The Dialectic of the Spatial Determination of Capital:

Rosa Luxemburg’s Accumulation of Capital Reconsidered

By Peter Hudis

Rosa Luxemburg remains a vital figure for our time because of her insistence that the accumulation of capital depends not only upon the internal temporal dynamics of particular capitalist societies but most of all on capitalism’s spatial penetration and destruction of the non-capitalist world. Her Introduction to Political Economy, originally composed as part of her work as a teacher at the German Social-Democratic Party’s school between 1907 and 1914, remains one of the best studies ever written of the historical development of class society in general, and of capitalism in particular. It contains a series of brilliant analyses of capitalism’s effort to penetrate and destroy non-capitalist strata in the developing world—from France’s suppression of the Arabs and Kabyles in Algeria and the British occupation of India to the Spanish destruction of the Incas in South America and the devastating impact of colonialism upon the Aka, Twa, and Chewa peoples of central Africa. Her persistent emphasis, found throughout her work, on the inherent drive of capitalism to consume and destroy indigenous communal formations was part of an effort to demonstrate the integrality of imperialism and capitalism—even if this was muted by Agnes Schwarzschild’s English translation of the Accumulation of Capital, which neglected to include its subtitle—“A Contribution to an Explanation of Imperialism.” Now that a new English translation of the Accumulation of Capital has been prepared as part of issuing the Complete Works of Rosa Luxemburg in English,
this is a fitting moment to re-examine how her theory of capitalist accumulation speaks to today’s urgent need to reverse capital’s global drive to destroy the ecological as well as economic and social viability of human existence itself.

As is well known, Luxemburg’s theory of accumulation brought her into conflict with Marx—especially over this formulae of expanded reproduction at the end of Volume Two of *Capital*. Marx’s exclusion of foreign trade in his abstract model of how surplus value is realized in an *ideal* isolated capitalist society was seen by Luxemburg as failing to account for the *reality* of capitalist accumulation, which depends from its inception on absorbing and destroying non-capitalist strata. Now that we are experiencing capital’s complete domination of the globe, we may be in a better position to determine whether Luxemburg’s *spatial* emphasis on capital accumulation takes us beyond Marx—or whether Marx’s *temporal* emphasis on the internal dynamic of capitalist reproduction takes us beyond Luxemburg.

I.

The Ghanaian philosopher and social critic Ato Sekyi-Otu has persuasively argued that for Marx, “time, rather than space, is the existential category that functions as the principle of index of domination, alienation, and injustice.” Marx’s critique of alienated labor, social inequality, and value production centers on the domination of a particular kind of time—*abstract universal law time*. Although Marx is often credited with developing a labor theory of value, it is more accurate, as the U.S. Marxist-Humanist philosopher Raya Dunayevskaya argued in *Marxism and Freedom*, that Marx developed a value theory of labor. The distinction is of cardinal importance, since Marx (unlike the classical political economists) was primarily
concerned with the specific kind of labor that creates value—abstract or undifferentiated labor. Concrete labor produces material wealth and articles of utility (bearers of use-value), but it does not create exchange value—the phenomenal expression of value. Undifferentiated, homogenous, abstract labor, on the other hand, is the substance of value. The critical factor is that labor is rendered abstract by being dominated by a particular modality of time. The core of the Marxian theory of value is that value is not determined by the actual amount of time employed in creating a commodity, but rather by the average amount of necessary labor time employed in doing so. If a worker in Germany assembles an automobile in 24 hours while one in China assembles a similar model in only 16 hours, the extra eight hours of labor performed by the German worker creates no value. As Marx put it, “What determines value is not the time taken to produce a thing, but the minimum time it could possibly be produced in.”

Herein, for Marx, lies the key to the overpowering domination of capital. As competition reveals the minimum amount of labor time necessary, on average, to create a given commodity on the world market, workers are forced to produce it within that time unit, irrespective of their needs or bodily capacities. Workers become alienated, not just from the product of their labor but also from the very activity of producing it through the tyranny of abstract universal labor time. As Marx famously stated, “Time is everything, man is nothing; he is, at most, time’s carcass. Quality no longer matters. Quantity decides everything; hour for hour, day by day.”

Value production therefore subsumes heterogeneous productive activities under crystallized abstract labor time. That, and not the existence of private
property or the market, is the essence of the capitalist mode of production. We become robbed of our creativity by being subjected to a reified form of time that is indifferent to our actual human capacities. This in turn grounds the drive to augment surplus value. Since value is determined by a social average of labor time that operates behind the backs of the producers, workers are compelled to produce more value in a given unit of time than they receive in means of subsistence. Inequality, private property, and “market anarchy” are therefore not the cause but the consequence of social relations governed by abstract universal labor time.

As I show in my latest book, Marx’s Concept of the Alternative to Capitalism, the issue of time is likewise of critical importance in Marx’s conception of the abolition of capitalism.8 According to Marx—who actually had much more to say about the content of a post-capitalist society than has been recognized by Marxists and anti-Marxists alike—in a socialist or communist society actual labor time will no longer be dominated by socially necessary labor time. The exertion of concrete acts of producing use values, performed by freely associated individuals, will serve as the one and only measure of social existence. No longer will a force operate behind the backs of the producers that render their activity useless or unproductive if it fails to meet an abstract standard. The dictatorship of time will be shattered through the formation of freely associated production relations, in which “time becomes the space for human development.” From the very inception of a post-capitalist society, according to Marx, value production is abolished, since abstract labor is eliminated through the creation of totally new social relations that are governed by no standard other than the contingent, sensuous, concrete nature of human needs themselves.9
As Marx insisted in *On the Jewish Question*, “All emancipation is a reduction of the human world and relationships to humanity itself.”

There is no question, therefore, that Marx’s critique of capital centers on *time*. So is it the case, as Michel Foucault claimed, that for Marxists “Space was treated as the dead, the fixed, the undialectical, the immobile. Time, on the contrary, was richness, fecundity, life, dialectic.... If one started to talk in terms of space, that meant one was hostile to them”? This is a questionable assertion, since Marx clearly did not ignore spatial determination—as seen in his theory of primitive accumulation and emphasis on the role of colonialism in the formation of capitalism. I would argue that Marx’s emphasis on time is precisely what led him to focus on capital’s spatial determination, especially in his writings on the non-Western world in the last two decades of his life. As capital strives to wring ever-more unpaid labor time from the worker, it spurs the creation of new labor saving devices, thereby augmenting the organic composition of capital at the expense of living labor. This leads, as Marx argued in Volume Three of *Capital*, to the tendency of the rate of profit to decline. Faced with an over-accumulation of capital, on the one hand, and a declining rate of profitability, on the other, capitalism is increasingly driven into imperialist aggressiveness as part of an effort to “restore the valorization of capital at any price, to weaken or eliminate the breakdown tendency.” Imperialism is the spatial correlate to capital’s cooptation of time.

II.

Rosa Luxemburg certainly understood the importance of temporal determination in Marx’s delineation of the “law of motion” of capitalism in Volume
One of *Capital*. She wrote in *The Accumulation of Capital*, Marx had to establish a *dynamic* distinction in the course of history between the commodity-producer and the laboring man, in order to distinguish the twin aspects of labor that appear static in bourgeois economy. He had to discover that the production of commodities is a definite *historical* form of social production before he could decipher the hieroglyphics of capitalist economy.15

At the same time, she held that Marx neglected capital's spatial determination in his theory of *expanded reproduction* in Volume Two of *Capital*. Marx's assumption of a closed capitalist society without foreign trade, she held, contradicts the reality of capitalist accumulation. In contrast, she sought to show that capital's inner core consists of the drive to consume what is external to it—non-capitalist strata.

To best approach the substance of the dispute, it is necessary to first come to grips with the specific problem that confronted Marx in Volume Two of *Capital* and manner in which he sought to analyze and resolve it.

Marx employs a method of abstraction in Volume Two, aimed at reducing the problem of social reproduction to its fundamental simplicity. As puts it on the opening page, "In order to grasp these forms in their pure state, we must first of all abstract from all aspects that have nothing to do with the change and constitution of the forms as such."16 Marx abstracts from contingent or secondary factors that get in the way of grasping the object of his analysis by assuming: 1) Commodities are sold at their value. 2) No revolutions in value occur in the circulation process.17 3) There is no foreign trade: “We therefore completely abstract from it here, and treat gold as a direct element of the annual [domestic] production.”18 4) There are no crises of realization. Marx is not leaving aside these factors in order to depart from reality by creating a purely ideal model of capitalist reproduction. Instead, he does so to
present the actual law of motion of capitalist reproduction—freed, however, from its phenomenal manifestations. In his perspective, capital can “only be grasped as a movement, not as a static thing.” He employs this method of abstraction in order to present what he considers the essential determinants of the self-movement of capital in the clearest possible terms.

In should be noted that all thinking involves abstraction, since it is never possible to grasp the concrete totality of the object of cognition by mere empirical or sensory observation. Thinking by its very nature involves selection—the leaving of something out—in order to grasp what is essential. Dialectical cognition self-consciously employs this method of abstraction—not for the sake of singling out mere aspects or sides of a thing, but for comprehending the thing itself. As the Czech philosopher Karel Kosik put it, “The method of abstraction...is the only path by which philosophy can arrive at the structure of the thing, i.e., to a grasp of it.”

Although Marx abstracts from secondary or peripheral factors that get in the way of grasping capital’s self-movement, he does not abstract from class relations. Instead, he employs abstraction in order to highlight the determinant importance of class relations in social reproduction. Class relations are emphasized at numerous points in Volume Two, as when Marx writes: “The presence of such ‘free wage-laborers’ throughout society is the indispensable condition without which M-C, the transformation of money into commodities, cannot take the form of the transformation of money capital into productive capital.” He spells this out as follows: “What is characteristic is not that the commodity labor power can be bought, but the fact that labor power appears as a commodity.” In other words,
labor power takes on the form of commodity *prior* to the exchange process, even though it must *of necessity* be exchanged. Because labor power is bought and sold on the market like any commodity, it *appears* as if exchangeability is its defining feature. However, this appearance is deceptive, since: “*Before* the sale, this labor power exists in a state of separation from the means of production, from the objective conditions of its application. In this state of separation, it can be directly used neither for the production of use-values for its possessor, nor for the production of commodities which he could live from by selling.”23 The relation between buyers and sellers conceals a *class* relationship, in that the state of separation or alienation of the laborers from the objective conditions of production enables labor power to function as a commodity. The buying and selling of labor power *manifests* this objectification, but it does not *establish* it.

This has important implications not only for Marx’s analysis of capital but also for an understanding of a socialist alternative to capitalism. It follows from Marx’s approach that the abolition of capitalism lies not simply in abolishing the *market* for labor power but eliminating the *form* of labor power as a commodity—and that can only be achieved by ending the laborer’s separation from the objective conditions of production. “Organizing exchange” without eliminating the alienation of labor does not, for Marx, suffice to eliminate the commodification of labor power.

This is not to suggest that Marx poses a one-to-one relation between class formations and economic relations. He writes in Volume Two, “Capital, as self-valorizing value, does not just comprise class relations, a definite social character that depends on the existence of wage-labor. It is a movement, a circulatory process
through different stages, which itself includes three different forms of the circulation process.”24 The process of circulation takes on a life of its own, becoming independent of any direct dependence upon class relations. However, its ability to do so depends on the separation of the laborers from the objective conditions of production that define capitalist class relations.

Marx’s insistence on firmly anchoring his value-theoretic categories in class relations, even when analyzing such seemingly distant and abstract issues from the workers’ struggle as the circulation of capital, indicates that his logic of abstraction is in complete accord with the Hegelian method of grasping the dialectic of the thing itself. Hegel writes in the Science of Logic, “This is what Plato demanded of cognition, that it should consider things in and for themselves, that is, should consider them partly in their universality, but also that it should not stray away from them by catching at circumstances, examples and comparisons, but should keep before it solely the things themselves and bring before consciousness what is immanent in them.”25 Marx’s methodological approach, like Hegel’s, does not abstract from the contingent in order to posit a realm of pure forms independent of matter. Marx instead seeks to identify the actual forms of capitalist production and circulation through the act of abstraction.

In this sense, Volume Two of Capital is every bit as “Hegelian” as any of his earlier work—even though Hegel’s name never appears once in the published text. This is further underlined by the way Marx makes use of Hegel’s delineation of the syllogism in the third book of the Science of Logic, “The Doctrine of the Concept,” in unraveling the circuits of capital. Hegel’s Logic presents the syllogistic movement of
Universal, Particular, and Individual in three forms or “figures.” The first is I-P-U, the second is P-I-U, and the third is I-U-P. In these syllogisms as well as in Marx’s three circuits of capital, the mediating term in the first syllogism or circuit becomes the premise of the second, and the mediating term in the second syllogism or circuit becomes the premise of the third. Marx dispels the claim that these parallels are mere coincidences. He notes in a footnote for Volume Two that Engels left out of the published version:

In a review of the first volume of *Capital*, Mr. Dühring notes that, in my zealous devotion to the schema of Hegelian logic, I even discovered the Hegelian forms of the syllogism in the process of circulation. My relationship with Hegel is very simple. I am a disciple of Hegel, and the presumptuous chattering of the epigones who think they have buried this great thinker appear frankly ridiculous to me. Nevertheless, I have taken the liberty of adopting towards my master a critical attitude, disencumbering his dialectic of its mysticism and thus putting it through a profound change, etc.

This should put to rest the claim, voiced often in the history of Marxism and reasserted even today that “Marx’s mature work in political economy is not dependent upon Hegel and dialectics.”

Luxemburg appears to have been largely inattentive to the methodological implications of the method of abstraction employed in Volume Two of *Capital*. Riccardo Bellofiore contends,

The most sensible [criticism of Luxemburg’s train of thought] concerns her reading of the schemes of reproduction in Marx’s overall theoretical project. In fact, she believed that the inquiry about total capital must be immediately developed at a concrete level of investigation. In contrast, Marx believed that inquiries into both individual and total capital have to be developed, starting from those determinations common to capital as such.

A central aspect of Marx’s decision to approach the problem of reproduction (covered in Part 3 of Volume Two of *Capital*) from the vantage point of the
determinations of "capital as such" (or capital in general) is his division of the entire social capital into two and only two departments. Department I is means of production, consisting of: a) the value of means of production consumed in creating means of production (called "productive consumption"); b) the value of means of production laid out in labor power (or the sum of wages paid out in the sphere of production); and c) the profits of the industrial capitalist. Department II is means of consumption, consisting of: a) the value of means of production transferred to commodities that are individually consumed by workers and capitalists; b) the value of the labor power that produces such consumption goods; and c) the profits of the capitalists accruing thereof. Surplus value is embodied in both departments.

Marx makes this distinction in order to show that the law of motion of capitalism compels the means of production in Department I to grow at a disproportionate rate relative to the means of consumption in Department II. The great bulk of the value created in Department I is not individually consumed by workers. Nor do capitalists consume all of the remaining output. The bulk of the value of constant capital in Department I is consumed productively, by capital itself. Capital grows "big with itself" by consuming constant capital in Department I at the expense of means of consumption—irrespective of the needs of the producers.

Marx insists on formulating two and only two departments of social production—even though there are dimensions of capitalist society that fall into neither one (such as gold and forms of payment, which are means of circulation). He abstracts from factors that fall outside these two departments in order to focus on what he considers the critical issue: the preponderance of means of production over
means of consumption. He is exposing the class basis of capitalist reproduction by showing that workers of necessity are subordinated to the products of their own labor. Here again, we see that Marx's method does not abstract from class relations; instead, it abstracts from that which stands in the way of clearly discerning them.

The two departments of social capital, and the interchange between them, serves as the theoretical core of Marx's discussion of simple and expanded reproduction. In simple reproduction the surplus value produced over a given period "is consumed individually, i.e., unproductively, by its owners, the capitalists." An expansionary dynamic is therefore lacking. Simple reproduction provides steady state growth. In contrast, expanded reproduction contains an expansionary dynamic, since a portion the surplus value is not consumed individually but productively in such as way as to augment the relative size of the means of production. Since the form of expanded reproduction defines capitalism, most discussions on Volume Two have focused on its discussion of expanded reproduction. Yet it is important to keep in mind that Marx held that the difficulties involved in expanded reproduction are largely identified and resolved in the discussion of simple reproduction. But Luxemburg differed with him on this.

The essence of the dispute centers on the last chapter, "Accumulation and Reproduction on an Expanded Scale," where Marx presents a series of mathematical formulae designed to show the preponderance of means of production over means of consumption as what drives capital accumulation. Its exposition is the least polished portion of the book, which is only one reason that it has been subjected to a great variety of interpretations. To follow Marx's argument in this last chapter, as
well as in Part 3 as a whole, it is important to be conscious of the specific object and intent of his analysis. The final chapters of Volume Two have a largely *polemical* thrust, in that they aim to show the erroneous nature of two prevailing tendencies in political economy. One is that of Adam Smith, who “spirited away” constant capital by arguing that it is ultimately individually consumed as revenue. The other is underconsumptionism, represented by such figures as Sismondi, Malthus, and Rodbertus (and more recently by Paul Sweezy, Ernest Mandel, and David Harvey), which argues that the critical determinant in capital accumulation is the level of effective demand sufficient to buy up the surplus product.

Marx spends an enormous amount of time in Part 3 attacking Smith’s view that the value of constant capital is ultimately consumed as revenue. Again and again he goes out of his way to show that the value of constant capital does not dissolve into wages and profits, since a considerable portion of it is consumed productively. There are *two* reasons for Marx’s insistent criticism of Adam Smith on this issue. The first, and most obvious, is that if Smith were right that the value of constant capital ultimately dissolves into revenue there would be no reason for workers to fight against the appropriation of their unpaid hours of labor by the capitalists. However, there is also a deeper issue involved in Marx’s critique of Smith than the alienation of the product from the producer. The most egregious aspect of Smith’s theory is that it conceals the ways in which constant capital is the instrumentality through which the capitalist gains the mastery over the worker. If the value of constant capital dissolves into revenue, the domination of dead over
living labor dissolves as well. What Marx considers the crux and distinctiveness of the class relation of capitalist society gets completely obscured by Smith.

It should be kept in mind that the capitalist law of value is not simply about paying the worker the minimum and extracting the maximum. That surely characterizes pre-capitalist societies as well. What distinguishes capitalist value production is that paying the worker the minimum and extracting the maximum is primarily driven not by the greed of individual social agents but rather by the dictates of the productive system itself. Capital is “value that is big with value”; it is driven to constantly expand. It can do so on an ongoing basis only by reducing the relative proportion of living labor to dead labor at the point of production. Larger quantities of constant capital must be consumed by capital compared to the variable capital that goes to the worker. As Marx wrote in the “Results of the Immediate Process of Production,” which he originally envisioned as the transition between Volumes One and Two of *Capital,* “In fact the rule of the capitalist over the worker is nothing but the rule of the independent conditions of labor over the worker, conditions that have made themselves independent of him…. Hence the rule of the capitalist over the worker is the rule of things over man, of dead labor over the living, of the product over the producer.”

Marx spends a seemingly interminable amount of space arguing against Smith’s “spiriting away” of constant capital because it stands in the way of grasping the most important—as well as most destructive—aspect of capitalist reproduction. Some of the same considerations explain Marx’s persistent objections to underconsumptionism—the view that the basic problem of capitalism lies in the
inability of workers to buy back the surplus product. Marx of course fully knows that the purchasing power of the workers does not enable them to buy back the surplus product. But the reason for this, he contends, is not the lack of effective demand; instead, the lack of effective demand is a result of a deeper problem. Although crises often manifest themselves in an inability to sell the surplus product, they “first become evident not in the direct reduction of consumer demand, the demand for individual consumption, but rather a decline in the number of exchanges of capital for capital, in the reproduction process of capital.”

The problem that Marx has with both Smith and underconsumptionists is that they posit a direct connection between production and consumption. Smith does so by arguing that that the value of the constant capital dissolves into the wages of workers and the luxury goods of capitalists. Underconsumptionists do so by holding that the purchasing power in Department II is insufficient to realize the surplus value in Department I, thereby impeding or making impossible the accumulation of capital. Smith and the underconsumptionists draw opposite conclusions while proceeding from the shared premise of there being a direct connection between production and consumption.

Marx, in contrast, does not pose any such direct connection. He holds that consumption follows production, but only indirectly, only in the final instance. He is fully aware that the value of means of production tends to outweigh the value of means of consumption—after all, he denies that capitalist accumulation occurs for the sake of meeting the consumption needs of the agents of social production. He is also fully aware that the surplus value that is not personally consumed must
ultimately find its way into the circuit of capitalist reproduction in order for the system to renew itself on an ever-expanding scale. However, his formulae of expanded reproduction suggest that the inability of a part of the value of the constant capital to enter into individual consumption need not involve a realization crisis, since it is ultimately consumed (by Department I) *without having to enter the market and be sold*. This may not occur immediately, since a portion of the means of production gets turned into money capital and can be held back in the form of a hoard. However, it *eventually* has to be invested in new means of production in order to feed capital's appetite for self-expansion.

III.

This perspective did not at all satisfy Rosa Luxemburg. As she saw it, Marx's assuming away of realization crises projects a tendency of unimpeded equilibrium or balanced growth. She argues in *Accumulation of Capital*, “The complicated problem of accumulation is thus converted into a diagrammatic progression of surprising simplicity. We may continue the above chain of equations *ad infinitum* so long as...a certain increase in the constant capital in Department I always necessitates a certain increase in the variable capital.” She found the implications of this profoundly disturbing, for some of the same reasons that a number of economists have found it appealing—that it *seems* to suggest the possibility of infinite capitalist expansion.

Luxemburg’s dispute with Marx's revolves around two, fundamentally opposed approaches to the understanding of expanded reproduction.
The first approach asks: Does the commodity need to “shed” its use-form and became transformed into “pure value,” money, in order to then purchase additional means of production and thereby realize the surplus value needed to accumulate capital on an ever-expanding scale? The second approach asks: Can the realization of surplus value occur directly, without a portion of the surplus product being converted into money, by constant capital productively consuming a portion of the use-form of the surplus product?

If the second approach is correct, there is no case for effective demand being a central component of capitalist accumulation. The capitalist simply converts a portion of the surplus value into constant capital by directly absorbing it into the means of production without having to first sell it to a buyer. The consumer market is bypassed, and there is no problem of a lack of effective demand by consumers. If the second approach is correct—if the connection between Department I (means of production) and Department II (means of consumption) is established only through the exchange nexus—then each department has to sell all its output to realize the surplus value before capital accumulation is possible. If the realization of surplus value depends upon the sale of the product, there must be buyers for it. But if there is no demand for the product on the part of buyers, realization becomes impossible.

Luxemburg takes the first approach, whereas Marx takes the second. She criticizes his theory of expanded reproduction for treating money as “a subsidiary phenomenon—a merely external and superficial expression of the various stages within the circulation of commodities.”36 She criticizes him for presuming that “money in itself is not an element of actual reproduction.”37 She states, like Marx,
that constant capital can be augmented only if a portion of the surplus value is “set aside” from personal consumption—that is, consumed neither by workers nor capitalists. But she differs from Marx over the role of use-value in the realization of surplus value. Marx holds that use-value is of decisive importance in predetermining the direction in which surplus value is invested—for example, the use-form of corn goes to the Department II, the use-form of iron ore goes to Department I. In contrast, Luxemburg downplays the role of use value in predetermining the product’s destination in reproduction. She insists, “The new capital as well as the surplus value which it has created must cast off their commodity-form, re-assume the form of pure value, and thus revert to the capitalist as money.... It is absolutely essential to the accumulation of capital that a sufficient quantity of commodities created by the new capital should win a place for itself on the market and be realized.”

Marx acknowledges that a portion of the surplus product must be “set free” in the form of money in order for expanded reproduction to occur. Since a greater value of constant capital is produced in Department I than the value of variable capital and surplus value in Department II, and since that constant capital has to be invested in order to achieve productive expansion, the question (for Marx at least) is where does the extra money to fund such investment come from. Marx pursues a series of explanations of this. He suggests that money can be withdrawn from circulation and accumulated as a hoard; that capitalists can force down consumption levels in Department II—such as by laying off workers—which provides them with more value with which to purchase constant capital in Department I; and that they can simply produce more gold as the source of money.
None of this satisfied Luxemburg, who accuses Marx as “running in circles” without resolving the problem: “The flaw in Marx’s analysis...[is] the misguided formulation of the problem as a mere question of ‘the sources of money,’ whereas the real issue is the effective demand, the use made of goods, not the source of the money that is paid for them.”

Although she was convinced that Marx’s difficulty in showing “where the money comes from” exposed the fallacy underlying his formulae of expanded reproduction, it can be argued that the issue is not of decisive importance in Marx’s actual analysis. Marx is not, after all, arguing that the entire surplus product must first be converted into the “pure form” of value, money, in order to purchase the capitalized surplus value. He based this on the view that the material or use-form of the product pre-determines the destination of the elements of expanded reproduction. Luxemburg, in contrast, held the material or use-form is not of decisive importance in the realization of surplus value. She therefore held that Marx’s claim that the reproduction of constant capital is the main source of the business cycle is as of secondary importance when it comes to the theory of crisis.

Luxemburg argued that the deficiencies in Marx’s analysis in Volume Two of *Capital* largely resulted from the “unfinished” and “fragmentary” nature of his formulae of expanded reproduction. Yet is worth noting that Marx worked out the conceptual basis of this position in *Theories of Surplus Value*—written in 1863, a full 15 years prior to drafting the formulae in Volume Two. Despite the many shortcomings in Marx’s exposition of the formulae of expanded reproduction in Volume Two, he had developed the concepts that governed them long before.
He writes in *Theories of Surplus Value*: “Can the capitalist transform a part of the surplus-value into capital by employing it *directly* as capital instead of selling the surplus-value, or rather the surplus-product in which it is expressed?” He answers this in the affirmative, as follows: First, in the agricultural sector, a section of the surplus product “instead of being sold, can at once serve again as means of production, as seed or draught animals”; Second, in manufacturing, in addition to machines that produce commodities there are “machines which produce machines, the constant capital of the machine industry.” This part of the surplus product “need not be sold, but can re-enter the new production in kind, as constant capital...into new production (accumulation), without having gone through the process of first being transformed into variable capital.” He concludes,

> Where a part of the product, and therefore also of the surplus-product (i.e., the use-value in which the surplus-value is expressed) can re-enter as a means of production—as instrument of labor or material of labor—into the sphere of production from which it came, directly, without an intermediary phase, accumulation within this sphere of production can and must take place in such a way that a part of the surplus product, instead of being sold, is as a means of production re-incorporated into the reproduction process directly...so that accumulation and reproduction on a larger scale coincide here directly. They must coincide everywhere, but not in this direct manner.41

Luxemburg knew these passages from *Theories of Surplus Value* very well, and referred to them directly in *The Accumulation of Capital*. But she was not at all impressed by the argument. She wrote, “Here we can leave out of account instances of products capable in part of entering the process of production without any exchange, such as coal in the mines. Within capitalist production as a whole such cases are rare.”42 But are they really so rare? The more technologically developed capitalism becomes, the greater the tendency for capital to be consumed
productively, without first entering into the exchange nexus. The phenomenon of computers making computers is only one of many manifestations of this.

Luxemburg’s emphasis on the exchange nexus also led her to insist that a third department needs to be added to the analysis of expanded reproduction—the medium of circulation (such as gold). In doing so, she was driven to “deviate” (as she put it) from Marx’s most important premise: that the distinction between the two departments of social production reflects the class division of workers versus capitalists. Means of circulation, after all, have no distinctive class content. Despite her profound appreciation of spontaneous revolts and mass creativity, when it comes to her economic theory she separates what Marx joins together: an ability to analyze the most abstract forms of value production and circulation while never taking one’s finger off of the pulse of class struggles and human relations.

The crux is that Luxemburg focuses not on the productive consumption of capital by capital, but rather on the realization of surplus value by people in the market. Since it is it obvious that surplus value cannot be realized by the consumption of workers or capitalists, and since, as she put it, “somebody must buy it,” who can that be? However, Marx’s critique of Smith for “spiriting away” constant capital was aimed at showing that the decisive issue is not who consumes the surplus product but what does so. Although Luxemburg was fully aware of the importance of Marx’s critique of Smith, and even devoted an entire chapter of the Accumulation of Capital to it, she downplays its importance in her discussion of the formulae of expanded reproduction. Indeed, she goes so far as to argue that Marx
“lost sight of the main problem” because his “polemics against [Smith’s] dogma dominated Marx’s entire analysis.”

She—like many of her critics—do not seem to have been on the same wavelength as Marx when it came to the subject of his analysis. Marx’s extended critique of Smith was not a diversion from tackling the central dynamic of capital accumulation, it rather took him directly towards it, by emphasizing its tendency to promote the domination of dead over living labor.

Luxemburg’s conclusion is logically coherent—even if it rested on faulty premises. Since she could not find within capitalism any buyers for the commodities in which the accumulated part of the surplus value is embodied, only one thing was left—to presume that the demand is found in the non-capitalist world. This is the basis of her theory that imperialist expansion is driven by capitalism’s inability to resolve the limits to effective demand established by its own national confines.

IV.

Luxemburg’s approach provided not only an explanation for why capitalism takes over, consumes, and destroys communal social formations in the non-capitalist world, it also led her to fiercely condemn the process in its entirety. At a time when many of her colleagues in the Second International made apologies for imperialism, or denied that it was inseparable from the law of motion of capitalism, she painstakingly exposed how virtually every once of capital was accumulated on the basis of the sweat and blood of tens of millions of Africans, Asians, and Native Americans. Her critical analysis of the historical conditions of accumulation in Part 3 of the Accumulation of Capital is perhaps the most powerful
exposé ever written of the violent and destructive nature of the self-expansion of capital. It remains of huge importance today, when capital is invading every nook and cranny of the globe, violently undermining the very basis of human and natural existence in doing so.

However, a serious issue raised by Luxemburg’s approach is its implications for developing a proper understanding of the alternative to capitalism. The predominant tendency of the Marxists of her time—and, unfortunately, of many long afterwards—was to identify “capitalism” with “market anarchy” and “socialism” with “planned production” by a centralized state. How did Luxemburg’s dispute with Marx impact her understanding of this issue—one that is clearly of vital importance in reconstructing a revolutionary Marxist perspective for today?

The critical issue, it seems to me, is that Marx assumes away problems of effective demand and realization crises in Volume Two not in order to deny their existence (they clearly do exist!) but rather to focus on what he considers the more vital problem: that the bulk of social wealth is consumed not by people but by capital, as constant capital is disproportionately consumed by capital itself. He abstracts from market crises not because they don’t exist or aren’t important but to focus on what is more important: the domination of dead over living labor.

In sum, Marx presents balanced growth in assuming that there are no realization crises in order to highlight the imbalanced growth between the two departments of social capital. He posits tendencies toward both equilibrium and disequilibrium. He does so to emphasize that the factor that most of all needs to be analyzed and destroyed is not the exchange relations of the market but rather the
domination of dead over living labor at the point of production. Luxemburg was hardly impressed by Marx’s argument, however, since she held that the tendency of the means of production to outpace means of consumption characterizes not only capitalism but also all modes of social production. She went so far as to write: “The growth of the constant at the expense of the variable capital is only the capitalist expression of the general effects of increasing labor productivity.... This is a universal form of human labor. It has been valid in all previous pre-capitalist forms of production and will also be valid in the future socialist organization of society.”

Hence, whereas Marx intended his formulae of expanded reproduction to highlight, at an abstract level, capitalism’s drive to constrain humanity under the domination of dead labor over living labor, Luxemburg treats this as a trans-historical reality. She goes so far as to write of the preponderance of Department I over Department II: “Here we have indeed expressed relationships of value which are the foundation not only of capitalist production, but of reproduction in every society.” It is then no wonder that she wrote, “Marx’s diagrams of enlarged reproduction have objective validity—mutatis mutandis—for a planned society.”

The problem is that the formulae of expanded reproduction, as is true of Marx’s analysis of capitalist production as a whole, is not applicable to any society other than capitalism because the value production that is integral to it is applicable only to capitalism. Marx was not presenting the schemas of expanded reproduction to suggest anything about a post-capitalist society, one way or the other. Although he emphasized the material form of constant capital, he dealt with constant
capital—as all of the factors of production and circulation—in value terms. And for Marx value production is the *differentia specifica* of capitalism.52

Luxemburg’s emphasis on the spatial determination of capital, which treated the relationship between capitalism and non-capitalist strata as fundamental, led her to remain in the epiphenomenal realm of the market—which has much to do with her failure to fully break from the premise that capitalism is primarily defined by “market anarchy” and socialism by “planned production.” Today we know, a hundred years after her death, that capitalism is completely compatible with the “abolition” of the free market and the imposition of “planned production”—as the experience of the state-capitalist regimes that called themselves “socialist” or “communist,” in the USSR and elsewhere, clearly indicate.

It was not possible, of course, for anyone in Luxemburg’s lifetime to imagine, let alone anticipate, the repressive, totalitarian societies that came to rule in the name of “Marxism” in the twentieth century. No one as of her death in 1919 had even the vaguest hint of the possible emergence of something as pernicious as Stalinism arising from *within* the revolutionary movement—even though Luxemburg saw far more than most in taking sharp issue with the Bolsheviks for their repression of revolutionary democracy in 1918. Moreover, it may well be that until the emergence of the modern totalitarian single-party state, it was not possible to grasp or appreciate the *depth* of Marx’s challenge to alienated class society.53 Does it therefore make much sense for those of us in the twenty-first century who *have* experienced these tragedies to simply re-affirm without criticism Luxemburg’s failure to appreciate the central importance of Marx’s stress on the domination of
dead over living in his theory of expanded reproduction? Surely, someone with such
a fiercely independent intellect as Luxemburg, who never ceased to rethink Marxist
ideas when faced with new realities, would not want us to become her epigones.

V.

Another major issue with Luxemburg's approach concerns who are the human subjects that can rise up and put an end to the violent process of imperialist destruction? This is surely an even more important question today than in Luxemburg's time, given that time may well be running out on the viability of human existence if the capital relation remains dominant for much longer.

Since Luxemburg held that “Accumulation is more than an internal relationship between branches of capitalist economy; it is primarily a relationship between capital and a non-capitalist environment,” it follows that what ultimately puts an end to the accumulation of capital is the exhaustion of non-capitalist strata. However, Luxemburg insists, “this can never actually happen.” Why can it “never happen”? She doesn’t say. All she says is that “long before” that day comes the proletariat in the developed world will rise up and put an end to capitalism.

She reiterates this in the Anti-Critique:

Capital accumulation progresses and expands at the expense of non-capitalist strata and countries, squeezing them out at an ever-faster rate. The general tendency and final result of this process is the exclusive world rule of capitalist production. Once this is reached, Marx’s model becomes valid: accumulation, i.e. further expansion of capitalism, becomes impossible. Capitalism comes to a dead end.... Can this ever really happen? That is, of course, theoretical fiction, precisely because capital accumulation is not just an economic but also a political process.

But if this is the case, then the negation of capitalism does not arise from its economic contradictions, but rather from factors external to them. The revolution
does not logically emerge from the contours of her actual theory; instead it is, “dragged in by her indomitable revolutionary will.”

There is no question that Luxemburg was a magnificent theorist of revolution who was convinced of the ability of the working class to uproot capitalism. Yet that perspective, integral to so much of her other work—especially her political writings—simply does not flow logically from her theory of expanded reproduction.

Her theory instead centers on the external opposition between capitalism and non-capitalism—not on the internal opposition between constant capital, dead labor, lording over variable capital, living labor. Since the central contradiction of capital is located not in production but rather in the market, in the lack of effective demand, the barriers encountered in the market, and not the resistance of the worker at the point of production, establishes the limits to capital accumulation. Hence, her market-driven approach does not provide for the negation of expanded reproduction to arise from within the bosom of the capital-labor relation itself. It is not people or their resistance that defines the ultimate limits to capital, but rather a thing—the exhaustion of non-capitalist strata.

This is further underlined by the fact that she did not view the victims of imperialist expansion as revolutionary subjects in their own right, as seen in her fierce objection to all calls for national self-determination as being “reactionary.”

I am not at all suggesting that Luxemburg did not feel profound compassion for the victims of colonialism and imperialism. On the contrary, she felt their pain and theorized the reason for it, in a way few Marxists did so in her time or afterwards. Lenin, for instance, wrote the following in his critical notes on the
Accumulation of Capital: “The description of the torture of Negroes in South America is noisy, colorful, and meaningless. Above all it is ‘non-Marxist.’”\(^5\) Rosa Luxemburg would never think it “non-Marxist” to detail the pain and suffering of those exposed to the brutalities of capitalist globalization. She was too much of a humanist for that!

Nevertheless, she failed to make integral to her theory what was central to Marx—namely that (as Dunayevskaya put it), “The organic composition of capital produces, on the one hand, the decline in the rate of profit, and, on the other hand, the reserve army of labor. The inability of capitalism to reproduce its only value-creating substance sounds the death knell of capitalism.”\(^5\) This approach, which was available to Luxemburg, was foreclosed by her theory of accumulation.

VI.

What importance does this have for today? Clearly, we are now reaching the point where the entire globe is being consumed by the self-expansion of capital—at the same time, ironically, that any viable alternative to capitalism appears very nearly out of sight. There is no indication that capitalism will simply collapse once the full exhaustion of non-capitalist strata occurs.\(^6\) It will only come to an end when an array of subjective forces, inside as well as outside the developed capitalist world, including but not restricted to the working class, makes their voices heard in the context of a philosophically grounded alternative to capitalism in all its forms, whether “free market” or statist.\(^6\)

Now that the capital-relation is universally imposing itself upon every nook and cranny of the world, we urgently need two things: First, a much deeper conception of what constitutes a socialist society than what has been traditional
upheld by established Marxists. We need to envision, not only the elimination of private property and the market, but most of all, the elimination of value production through the creation of new relations of work and everyday life that dispenses with the domination of abstract labor and socially necessary labor time. Second, given the Marxian understanding that any effective effort to transcend capitalism must emerge from within the womb of the social relations of existing society, we need a theoretical framework that can elicit and develop the “new passions and new forces” that can uproot capital accumulation from within.

In other words, we need, on the one hand, a deep appreciation of Luxemburg’s insistence on the inseparability of imperialism and capital accumulation, at one and the same time as we develop a much broader and deeper elicitation of revolutionary forces and ideas than provided for in her theory of accumulation. That is especially the case when it comes to struggles within the developing world. Perhaps what is needed most of all is for Luxemburg’s fierce critique of colonialism and imperialism to be brought into dialogue with Frantz Fanon’s understanding of the revolutionary potential of struggles against racism and national oppression. It is a dialogue that will prove most fruitful, I believe, when mediated by a firm grasp of Marx’s critique of the temporal dimensions of capital.

Despite her sharp criticisms of aspects of Marx’s theory of expanded reproduction, we should never forget that Luxemburg remains a beacon for our time precisely because she understood the need to treat Marx’s work as a still-to-be discovered continent of thought that has yet to be fully mastered. As she wrote in the Anti-Critique, in the midst of the horrors of World War One:
That theory alone is not enough; that one can sometimes connect the best theory with the worst practice is shown by the present collapse of German Social Democracy. This collapse did not occur as a result of Marxist theory, but in spite of it, and it can only be overthrown by bringing the practice of the labor movement into harmony with its theory. In the class struggle as a whole, as in each important part of it, we can only gain a secure foundation for our position from Marx's theory, from the buried treasures found in his fundamental works.62

Change the words “collapse of German Social Democracy” in 1914 to “the collapse of established Marxism” today and every single word rings as true as on the day it was written.

—January 6, 2014

2 Schwarzschild's 1951 translation, while adequate in some respects, left out a number of passages from the original German edition and her translation of parts of the text is inaccurate. A new translation, by Nick Gray, is currently being prepared for publication. Since it is not yet in print, all quotations from The Accumulation of Capital will be to the Schwarzschild translation (Rosa Luxemburg, The Accumulation of Capital [New York: Modern Reader, 1968]).
7 The Poverty of Philosophy, p. 127.
8 See Peter Hudis, Marx's Concept of the Alternative to Capitalism (Leiden: Brill, 2012).
9 According to Marx, this applies not only to a higher phase of communism—in which the principle “From each according to their ability, to each according to their needs” prevails—but also to its initial phase, as it is emerging from the womb of
capitalist society. For more on this, see Marx’s Concept of the Alternative to Capitalism, pp. 187-206.


12 Luxemburg surely understood that Marx’s theory of primitive accumulation was integral to his understanding of the spatial determination of capital. However, she tended to downplay the significance of his theory of “so-called primitive accumulation” on the grounds that Marx tied it to the origins of capitalism—whereas she was interested in how capitalism in its full maturity depends on non-capitalist strata. She also held that Marx’s theory of primitive accumulation primarily deals with the destruction of pre-capitalist relations within a developing capitalist economy, whereas she was interested in the destruction of pre-capitalist relations that are outside of the developed capitalist world.

13 For more on this, see Kevin B. Anderson, Marx at the Margins (Chicago: University of Chicago Press), 2010.


15 The Accumulation of Capital, p. 69. My emphasis.


17 Marx does so because such revolutions do not alter the proportions of the elements of value in terms of its various components so long as they are universally distributed.

18 Capital, Volume Two, p. 546.

19 Capital, Volume Two, p. 185.


21 Capital, Volume Two, p. 117.

22 Capital, Volume Two, p. 114.

23 Capital, Volume Two, p. 114.

24 Capital, Volume Two, p. 185. It is no accident that those Marxists who insist upon posing a direct connection between class relations and economic formations in a reductionist sense tend to dismiss Volume Two of Capital as “economistic.” For a striking expression of this position, see Antonio Negri’s Marx Beyond Marx: Lessons on the Grundrisse (New York: Autonomedia, 1991).


26 This is not to suggest that Marx merely copies or applies Hegelian categories in a one-to-one manner. There are also major differences between Hegel’s delineation of the syllogism and Marx’s circuit of capital—not the least being that there the latter does not exhibit as smooth and fluid a transition from one component part to another as do the terms in Hegelian logic. As Marx puts it in Volume Two, “The
The circuit of capital is a constant process of interruption; one stage is left behind, the next stage embarked upon; one form is cast aside, and the capital exists in another; each of these stages not only conditions the other, but at the same time excludes it.” (p. 182)

27 See Marx-Engels Gesamtausgabe [MEGA²] (Berlin: Akademie Verlag, 2008), Band II/11, S. 32, Fn. 10. See also Oeuvres de Karl Marx, Economie II, edited by Maximilien Rubel (Paris: Editions Gallimard, 1968), p. 528. The manuscript that this statement appears in was written in 1875.


29 Much of the reason for this revolves around Luxemburg’s generalized disdain for Hegelian philosophy and indeed for philosophy as a whole. It is only with Lenin’s encounter with Hegel in 1914-15 that any Marxist finally discovered that (in Lenin’s words) it is “impossible to understand Marx’s Capital without comprehending the whole of Hegel’s Science of Logic.” For more on this, see Kevin Anderson, Lenin, Hegel, and Western Marxism: A Critical Study (Urbana and Chicago: University of Illinois Press, 1995).

30 See Riccardo Bellofiore, “Rosa Luxemburg on Capitalist Dynamics, Distribution and Effective Demand Crises, in Rosa Luxemburg and the Critique of Political Economy, p. 3.

31 Capital, Volume Two, p. 399.


33 Capital, Volume Two, pp. 156-7.

34 The Accumulation of Capital, p. 118.

35 For more on this, see Meghnad Desai, Marx’s Revenge: The Resurgence of Capitalism and the Death of Statist Socialism (London: Verso, 2002).

36 The Accumulation of Capital, p. 105.

37 The Accumulation of Capital, p. 103.

38 The Accumulation of Capital, p. 44.

39 The Accumulation of Capital, p. 155.

40 There is something distinctively non-Marxist about the insistence of some “Marxists”—such as the critics of The Accumulation of Capital that Luxemburg responded to in her Anti-Critique—that Marx had essentially resolved all the issues without them needing any further re-thinking and analysis. Marx surely produced a formidable body of ideas, but it was hardly a completed one, let alone some closed ontology. Luxemburg was not wrong to question Marx or try to improve upon his work; the issue is the extent to which that was successful.


42 The Accumulation of Capital, p. 137.

44 The Accumulation of Capital, p. 165.
45 The Accumulation of Capital, p. 169.
46 See Fred Mosely, "Marx's Reproduction Schemas and Smith's Dogma," in The Circulation of Capital: Essays on Volume Two of Marx's Capital, edited by C. J. Arthur and Geert Reuten (New York: St. Martin's Press, 1999), p. 184: "None of the participants in the debate [such as Tugan-Baranowski, Hilferding, Otto Bauer, et al.] mentioned Smith's dogma... The main issue in the debate was whether there would be sufficient demand to realize the surplus value produced in the case of expanded reproduction. Therefore the participants in this debate used Marx's reproduction tables for purposes quite different from Marx's own purposes."
47 Critics of Luxemburg's Accumulation of Capital during her lifetime included such figures as Max Schipple, who openly supported German imperialist intervention in Africa and China. The Austro-Marxist Otto Bauer, her most famous critic, argued that imperialism was not a necessary component of capitalism but rather a political policy that could be readily reversed. The refusal of the reformist "Marxists" of her time to recognize the inseparability of capitalism and imperialism had much to do with why her allies on the revolutionary left (such as Frantz Mehring) strongly endorsed her position. The exceptions to this were Lenin and Anton Pannekoek, who sharply differed from her approach while affirming the integral connection between capitalism and imperialism. For more on this, see Daniel Gaido and Manuel Quiroga, "The Early Reception of Rosa Luxemburg's Theory of Imperialism," Capital and Class, Vol. 37, No. 3, 2013, pp. 437-55.
48 It should be noted that it was not only her reformist opponents who suffered from such Eurocentric defects. One will find hardly a single mention of sub-Sahara Africa in the innumerable writings of the revolutionary Marxists of the period, Lenin and Trotsky included; it would seem that European radicals of the time presumed that Africa stopped at the southern borders of Egypt—despite the massive amount of material wealth being expropriated at the time by the British, French, Germans and Belgians from sub-Sahara Africa. Luxemburg was a notable exception, as especially seen in her detailed discussions of pre-capitalist communal forms in Africa in both the Introduction to Political Economy and The Accumulation of Capital. For the former, see The Complete Works of Rosa Luxemburg, Volume I, Economic Writings 1, pp. 89-300.
50 The Accumulation of Capital, p. 84.
51 See The Accumulation of Capital, p. 131. For more on this, see "Rosa Luxemburg's Concept of a Post-Capitalist Society," by Peter Hudis, paper presented to International Conference on Rosa Luxemburg, Wuhan, China, March 2006.
52 See Marx's "Notes on Wagner's Lehrbuch des politischen Ökonomie" (1881), "In my investigation of value I have dealt with bourgeois relations, not with the application of this theory of value to a 'social state.'" See Marx-Engels Collected Works, Vol. 24, pp. 536-7.
53 At least part of the reason for this is that so many of Marx's major works—such as the Economic and Philosophic Manuscripts of 1844 and the Grundrisse—were unknown to Luxemburg's generation. It was largely in response to the
transformation of the Russian Revolution into a state-capitalist tyranny under Stalin
that scholars begin to pry these and other invaluable writings by Marx from the
archives.

54 The Accumulation of Capital, p. 417.
55 The Accumulation of Capital, p. 417.
56 Rosa Luxemburg, The Accumulation of Capital, an Anti-Critique, translated by
57 Raya Dunayevskaya, Rosa Luxemburg, Women’s Liberation, and Marx’s Philosophy
58 Quoted in J.P. Nettl, Rosa Luxemburg, Vol. II, p. 533. I would like to thank Paul Le
Blanc for drawing my attention to this passage.
59 Dunayevskaya, Rosa Luxemburg, Women’s Liberation, and Marx’s Philosophy of
Revolution, p. 45.
60 A number of commentators have argued that Luxemburg’s theory of accumulation
can be salvaged for the contemporary world by relating it to the drive to consume
non-capitalist or not-yet commodified strata within the existing, developed capitalist
world. But this strikes me as a rather questionable application of her ideas.
Luxemburg herself emphasized that “there should be buyers outside capitalist
society. Buyers, it should be noted, not consumers, since the material form of the
surplus value is quite irrelevant to its realization. The decisive fact is that the
surplus value cannot be realized by sale either to workers or to capitalists, but only
if it is sold to such social organization or strata whose own mode of production is
not capitalism.” Clearly, the key is not simply being a consumer of non-capitalist
strata, but of being a buyer who is neither a capitalist nor a worker. Otherwise, the
surplus value that is capitalized has to come out of the consumption within the
capitalist home market—which is precisely what her theory of accumulation argues
is not possible. Such efforts to “apply” Luxemburg’s theory to a context other than
the one discussed by her hardly does not do justice to her seriousness as a thinker.
61 The perspective that governs this analysis is that the putatively “socialist” or
“communist” regimes of the twentieth century failed to transcend capitalism and
were instead state-capitalist formations. As I argue in Marx’s Concept of the
Alternative to Capitalism, the horizon of capitalism cannot be left behind so long as
the law of value and surplus value continues to govern social reproduction.
62 Anti-Critique, p. 61.