high imperialism either. An older distinction from the imperialism debate of the early years of the 20th century – recently reinvented by David Harvey – the distinction between “extractive” and “constructive” imperialism, might be helpful (cf. Harvey 2003). It serves us to tell an old story: Conquest and plunder, looting, enslaving, expropriation of everything that is to be found in the invaded countries and can be extorted from the conquered people, is just not good enough. Even a systematically plunder and expropriation inevitably turns into a failure in the long run. In comparative terms, only those imperialist powers are relatively successful, although at a high and increasing cost, that do engage in “constructive” imperialism. To do that they have to set into motion a process of capital accumulation in their own colonies – or support the moves in that direction in formally independent countries. To create sustainable and expanding markets, they have to create – or to support the creation of – their capitalist counterparts in other parts of the world. That is how Marx himself, already in 1857-58, saw the making of the world market by the active propaganda of the capitalist mode of production all over the world, actively supported by the state or the capitalist Great Powers.

More often than not, in the historical cases of imperialism, we find a combination of both types of imperialism. Extractive (and destructive) imperialism still survives in many parts of the world until this very day. In a few cases – like in the case of the German Empire engaging in Turkey and the Middle East in order to become a hegemonic power in

that region, a case Rosa Luxemburg had dealt with several times - the constructive effort, the building of rail-roads, streets, harbours, electricity networks, industrial complexes precedes any form of conquest and colonization by organized, military force. It can even do without it – creating a long lasting and highly asymmetrical dependency relation between the old and the “younger” capitalist states. Only recently, some countries in the former “Third World” have learned the lesson and turned to a path of development of their own. Only a few have succeeded, first and foremost those that kept apart from the international credit system and preferred a policy of enforced industrialization by their own means, independent from foreign loans and foreign capital. The success of the “developmental states” in Asia and Latin America has boosted the expansion of the capitalist world economy in recent decades – even started to shift its weights from the Atlantic to the Asian-Pacific Region. Like Marx, by the way, had already predicted in the 1850s. We are now approaching a capitalist world system where many large capitalist powers are openly competing with each other on an ever increasing world market and the differences between old and “younger” capitalist countries are rapidly withering away. Although the forms of imperialism have radically changed, imperialist expansion becomes more and more impossible – it is becoming a victim of its own success in the former peripheries and semi-peripheries of the world market. So, in the end, we might approach the historical limits of capitalism in our time, and Rosa Luxemburg might be quite right after all – not for the high times of classical imperialism but for ours.

References

Because there is no comprehensive English translation of even the major works of Rosa Luxemburg, the German edition of her Collected Works – Rosa Luxemburg, *Gesammelte Werke*, Berlin: Dietz Verlag, in 5 volumes – is used as a reference as follows: GW, number of the volume, page.

Bauer, Otto 1913, Die Akkumulation des Kapitals, in; Die Neue Zeit, Jg.,

Bucharin, Nikolaj 1925/26, Der Imperialismus und die Akkumulation des Kapitals, in:
Unter dem Banner des Marxismus, 1. Jg., H1, pp. 21 – 63, H 2, pp. 231 - 290

Cliff, Tony 1959, Rosa Luxemburg, London

Harvey, David 2003, The new Imperialism, London – New York

Hilferding, Rudolf 1904, Böhm-Bawerk's Marx-Kritik, in: Marx-Studien

Hilferding, Rudolf 1910, Das Finanzkapital. In: Marx-Studien

Kautsky, Karl 1885, Der zweite Band des Kapital, in: Die Neue Zeit, III. Jg., Bd. Pp.

Kautsky, Karl 1902, Krisentheorien, in: Die Neue Zeit, XX. Jg, Bd. 2, pp.

Krätke, Michael R. 2005, Marx' tableaux économiques und Engels Redaktion, Vortrag
Kyoto

Krätke, Michael R. 2006a, A very political political economist. Rosa Luxemburg's theory of
wages, Vortrag Bergamo

Krätke, Michael R. 2006b, The Luxemburg debate, Vortrag Wuhan

Krätke, Michael R. 2007, Geschichte der Weltwirtschaft,

Laschitza, Annelies 2000, Rosa Luxemburg. Im Lebensrausch, trotz alledem, Aufbau Verlag:
Berlin

Lenin, W.I. 1913, Skizze zu einem Artikel über Rosa Luxemburg's Akkumulation des
Kapitals, in:

Levi, Paul 1925, Vorwort, in: Rosa Luxemburg, Einführung in die Nationalökonomie, Berlin

Luxemburg, Rosa 2003, *The Accumulation of Capital*, Routledge: London – New York

Müller, Eva 2002, *Rosa Luxemburg und die Reproduktionsschemata*, in:

Nettl, Peter 1965, *Rosa Luxemburg*, Oxford University Press

Sweezy, Paul M. 1968, *Böhm-Bawerk's Critique of Marx*