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ROSA LUXEMBURG

Theory of Accumulation and Imperialism

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Rosa Luxemburg

Theory of Accumulation and Imperialism

Tadeusz Kowalik

Translated and edited by

Jan Toporowski

and

Hanna Szymborska

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Translators' Note

In the original Polish edition, the chapters were numbered from 1 to 5 in Part I and again from 1 to 5 in Part II, with the two Appendices standing unnumbered in between the two parts. To avoid confusion, in this edition, the chapters of this book are numbered consecutively.

Wherever possible, references and quotations have been changed to follow English editions of the original. However, in the original Polish, numerous references are made to political and economic institutions, circumstances, publications and authors that would have been familiar to the Polish readership of this book at the time, but that would require additional explanation for an English reader in the twenty-first century. Where necessary, additional explanations are introduced into the text and footnotes and are indicated by square brackets.

Preface

Jan Toporowski

Rosa Luxemburg and Tadeusz Kowalik

This English language edition of Tadeusz Kowalik's *Róża Luksemburg Teoria Akumulacji i Imperializmu* places before the reader the most important monograph devoted to that neglected masterpiece in twentieth-century political economy, Rosa Luxemburg's *The Accumulation of Capital*. In this book, Tadeusz Kowalik explains Rosa Luxemburg's attempt to correct Marx's analysis of capitalist reproduction. But the book goes far beyond an exposition of Rosa Luxemburg's theory. In dealing with the criticisms that Rosa Luxemburg's work aroused, and with the many weaknesses in her argument, Tadeusz Kowalik demonstrates in her analysis the link between Marx's schemes of capitalist reproduction (in Volume II of *Capital*) and mid-twentieth-century macroeconomics. His book therefore puts forward Rosa Luxemburg's major theoretical work as the foundation for a critique of twentieth-century political economy.

Rosa Luxemburg was born 5 March 1871 into the family of a Jewish timber merchant in Zamość in the south-eastern part of what was known as Congress Poland, having been placed within the Russian Empire at the Congress of Vienna in 1815. Two years later the family moved to Warsaw, where she became active in left-wing politics while still at school. She joined a group called *Proletariat* in 1886 and, after completing her school education, fled arrest to study in Switzerland at the University of Zurich. In 1897 she was awarded the degree of Doctor of Law for a dissertation titled *The Industrial Development of Poland*. Although she settled eventually in Germany, she remained active in Polish left-wing politics. In 1893, together with Leo Jogiches, she founded the Social Democratic Party of the Kingdom of Poland and Lithuania (*Socjaldemokracja Królestwa Polski i Litwy*) advocating socialist revolution in Poland, and opposing attempts to foster national self-determination before the achievement of socialism. After the 1905 Revolution she was active too in the Russian Social Democratic Party, now led by Lenin.

As Tadeusz Kowalik's book relates, it was while lecturing on political economy at the German Social Democrats' Party school that Rosa

Luxemburg first realized that there was something wrong with the way in which Marx resolved the problem of how profits are realized as money (as opposed to surplus commodities). The result was her book *The Accumulation of Capital*, in which she identified the key flaw in the standard interpretation of Marx that seeks to derive the characteristics of capitalism from exploitation. Luxemburg tried to show that it cannot explain the monetization of profits. She came to the conclusion that the conversion of surplus value into money can only be achieved by finding external markets for capitalism or by armaments. The search for external markets and militarism together lead to imperialism.

As Tadeusz Kowalik shows in this book, this attempt was not altogether successful or consistent. However, it was the first crack in the then standard under-consumptionist interpretation of Marx, the notion that capitalist depression and crisis arises because the worker is not paid the full value of his or her labour. This interpretation reached its apogee in Paul Sweezy's widely respected *The Theory of Capitalist Development*, published in 1942, but seems to revive every time capitalist countries fall into depression, for example in the 1970s,¹ or in the more recent preoccupation with the 'wage share' among radical economists.² Although Luxemburg was widely regarded as an under-consumptionist (indeed, Sweezy memorably referred to her as 'the queen of under-consumptionists')³ Tadeusz Kowalik's book presents a much more complex analysis, based on the theory of his second mentor, Michał Kalecki (1899–1970), whose business cycle analysis ironed out the inconsistencies in Luxemburg's theory.⁴

Tadeusz Kowalik (1926–2012) is perhaps best known outside Poland as the last surviving co-author of Kalecki, an advisor to the Polish trades union movement *Solidarity* during the 1980s, when it played a key part in bringing down the Communist Government in Poland, and subsequently as a fierce critic of the capitalism established in his country. He was born 19 November 1926 in the village of Kajetanówka outside the city of Lublin in Eastern Poland, traditionally the poorer, more backward part of the country. His father was a storeman. The young Kowalik was radicalized by the experience of pre-War economic backwardness under Poland's semi-fascist government of the time, and then by resistance to the Nazis. In 1948 he became a member of the Polish Workers Party shortly before it amalgamated with the Polish Socialist Party to form the Polish United Workers' Party. In 1951 Kowalik completed his undergraduate studies in law at Warsaw University and went on to write a doctoral thesis on the work of the pioneering Polish Marxist sociologist and economist Ludwik Krzywicky (1859–1941) under the supervision

of Poland's other great luminary of economics Oskar Lange (1904–65). On completion of his doctorate, Tadeusz Kowalik commenced work on his *habilitacja*, the post-doctoral thesis on which Polish academics are examined before they can secure academic advancement. His thesis was on the economic theories of Rosa Luxemburg. He had already taken over from Lange the teaching of the political economy course at the Party school. Traces of those lectures may be found in this book. The thesis was passed in 1963. Various articles from it were published, including in the *festschrift* for Kalecki.⁵

During the 1960s, Kowalik worked with Kalecki in criticizing errors in the economic policy and planning of the Polish government, and with the philosopher Leszek Kołakowski and the economist Włodzimierz Brus, who were using their party positions to protect dissidents within and outside the ruling party. For his dissent, in 1968, Kowalik was expelled from the party in a purge directed against Polish Jews (such as Brus and Kalecki) and 'revisionists'.

Kowalik was fortunate that, by then, he was working for the Polish Academy of Sciences, a politically autonomous body, on a project to publish the collected works of Oskar Lange, extended after 1970 to include editing the collected works of Kalecki. Although Polish publishers would not publish his works, his book on Rosa Luxemburg was finally published in an obscure Polish edition in 1971. During the 1970s translations of the book were published in Italy and Mexico. But this is the first English translation of the book.

Tadeusz Kowalik's Critique of Political Economy

This book was Tadeusz Kowalik's master-work. In it, under the influence of Oskar Lange rather than Michał Kalecki, he tried to reconstruct the political economy of the first half of the twentieth century, a task that Karl Marx set out to achieve for mid-nineteenth century political economy and never completed. To understand the true significance of Tadeusz Kowalik's achievement in this book, it is necessary to understand the circumstances under which the book arose and (as in Marx) the political economy of his time. There is, of course, an intellectual background to the book that reaches back to Marx. But the political conditions that give significance to the book start in 1938, with the dissolution by the Communist International of the Polish Communist Party, the KPP on grounds that the Party had fallen too much under the influence of Rosa Luxemburg and Leon Trotsky.⁶ Following its dissolution, those leaders of the KPP who were in Moscow, or followed the

Comintern's instructions to go to Moscow, were purged and executed. The brutality of the suppression of the Polish Communists is poignantly described in Natalia Gąsiorowska's biography of Maria Koszutska, one of the KPP leaders, who was executed sometime in 1939.⁷

In 1956, following Nikita Khrushchev's speech to the Twentieth Congress of the Communist Party of the Soviet Union, in which Stalin's crimes were denounced, the KPP and its leadership, along with Rosa Luxemburg, were posthumously rehabilitated. As criticism of authoritarian Stalinist rule became more common, it spread into open discussion of alternative ideas not only about socialism, but also about capitalism. In 1956 too, the first Polish edition of John Maynard Keynes' *General Theory of Employment, Interest and Money*, partly translated by Michał Kalecki, was published. Its publication was quickly followed by translations into Polish of key works of other Western economists, including the neo-classical Paul Samuelson, as well as left-leaning political economists such as Maurice Dobb, Joan Robinson, and the book that set out the under-consumptionist interpretation of Karl Marx and Rosa Luxemburg, Paul Sweezy's *Theory of Capitalist Development*.

In 1963, the first post-War Polish edition of Rosa Luxemburg's *The Accumulation of Capital* appeared.⁸ In that same year, Tadeusz Kowalik completed the *habilitacyjna* thesis that was to become *Róża Luksemburg Teoria Akumulacji i Imperializmu*. The book is a guide to Rosa Luxemburg's great work, as well as explaining the background to it in the debates about the future possibilities of capitalism in Russia, between Narodniks and the 'Legal Marxists', of whom the most important was Mikhail Tugan-Baranovsky. But, in the course of writing the book Tadeusz Kowalik brought into his analysis the key figures of mid-twentieth-century political economy, in a strikingly original way. Not only does the structure of that political economy become clearer, it is also integrated around the central questions in Rosa Luxemburg's analysis of capitalist accumulation.

The starting point is the Russian Narodniks' explanations why, in their view, capitalism could not develop in Russia because of the limited markets that the country offered at the end of the nineteenth century. This led to Tugan-Baranovsky's response: his famous rejection of the under-consumptionist argument on the grounds that capitalism can continue producing machines for the sake of production irrespective of the state of consumer demand. But there was much more to Tugan-Baranovsky's analysis than just his observation that capitalism can stabilize itself by producing more means of production. Almost by stealth, Tugan-Baranowski became a central and deeply ambiguous figure in twentieth-century political economy. This was not for his solution of an

abstract problem of capitalist accumulation, but for his study of English banking crises.⁹ Despite the fact that this study was never translated into English, Tugan-Baranovsky's study became a key text on the business cycle and was an important influence on British exponents of the monetary business cycle, among them John Maynard Keynes and Denis Robertson.¹⁰

Tadeusz Kowalik therefore found the roots of twentieth-century political economy in the discussions of Marx's schemes of capitalist reproduction in volumes two and three of *Capital*. With Marx's critique of Say's Law it becomes apparent that capitalist reproduction or growth cannot take place in a way that is stable or crisis-free. The question of external markets then opens the door for Keynesian political economy, constructed around the demand deficiency and the state as an external market.

For Tadeusz Kowalik, the central figure through whose work all these very different writers are connected is Michał Kalecki. In his *Essays in the Theory of Economic Fluctuations*, published on the eve of the Second World War, Kalecki had expressed the connection as follows: Rosa Luxemburg's '... theory cannot be accepted as a whole, but the necessity of covering the "gap of saving" by home investment or exports was outlined by her perhaps more clearly than anywhere else before the publication of Mr. Keynes's *General Theory*'.¹¹ In the book that follows Tadeusz Kowalik challenged the under-consumptionist interpretation of Luxemburg's theory and identified himself with Kalecki's interpretation that under-investment is the key problem of modern capitalism.

Inspired by his discussions with Tadeusz Kowalik, Kalecki was to develop this point further in his 1967 paper on Rosa Luxemburg and Tugan-Baranovsky. Tadeusz Kowalik worked with Kalecki on Kalecki's last paper on the 'Crucial Reform' of capitalism, which places the 'Keynesian Revolution' in the context of those debates around capitalist reproduction that Tadeusz Kowalik describes in this book.¹² Throughout his academic career, Tadeusz Kowalik kept coming back to Kalecki's pioneering work in twentieth-century macroeconomics, and the foundations of that work in the analysis of capitalist production as a whole, that is found in the controversies around Rosa Luxemburg's *Accumulation of Capital*. Most important of all, it is through the business cycle theory of Kalecki that Keynesian ideas are linked to those late-nineteenth century debates on capitalist reproduction. This is obvious in the Kalecki biographical essay written soon after Tadeusz Kowalik received his *habilitacja*, through to Kowalik's last essays on Rosa Luxemburg.¹³ Some idea of the influence of Michał Kalecki on Tadeusz Kowalik's thinking

on Rosa Luxemburg is provided by the paper which Kowalik contributed to the Kalecki festschrift, entitled 'R. Luxemburg's Theory of Accumulation and Imperialism (An Attempted Interpretation)'. Tadeusz Kowalik refers to this paper in this book as containing the essential conclusions of his *habilitacja* thesis (see below Introduction, note 17). But in the earlier paper, Tadeusz Kowalik merely states that Kalecki resolved the problems in Rosa Luxemburg's analysis and the paper itself makes much more of Oskar Lange's criticisms of Luxemburg's theory. By the time that Tadeusz Kowalik's book came out, in 1971, Kalecki had been given a much more central role as the link between the Marxian political economy of Luxemburg, Tugan-Baranovsky, Hilferding and so on, and mid-twentieth-century Keynesian political economy, and Lange himself is reduced to expressing his view that realization problems are purely monetary phenomena (see below Chapter 4, note 15). A full list of Tadeusz Kowalik's publications is given at the end of R. Bellofiore, E. Karwowski and J. Toporowski (eds) *The Legacy of Rosa Luxemburg, Oskar Lange and Michał Kalecki Volume 1 of Essays in Honour of Tadeusz Kowalik* (Basingstoke: Palgrave Macmillan 2014).

However, Tadeusz Kowalik's reconstruction of capitalist political economy around the Marxian schemes of reproduction led him, in the second part of this book, to reject the idea that Kalecki was a 'precursor' of Keynes. Rather, Keynes saw in an imperfect way what Kalecki realized much more clearly on the basis of the Marxist discussions around the work of Rosa Luxemburg.

Final thoughts on Luxemburg

This book cannot be thought of as Tadeusz Kowalik's final word on the subject of Rosa Luxemburg and the controversies that her work aroused. He planned a new introduction to a new Polish edition of this book in the 1990s. But no trace of this new introduction has been found and the book was not republished until 2012, after Tadeusz Kowalik had died. He had requested the author of this Preface to write a new introduction to the second Polish edition and this new introduction has been incorporated into this Preface.

In at least one respect, Tadeusz Kowalik might have revised his book. In 1966, Paul Baran and Paul Sweezy published their book *Monopoly Capital: An Essay on the Economic and Social Order*. The book marked a shift away from the under-consumptionism of Sweezy's 1942 book, and recognized the key role of business investment and government expenditure in the realization of profit along lines similar to those

originally put forward by Kalecki.¹⁴ A Polish translation appeared soon after the book was published and would have been available to Tadeusz Kowalik well before his book on Rosa Luxemburg came out in 1971. However, Kowalik did not note this change in Sweezy's view in the version of Kowalik's book that came out in 1971 and which was being prepared for publication in Poland as Tadeusz Kowalik died. In fairness to Sweezy this is now pointed out here.

Tadeusz Kowalik was unaware at the time he wrote this book that important financial and monetary aspects of the analyses of Tugan-Baranovsky and Rosa Luxemburg also look forward to the work of an American student of Oskar Lange, that critic of late twentieth-century finance capitalism, Hyman Minsky. As Tadeusz Kowalik shows in his book, Tugan-Baranovsky put forward pro-cyclical shifts in bank liquidity as a cause of financial crisis and instability. In the case of Rosa Luxemburg, her analysis of the role of international banks in creating markets for the export of capital leading to debt crises in what we would now call emerging market countries foreshadows the international debt crises since the 1980s.¹⁵ Minsky himself, when trying to understand value relations in a capitalist economy, laid out, in his *Stabilizing an Unstable Economy*, a two-sector model of capitalist production that is, in its essentials, the same as the system of capitalist reproduction put forward in Volume II of Marx's *Capital*.¹⁶ That same system was the analytical foundation of the work of Tugan-Baranovsky and Rosa Luxemburg.

The text published here is therefore Tadeusz Kowalik's 1971 edition with, wherever possible, references and quotations using English editions. It is presented by its translators in the belief that the book will establish its author's position as one of the great political economists of the twentieth century, alongside his heroes, Oskar Lange, Michał Kalecki and, of course, Rosa Luxemburg.

The foregoing observations on the work of Tadeusz Kowalik would not have been possible without the generosity of his discussions with the author of this Preface. Thanks are also extended to Annina Kaltenbrunner, Riccardo Bellofiore, Kazimierz Łaski, Przemysław Wielgosz and John King for their comments. The author of this Preface takes sole responsibility for any remaining failure to do justice to the ideas of Tadeusz Kowalik.

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