

## On the Formation of Marxism

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# On the Formation of Marxism

*Karl Kautsky's Theory of Capitalism,  
the Marxism of the Second International and  
Karl Marx's Critique of Political Economy*

By

Jukka Gronow



BRILL

LEIDEN | BOSTON

Library of Congress Cataloging-in-Publication Data

Gronow, Jukka, author.

On the formation of Marxism : Karl Kautsky's theory of capitalism, the Marxism of the Second International and Karl Marx's Critique of political economy / by Jukka Gronow.

pages cm. – (Historical materialism book series, ISSN 1570-1522 ; volume 113)

Originally published as the author's doctoral thesis, Department of Sociology, University of Helsinki in 1986.

Includes bibliographical references and index.

ISBN 978-90-04-30664-6 (hardback : alk. paper) – ISBN 978-90-04-30665-3 (e-book)

1. Marx, Karl, 1818-1883. 2. Kautsky, Karl, 1854-1938. 3. Capitalism. 4. Communism—History. I. Title.

HX39.5.G72 2015

335-4-dc23

2015032313

This publication has been typeset in the multilingual “Brill” typeface. With over 5,100 characters covering Latin, IPA, Greek, and Cyrillic, this typeface is especially suitable for use in the humanities. For more information, please see [www.brill.com/brill-typeface](http://www.brill.com/brill-typeface).

ISSN 1570-1522

ISBN 978-90-04-30664-6 (hardback)

ISBN 978-90-04-30665-3 (e-book)

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This book is printed on acid-free paper.

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## Preface and Acknowledgements

This study was written originally as my doctor's thesis at the Department of Sociology, University of Helsinki. In 1979–83 it was supported by the Academy of Finland, to which I wish to express my gratitude. A short visit to the International Institute of Social History in Amsterdam in 1983 made it possible for me to become acquainted with the Karl Kautsky archive preserved at the Institute.

I would like to express my special gratitude to the following people, who commented on the original manuscript of my dissertation at different stages: Erik Allardt, Pauli Kettunen, Pekka Kosonen, Arto Noro and Matti Viikari. Erik Allardt and Matti Viikari also acted as the official examiners of my thesis. Johannes Berger was the official opponent nominated by the Faculty of Social Science at the University of Helsinki. None of them, naturally, bears any responsibility for the ideas represented in the final monograph. I am grateful to Susan Sinisalo for correcting the English of my thesis originally published in 1986 in the series *Commentationes Scientiarum Socialium* (nr.33) of the *Societas Scientiarum Fennica*.

I'm grateful to the editor of the Historical Materialism series at Brill Publishers for offering me the possibility of republishing it. After much consideration, I have decided to publish the work in its original form, with only minor changes, mostly omissions of unnecessary repetitions and excessive quotes. Instead of making any extensive changes in the main text of the book, I have partly rewritten its introduction in order to take into account and relate my arguments, whenever necessary, to the scientific accomplishments in the study of Kautsky and Second International Marxism which have taken place during the almost thirty years that have elapsed since the original publication of my thesis in 1986, none of which, in my opinion, seriously challenge the main line of interpretation of my book.

In the original version, most of the quotations were in their original German. This new version uses either original English translations or specific translations from German to English. Since the old translations are often of a rather poor quality, even they have had to be modified at times. Whenever this is the case, I have added the following note to the reference: 'translation modified BL'. Benjamin Lewis has helped me locate the old translations, as well as translated with great skill all those texts which only existed in their original German. His role was by no means restricted to translating. He has also used his vast knowledge and extensive reading in guiding me through the most important recent contributions in the field, as well as commented expertly on my interpretation

of them. Without his valuable help, the whole project of republishing my study would not have been possible at all.

The KONE foundation has supported the project of the republication of this book for which I would like to express my special gratitude.

Helsinki, August 2013



# Introduction

The quarter of a century of the rise and fall of the Second International (1889–1914) could be called the formative years of Marxism, or ‘scientific socialism’ as it was solemnly named by its proponents. Karl Kautsky (1854–1938) was one of the leading figures who helped make Marxism the official doctrine of the rapidly growing social-democratic mass parties – directly in Germany and more indirectly throughout Europe and North America. As a leading theoretician of the German Social Democratic Party, he was understood to represent genuine Marxism by both enemies and friends of socialism alike. Kautsky’s Marxism was the target of many polemics and disputes concerning the right interpretation of Marxist doctrine, the scientific validity of the Marxist theory of society, and the political and strategic conclusions drawn from it.

For the first time Kautsky’s theoretical authority was seriously challenged in 1899 by the full-scale critique put forward by Eduard Bernstein – a former ally and collaborator of Kautsky – of all the main theorems of Marxism. But neither Bernstein nor later critics could shatter the faith in Marxism as the official party ideology and Kautsky’s position as its leading theoretical representative and protagonist. Not until the end of the First World War and the final organisational and political dissolution of the labour movement would Kautsky’s Marxism lose its position of authority. Kautsky became rather an obsolete figure, having no niche in the politically divided labour movement.

Kautsky enjoyed a wide reputation as a leading theoretician of Marxism even before he was commissioned in 1890 to draft the official party programme, later to become known as the *Erfurt Programme* adopted by the German Social Democratic Party in 1891. The *Erfurt Programme* was generally recognised as the party’s first Marxist programme. For 34 years – from its very founding – Kautsky was the editor of the theoretical organ (*Die Neue Zeit*) of the most influential party of the Second International. He was also the acknowledged inheritor of the theoretical legacy of Marx and Engels, the ‘Old Ones’, and close collaborator with Engels during his last years. He edited and published many of Marx’s posthumous works, including the first published version of *Theories of Surplus Value*.<sup>1</sup> Kautsky could thus with good reason speak with the authority of the ‘Old Ones’, and he was a most influential interpreter and propagator of

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1 Kautsky 1904, 1905, 1910a.

Marx's and Engels's scientific thoughts. Together with Engels's *Anti-Dühring*,<sup>2</sup> Kautsky's *Das Erfurter Programm* [*The Class Struggle* (1892)]<sup>3</sup> and *The Economic Doctrines of Karl Marx* [*Karl Marx's Ökonomische Lehren*],<sup>4</sup> already published in 1887 before the *Erfurt Programme*, were the basic 'textbooks' of Marxism through which many a generation of Marxists studied and learned the basics of scientific socialism.<sup>5</sup>

The choice of Karl Kautsky as the main theoretical figure in the present study could thus be justified by the influential position he enjoyed among the Marxists of the period of the Second International. The main purpose of the present study is not, however, to analyse the history of Marxist ideas, and to identify the originators of certain important thought forms or the relations of influence among various Marxists and among different Marxist interpretations and conceptions. The major merit of Kautsky's thinking from the perspective of the present study is that Kautsky was practically the only Marxist theoretician of the time to present a systematic interpretation of what he understood to be Marx's and Engels's theory of capitalism and, in so doing, to develop and formulate a theory of capitalism of his own. As the formation of the Marxist theory of capitalism constitutes the main object of this study, Kautsky's contribution to the development of this theory is of immediate interest.

The focus of the present analysis is thus limited to the history of the social theory of capitalism. It does not intend to discuss in detail problems of philosophical materialism or practical political questions of Social Democracy, only to name alternative approaches. Compared with Plekhanov, another main theoretical figure of Second International Marxism, questions of philosophical and historical materialism were of relatively little interest to Kautsky, at least at the time when he was a leading theoretician of the SPD, and he left the defence of materialism to others, among them Plekhanov. The questions of historical materialism were actualised in Kautsky's thinking before the First World War, in addition to his defence of the basic truths of Marxism against Bernstein's critique,<sup>6</sup> mainly in the context of the discussion concerning the role of ethics in historical materialism.<sup>7</sup> But the different versions of and disputes over materialism were otherwise of relatively little interest to Kautsky, as evidenced

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2 Engels 1974–2004d.

3 Kautsky 1910b.

4 Kautsky 1906b.

5 See Donner 1978.

6 Kautsky 1899a.

7 Kautsky 1909b.

by the standpoint he adopted in the discussion about Mach and Machism.<sup>8</sup> For the practical purpose of the analysis of society, and of capitalism in particular, it was in his opinion enough to acknowledge a materialist position in philosophy.

Consequently, Kautsky did not pay much attention to the development and interpretation of historical materialism or the materialist conception of history, even though he did publish a voluminous work on the subject. However, *The Materialist Conception of History*<sup>9</sup> had relatively little to do with his earlier studies and analysis of capitalism. In this later work, Kautsky presented an explicitly evolutionist conception of history more reminiscent of the interest in Darwinism of his 'premarxist' years.<sup>10</sup> The corpus of ideas later to be codified as historical materialism in the Soviet Union had its origin mainly in Plekhanov's studies;<sup>11</sup> Kautsky was, after all, the formulator of the Marxist theory of capitalism.

In fact, the only Marxist to seriously challenge Kautsky's position as the leading interpreter of Marx's theory of capitalism, as well as being an expert on questions of modern capitalism, was Rudolf Hilferding, the author of *Finance-Capital* in 1910,<sup>12</sup> the most systematic single treatise on modern capitalism, which was hailed by Kautsky<sup>13</sup> as the forth volume of *Capital*. On the other hand, it can be claimed that many of the conceptions and conclusions formulated by Hilferding were simultaneously or even earlier discussed and analysed by Kautsky and others as well. Thus there seems in fact to have existed a common corpus of ideas shared by many of the leading Marxists of the time, which received its most consequential formulation both in Hilferding's *Finance-Capital* and in Kautsky's numerous articles and works on the subject of the development of capitalism.

The emphasis placed on Kautsky as the central and leading representative of the social theory of Marxism does not exclude the fact that many of his ideas and conclusions were also vehemently criticised and polemised against by other Marxists. Some of these disputes are discussed in more detail in this study, but even in such cases it is often possible to recognise a common consensus of what really was thought to constitute the theoretical core of Marxism. A critical reconstruction and a systematic analysis of Kautsky's conceptions about capitalism is of special importance, because he was one of those who,

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8 Kautsky 1909c.

9 Kautsky 1927.

10 Kautsky 1927, p. 17; see also Korsch 1971, B. Kautsky 1955, pp. 2–3; see also Kautsky 1960.

11 Negt 1974.

12 Hilferding 1968.

13 Kautsky 1910–11, p. 883.

perhaps more explicitly than others, contributed to the understanding of the fundamental social issues of capitalism. By analysing Kautsky's thinking it is thus possible not only to reconstruct his theory of capitalism, imperialism and the conditions of the socialist revolution, but also to re-examine some of the basic presuppositions of other Marxist theories of imperialism and conceptions of socialist revolution as evidenced by the discussion of Hilferding's and Lenin's theories of modern capitalism in this study.

The purpose of this study is thus not to present a complete history of Marxist ideas at the end of the nineteenth century and the beginning of the twentieth century, nor to reconstruct all the theoretical positions of the different factions or emerging schools of thought. The object of the first part of this study is, rather, exclusively the formation of the Marxist theory of society and of capitalism in particular as represented by Karl Kautsky's theoretical contribution – a contribution that was not the result of the efforts of an isolated intellectual, but instead had at least some degree of representativeness too.

Karl Kautsky's theoretical conceptions and his contribution to the development of Marxism have been the object of amazingly few studies. No doubt Kautsky has figured as an important personality in various political and intellectual histories of the German Social Democratic Party and of Bismarckian and Wilhelminian Germany,<sup>14</sup> and in general histories of Marxism.<sup>15</sup> Certain important aspects of Kautsky's thinking have been analysed in different contexts; Kautsky has often had the questionable honour of representing a deterministic conception of the development of society in Marxism.<sup>16</sup> The paradoxical combination of revolutionary vigour and practical cautiousness in Kautsky's thinking was first pointed out by Mathias.<sup>17</sup> The same paradox was formulated in more positive terms by Lichtheim: in Lichtheim's interpretation,<sup>18</sup> Kautsky completed the fusion of an essentially pacific and gradualist, democratic and reformist movement with a revolutionary doctrine.

Despite the fact that different aspects of Kautsky's Marxism have been analysed and discussed in different contexts – one could easily add several other studies to the above list – one can agree with Massimo Salvadori on his comment on the reception and critical evaluation of Kautsky's theoretical and political contribution:

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14 See e.g. Groh 1973; Rosenberg 1962; Steinberg 1973.

15 Lichtheim 1964.

16 See Lichtheim 1964, pp. 268–9; Arato 1973–4, pp. 7–8, 33–7; Colletti 1971, pp. 16–18.

17 Mathias 1957.

18 Lichtheim 1964, pp. 259–61.

In sum, there is an enormous disproportion between the volume of references to Kautsky in the course of history itself and the paucity of critical studies devoted to him. I have come to the conclusion that the main reason for this disproportion is that scholars have so far fundamentally confined themselves to the judgements ‘for’ or ‘against’ Kautsky that were pronounced in the thick of political struggles between parties, ideologies, and movements of the own time. One might say that the image of Kautsky has remained fixed even since in the forms it acquired in that period.<sup>19</sup>

To this one could perhaps add yet another reason: Kautsky’s peculiar political position – later to become known as centrism – did not outlive the split in the Social Democratic movement after the First World War and the Russian Revolution. The effort to establish the Independent Social Democratic Party (USPD) after the war remained shortlived.<sup>20</sup> In the post-war socialist labour movement, Kautsky fell between the lines dividing Communism and Social Democracy. To the Leninists, Kautsky has remained a renegade of Marxism ever since the verdict was proclaimed by Lenin, and to the Social Democrats, Kautsky is merely a historical figure from the ‘pre-history’ of the party with only little contemporary interest.

However, at the time of the writing of this work in the early 1980s there was what one might even venture to call a revival in the critical re-evaluation of Kautsky’s political and theoretical role as evidenced by the studies of Steenson,<sup>21</sup> Salvadori,<sup>22</sup> Hühnlich<sup>23</sup> and Braionovich.<sup>24</sup> (Kraus’s dissertation on Kautsky’s theory of imperialism<sup>25</sup> is more limited in scope, but it can be added to the above list). Even though not remarkably different in its conclusions from Alter’s<sup>26</sup> evaluation of Kautsky as an opponent of Leninism and the proletarian revolution, Braionovič’s monograph does include a cautious attempt at rehabilitating Kautsky’s theoretical role from a Leninist standpoint; Braionovič’s verdict of Kautsky is not as complete as usual. Steenson’s *Karl Kautsky 1854–1938*

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19 Salvadori 1979, p. 9.

20 Salvadori 1979, pp. 203–15, 145–50.

21 Steenson 1978.

22 Salvadori 1979.

23 Hühnlich 1981.

24 Braionovich 1978 and 1981.

25 Kraus 1975.

26 Alter 1930; see also Furtchik 1929.

is a general intellectual biography of Kautsky.<sup>27</sup> Hühnlich's study consists of an overall analysis of Kautsky's political theory, but also includes many penetrating comments on Kautsky's theory of capitalism and his interpretation of Marx's *Capital*. In his *Karl Kautsky and the Socialist Revolution 1880–1938*,<sup>28</sup> Salvadori is mainly interested in the questions of democracy, revolution, and socialism in Kautsky's thinking, and Kautsky's intellectual role in the political history of German Social Democracy. The possible shifts in Kautsky's theoretical position at different periods of his intellectual life are one of the main concerns of both these monographs, and consequently they explicitly problematise the Leninist thesis that Kautsky had given up his former revolutionary Marxist position. Hühnlich's and Salvadori's studies have served as invaluable guidelines in orienting my own study of Kautsky's voluminous literary output.<sup>29</sup> Dick Geary's short introduction to Kautsky's political thinking came out in 1987,<sup>30</sup> almost simultaneously with my own work. Marek Waldenberg's thorough and extensive work *Wzlot i upadek Karola Kautsky'ego*, which came out in Poland as early as 1972, should be added to the list of critical Kautsky studies.<sup>31</sup>

During the decades after the original publication of my study, the re-evaluation of Kautsky's role and importance has continued in at least as far as the clarification of three important questions is concerned. The first and most important one has concerned the relations between Kautsky and the Russian Social Democrats, and has shown without any doubt the enormous intellectual debt that the Russian Marxists, Lenin included, owed to Kautsky concerning both the understanding of the mobilisation of the working class and the conditions of the future socialist revolution. Lenin's vehement condemnation of Kautsky as a renegade after the outbreak of the First World War has effectively concealed the fact that Lenin was, and in many ways remained ever after, Kautsky's loyal pupil who tried to apply, as well as he could, the example of German Social Democracy, in theorising about Russian social developments and organising

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27 Steenson 1978.

28 Salvadori 1979.

29 Hühnlich's work includes a comprehensive bibliography of Kautsky's publications; cf. also Blumenberg's earlier bibliography (1960).

30 Geary 1987.

31 Waldenberg 1972. Cf. also the short version published in 1976. Since Waldenberg's seminal work is, in addition to Polish, only available in an Italian translation (1980), it is mostly known only by its fame and has understandably – but unfortunately – remained largely beyond the reach of Kautsky scholars who do not read Polish or Italian, including the author of this book. Waldenberg's article (in German) from 1992 discusses Kautsky's reception of historical materialism.

the Russian proletariat in the expectation of the coming revolution. The second recent discussion has, at least to some extent, broadened the view we have of Kautsky's own revolutionary strategy and tactics. Kautsky was a revolutionary socialist. In his mind, there were never any doubts about the inevitability of the coming socialist revolution in Russia and the whole world. However, Kautsky was firmly convinced that under the conditions which prevailed in Germany at the turn of the century, the revolution could in practice be non-violent or almost peaceful. Thus it differed radically both from the Great French Revolution and from the European revolutionary uprisings of the nineteenth century. The Social Democratic Party could now freely organise the working class and propagate openly its revolutionary message to the workers using the freedom of press and assembly. The best proof of the success of this strategy was the fact that the German Social Democratic Party was a mass party with millions of members with a firm and, as it seemed, steadily growing representation in the German Parliament. Kautsky has therefore often been claimed as – and at times accused of – representing a revolutionary wait-and-see strategy [*Attentism*] or tiring-out strategy [*Ermattungsstrategie*]: all the working class had to do was to wait until its organisations had grown in size and power, which would inevitably lead, sooner or later, to an absolute majority in the parliament. The Social Democratic Party could then simply declare that the time was ripe for social upheaval and accomplish its great historical mission by voting in parliament for the introduction of socialism ('a ballot box revolution'). What it should avoid by all means was to make any risky moves that would endanger its organisation by any premature or untimely political adventures. Kautsky raised his warning finger in his polemics with Rosa Luxemburg, Anton Pannekoek and other left-wing revolutionary radicals who actualised the question of the use of a general strike as a political weapon.

As the more recent studies have shown, Kautsky's position was, in fact, more nuanced than is often presumed. In some of his lesser known works, like in his history of the French Republic as well as his January 1919 Guidelines for a Socialist Action Programme,<sup>32</sup> Kautsky formulated more detailed accounts of what was expected from the working class and its political organisations once they had taken state power into their hands, which proved that Kautsky was well aware that other radical measures were needed in addition to the parliamentary politics. For instance, he demanded the re-organisation of the army and

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32 Kautsky 2011a and 1919c. Ben Lewis argues that, when comparing Kautsky's republican writings from 1905 and 1917, there is a demonstrable watering down of Kautsky's democratic-republican proposals for dealing with the capitalist state form (Lewis 2011).

the state bureaucracy, and emphasised the need for new forms of working class self-organisation to control the production and distribution of goods. (In fact, his suggestion in the 1919 guidelines comes closer to corporatism than workers' soviets). That said, one cannot completely deny that in many of his influential and well-known writings on this question, Kautsky's views are rather vague and abstract. More often than not, he does not go into any details at all, and instead is satisfied in stating or repeating his principal position according to which the coming socialist take-over, at least in Germany and Western Europe, will take place by respecting the rules of parliamentary democracy. His conception of bourgeois democracy was, as Lenin would put it, formal. In Lenin's mind, Kautsky did not pay enough attention to the real economic and social position of the social classes in capitalism and the huge differences in the distribution of the political resources following from it. One also gets the impression as if everything will be quite simple and straightforward after the declaration of a peaceful Socialist transformation, which Kautsky insisted on calling a revolution. Kautsky does not, for instance, reflect upon the fact that the reactionary political forces and the previous ruling classes would most likely not be willing, voluntarily and without any serious resistance, to give up their political power and go along with the new social order. As we know, this was something self-evident to Lenin and the Russian revolutionaries. In their minds, the Social Democrats should be fully prepared to meet this resistance and defend their achievements even with force against any attempts at restoring the old society. Despite the more nuanced picture based on these new findings, the standard interpretation of Kautsky's thinking preserves a kernel of truth. As Bonner formulated it, admittedly a bit too pointedly, Kautsky 'proved unable to visualize socialism in terms of a transition that would build the self-administrative powers of the working class to rule society. Socialism was equated with the organization and its success, while the notion of revolutionary administration and self-administration were thrown overboard by a party that was eliminating in practice the theory that justified it in Kautsky's eyes'.<sup>33</sup>

Finally, recent analyses of Kautsky's writings on imperialism have raised some interesting new questions about his original contribution to the Marxist thinking of colonialism and imperialism. One of the problems in this respect has been that Kautsky wrote several treatises on imperialism before and during the First World War and his theoretical position changed from time to time. As pointed out by Matsuoka<sup>34</sup>, Kautsky adhered alternatively to two different

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33 Bonner 1980, pp. 597–8.

34 Matsuoka 1992.



theoretical schemes in explaining the emergence of colonial policy and imperialism in capitalism. The first was based on the theorem of the principal disproportion in the rates of growth of the industrial and agrarian sectors of the capitalist economy. The second was based on the theory of the over-accumulation of capital and the consequent under-consumption: because the demand for their goods was lagging behind, the capitalists constantly needed new markets to realise their almost chronic overproduction. But Kautsky is probably best known for his conception of ultra-imperialism, which he first coined after the outbreak of World War I, borrowing from Hilferding's *Finance-Capital* the thesis of the logical development of capitalism towards a single general cartel which, in Hilferding's version, will rule over the whole national economy. Kautsky extrapolated this idea to the international economy in making the hypothetical claim of a kind of worldwide organised capitalism as the logical end-product of capitalist accumulation. The idea of ultra-imperialism is probably best known to many because Lenin ridiculed the idea in his *Imperialism: The Highest Stage of Capitalism* of 1917.<sup>35</sup> What caused Lenin's anger was the fact that Kautsky did not acknowledge the inevitability of the aggressiveness and ultimate violence of imperialism, neither did he understand that there could not possibly be any alternatives to it. Instead he was a proponent of a peaceful coalition of democratic nation states as an antidote to imperialist politics. Lenin was convinced that the only alternative to war and imperialism alike was the socialist revolution. At first glance, Lenin's critique looks somewhat exaggerated and misplaced. Did not Kautsky also admit that ultra-imperialism was not a realistic alternative at all, but just a hypothetical thought construction? In his opinion, political tensions would interfere with the process long before the final stage of ultra-imperialism could be reached. Lenin added to this that such a development would be impossible to imagine not only because of the inescapable political tensions between the states but also, and more importantly, because imperialism could never outgrow its inherent economic contradictions and eliminate the competition between big monopolies. On the contrary, they could only be expected to grow in strength.

Neither Kautsky nor Lenin was a highly original thinker on the question of imperialism. True to his role as the main party ideologist, Kautsky's numerous writings are often attempts to clarify the position of the party in the face of changing, actual challenges posed by international politics. To Lenin, the question of imperialism first became actual during and in the aftermath of the great imperialist world war facing the prospect of peace. He relied heavily on the

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35 Lenin 1967d.

works of Hilferding and Hobson – and more indirectly, Luxemburg – in constructing his own version that best suited his own political aspirations and convictions. Mike Macnair<sup>36</sup> has argued that in one important respect, Kautsky laid the foundations for the later Marxist theory of imperialism in a series of articles published as early as 1898. In these articles, Kautsky developed a historical scheme about the different stages of the development of capitalist international relations beginning with feudal exploitative colonies and followed by the ‘work colonies’ (like North America and South Africa) which, as he claimed, enriched both Britain and the new colonies. This is followed by the policy of ‘free trade’ (Manchesterism) after the Industrial Revolution in Britain, which was followed in its turn by an exploitative stage of colonialism which arises first out of the new policy of protectionism adopted in Continental Europe during the very last decades of the nineteenth century as an antidote to British world domination. Kautsky’s characterisation of these stages is mainly based on the type of principles that governed international trade policy. This is especially the case as far as the last two stages are concerned. Other theorists among Second International Marxists emphasised more the economic nature of imperialism and saw the inevitably increasing economic contradictions of capitalism as its major cause. According to Macnair, they learned from Kautsky one important lesson. This was the doctrine of the historical stages of capitalist development and the idea of (modern) imperialism as the last or latest stage of capitalism. Despite Kautsky’s great impact on his fellow Marxists, it is difficult to prove that they in fact learnt or adopted this idea from him. It would be safer to simply argue that Kautsky was one of the first, or perhaps even the first, to propose the thesis, and despite all the other theoretical and political disagreements concerning imperialism and capitalism in general, all the Marxists of the Second International shared this (rather abstract) idea of imperialism as a new stage of capitalism, radically differing – in one way or another – from the postulated ‘old’ or ‘classical’ capitalism of free competition and free trade. Consequently, the understanding of this new stage also demanded new theoretical tools of analysis, the development of which the Marxists took as a serious challenge.

The groundbreaking studies of Moira Donalds<sup>37</sup> and Lars T. Lih<sup>38</sup> have convincingly shown that Karl Kautsky was the main mediator and mentor of Marx’s and Engels’s revolutionary thinking among the Russian Social Democrats before the First World War. He enjoyed undisputed authority as the main

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36 Macnair 2013. Day and Gaido (2011) present the development of Marxist discussions about imperialism up to the First World War.

37 Donalds 1993.

38 Lih 2008 and 2011.

Marxist theoretician among the Russian revolutionaries. Lenin in particular applied Kautsky's teachings in order to mobilise the working class, preparing for the revolution under the prevailing conditions in the Russian autocracy. Even after his quite abrupt and final split with Kautsky – when the latter sided with the majority of German Social Democrats in voting for war credits at the outbreak of the First World War – Lenin continued to refer with great respect to Kautsky's works written 'when he was still a Marxist'. The pre-war Kautsky had not therefore lost his actuality, and his writings compiled before his 'betrayal' deserved respect. Lenin's strong reaction and attempt to distance himself from Kautsky can best be explained by the great disappointment caused by his old teacher's 'betrayal'. It was Kautsky and not Lenin who had, by changing his position, deserved to be called a renegade.

According to Donald's<sup>39</sup> close reading of Lenin's programmatic statements and writings, his attitude to Kautsky underwent a dramatic change first in 1914. This was partly due to Lenin's annoyance at Kautsky's interference in Russian intra-party financial affairs, but the final break came with the outbreak of the war. Before that time, Lenin had been, for almost twenty years, a most loyal adherent to Kautsky's 'orthodox' Marxism. Even after the final split, Lenin criticised Kautsky almost exclusively for his position on the war and not his pre-war writings.<sup>40</sup> In his famous treatise *Imperialism as the Highest Stage of Capitalism*, Lenin quite vigorously attacked Kautsky's 'heretic' conception of colonialism and imperialism, but his critique was directed only to Kautsky's recent article in which he had coined the concept of ultra-imperialism. As Donald claimed, it is impossible to know what Lenin in fact thought about Kautsky's previous writings on imperialism since he never commented on or made any references to them.<sup>41</sup> We can deduce with good grounds that either he agreed with them or did not think that their possible shortcomings were of any decisive relevance to the central strategic questions of Social Democracy. As Donald summarised her contention, 'far from rejecting the model of German Social Democracy at this time, Lenin remained a faithful disciple of the SPD, searching constantly for parallels between the history of the party and his own, holding German Social Democracy as an example to the Russian movement, and continuing to hold its leaders and theoreticians in great respect'.<sup>42</sup> It is even likely that Lenin's almost unparalleled admiration of Kautsky prevented him as well as other Russian socialists from seeing the factual spread of revisionist tendencies within

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39 Donald 1993, p. 187.

40 Donald 1993, p. 201.

41 Donald 1993, pp. 203–4.

42 Donald 1993, p. 27.

the Party, and the German trade unions in particular, before the war. Kautsky gave the impression that revisionism had not left any permanent traces in the party. In his mind, the best proof of this was that the programme of the Party was the same old revolutionary one. In other words, revisionism had been only a short interregnum in the party history. One can therefore agree with Donald's conclusion that '[i]f anything, Lenin had too rosy a view of SPD'.<sup>43</sup>

The novelty in Lenin's thinking was that since the Russian liberal bourgeoisie was weak and not capable of fulfilling its historical task of committing a bourgeois revolution by overthrowing the Tsarist autocratic regime, it now remained the task of the working class with its class ally, small peasants and agrarian workers to establish a democratic constitution in Russia. Since the Russian bourgeoisie and liberal political forces were weak and mostly sided with the landed aristocracy and the officer corps of the Tsarist army, they could not be trusted to fulfil the progressive historical mission given to them in the Marxist historical scenario. Since this task fell now on the shoulders of the proletariat, the coming Russian revolution would not be bourgeois in the traditional sense but a democratic one instead.<sup>44</sup> This democratic transformation would then eventually be followed by a socialist one. Furthermore, a democratic constitution with its freedom of press and assembly, both of which were absent in Tsarist Russia, would create ideal conditions for the agitation of socialism and propagation of Marxism among the Russian workers, soon mobilising the whole working class into a revolutionary party of Social Democrats. Therefore it was of utmost importance that the Social Democrats would drive the democratic revolution to the end to achieve a maximal democratic transformation of the society.

Lenin's and Kautsky's views concerning the perspectives of the Russian Revolution were closest during the First Russian Revolution in 1904–5 when Kautsky shared Lenin's optimism that the Russian proletariat organised by the revolutionary Social Democratic Party would act as the driving force of the Russian Revolution, radically transforming the society and ending the authoritarian, imperial rule. Kautsky and Lenin were also optimistic about the wider perspectives of the Russian Social Democracy in the revolutionary process. As Bertel Nygaard argued, Kautsky believed that 'the Russian revolution will hardly result in a "normal" bourgeois-democratic regime ... It will be a "permanent revolution" leading to a swift maturation of the Russian proletariat whose revolutionary actions could trigger corresponding movements in West-

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43 Ibid.

44 Donald 1993, p. 82.

ern Europe'.<sup>45</sup> However, by 1916–17, such 'radical overtures had disappeared'. Now Kautsky was firmly convinced that 'because of the low level of development of the country and the working class the immediate task must be to build a democratic regime within the boundaries of the capitalist mode of production, not to let the workers conquer economic or social power'.<sup>46</sup> It can, however, be questioned whether Lenin's divergence from Kautsky's positions was more one of degree than of principal. Even the agenda of 1905 presumed that the Russian revolution would be 'only' a bourgeois-democratic one and the socialist transformation of the society would have to wait until the ripening of both the objective social conditions and the maturing of the Russian working class. The period between these two upheavals did not necessarily have to be very long. It all depended on the political developments in Germany and the rest of Western Europe. As we know, Lenin placed great hopes in the prospect that a Russian revolution would ignite revolutionary uprisings in other, more developed countries in Europe. The eventual establishment of socialism in Germany would greatly speed up the socialist transformation also in backward Russia, which could, with the help of international socialism, 'skip over' the otherwise long, conflict-ridden capitalist stage of development.

The Bolsheviks did not expect the period between the two revolutions to be stable or long lasting.<sup>47</sup> At the same time, the Social Democratic Party had to be prepared to abdicate from power if its radical reforms did not receive enough support from the masses. The fate of the revolution depended wholly on the concrete social and political conditions. Since the other political forces could not be relied on to support the democratic reforms until the end under the conditions of a steadily strengthening revolutionary workers' party, it fell on the working class to defend the achievements of the democratic rule, like the principles of parliamentarism and majority rule. Somehow the fight for and defence of the democratic rights of the workers and people would be conducted in parallel with taking steps along the path to socialism. In other words, it was essential for the success of this strategy that reforms favourable to socialism were introduced. The interests of the toiling masses could be united with the struggle for democracy.<sup>48</sup> This position undoubtedly comes close to the idea of a permanent revolution associated with the name of Leon Trotsky. As Lars T. Lih has shown, Trotsky's idea of a permanent revolution differed quite radically from the one shared by other Marxists (Lenin, Kautsky, Luxemburg, Ryazanov,

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45 Nygaard 2009, p. 462.

46 Ibid.

47 Lih 2012.

48 Ibid.

Parvus and Mehring among them). If they used the term at all, it referred not to a transition from a democratic to a socialist rule, as it did in Trotsky's case, but rather to a way of conducting a democratic revolution: 'To Trotsky, and only Trotsky, the scenario also included the following proposition: A provisional government dominated by the proletariat will inevitably strive to bring about a socialist transformation of Russian society even without waiting for a European revolution – and any other course of action would discredit the whole idea of a proletarian government'.<sup>49</sup>

The real reason for the disagreement between Trotsky on the one side, and Lenin and others on the other, lies in their different evaluations of the role of peasants in the future revolution, as well as in their relation to a socialist, collective mode of agrarian production. Again, Kautsky, Lenin and Social Democrats in general were on the same side. They thought that peasant attitudes made a truly socialist government in Russia impossible and inadmissible in the near future, since they would not voluntarily agree on giving up their newly achieved private landed property. 'Trotsky also thought that the peasants would be hostile to socialist transformation. But he rejected the idea that this hostility need be a barrier to a proletarian government's program of socialist transformation, including the countryside. This contrast is in the heart of the matter'.<sup>50</sup>

According to Lih, Trotsky's inability to negotiate the axiom of class ally was the main reason why his scenario found so few supporters among the Russian social democrats.<sup>51</sup> Unlike Trotsky, Lenin had, early on in his career as a revolutionary thinker, paid special attention to the peasant question in Russia. As early as 1899, he had published an extensive and systematic study of the development of capitalism in Russia, which understandably paid special attention to the analysis of the development – and underdevelopment – of capitalism in the Russian countryside.<sup>52</sup> The book came out in the same year as Kautsky's *The Agrarian Question*, which Lenin greatly admired. Lenin had a tendency in this work to overestimate the degree to which capitalist relations of production had in fact penetrated the Russian countryside, thus exaggerating the proletarianisation of the peasants, which made them a natural class ally – a kind of pseudo-proletariat – of the numerically much smaller army of industrial wage workers. For Lih, this revolutionary optimism explains why the year 1919 was a real turning point in Lenin's outlook when an unexpected and previously

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49 Lih 2012, pp. 438–9.

50 Lih 2012, pp. 451–2.

51 Lih 2012, p. 459.

52 Lenin 1963–74a.

unknown element of uncertainty entered into his pronouncements. This had to do with the realisation that the international or German revolution, which was supposed to rescue the Russian Revolution, did not come or did not succeed. But it was at least as much to do with the realisation that the autonomous peasants were not willing to voluntarily follow the Bolsheviks' call to join the collective farms. They preferred to stick to their newly won status of small-scale landowner, an economic position that, according to the Marxist historical scenario, was definitely doomed to fail. Being opposed on principle to using force against peasants, there was not much else for the Bolsheviks to do other than gradually educate the huge backward population in the Russian countryside – a task that would at best take a generation or two, even if followed by an effective programme of urbanisation and industrialisation of the country. One could claim, with the hindsight of history, that it was in fact Stalin's five year plans with their programmes of forced collectivisation and industrialisation which ultimately solved the peasant problem or 'agrarian question' in Russia – not paying any attention to the huge human sufferings it caused.

John H. Kautsky has most emphatically argued that Kautsky's and Lenin's Marxisms were, despite similar revolutionary vocabularies, in fact totally opposite ideologies. He has claimed that to Kautsky, contrary to Lenin, socialism and labour movement could never be opposed to each other. He based his claim on Lenin's famous statement in *What Is To Be Done?*<sup>53</sup> Lih's conclusion from a close reading of the work is opposite to John H. Kautsky's. The importance of *What Is To Be Done?* has been exaggerated. If Lenin's numerous other programmatic writings from this period are taken into account, one cannot but come to the conclusion that Lenin was a real Kautskyan after all.

In the citation which is crucial to John H. Kautsky, Lenin argued that the working class, if left without the guidance of the Social Democratic Party, could in fact turn against Social Democracy and end up under the wing of the bourgeois political forces:

the spontaneous working class movement is trade-unionism ... and trade-unionism means the ideological enslavement of the workers by the bourgeoisie. Hence our task, the task of Social-Democracy, is to combat spontaneity, to divert the working class movement from this spontaneous trade-unionist striving to come under the wing of the bourgeoisie, and to bring it under the wing of revolutionary Social-Democracy.<sup>54</sup>

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53 Lenin 1967a.

54 Lenin 1967a, pp. 384–5.

John H. Kautsky combines Lenin's fear of working class spontaneity with his idea of Russian Social Democratic Party as a revolutionary 'party of a new type' which, as he claims, involved a 'change of the ideology from a laborite ideology to one of intellectuals. The Party is, and "we" are, in Lenin's mind clearly distinct from the working class and must lead that class where it would otherwise not go. In short, it is the intellectuals, not workers, who give direction and lead the revolutionary movement'.<sup>55</sup> This makes it also understandable why peasants and not workers were the main ally of the Bolsheviks. The intellectuals can appeal to all kinds of people who, if only they follow the party, will be accepted as class allies of the (in the Russian case, largely nonexistent industrial) proletariat. Lenin's Marxism was an ideology of intellectuals, and not a socialist ideology at all, who then promoted the delayed modernisation of a developing country, which as such could be copied by other radical intellectuals in the liberation movements of the third world. According to John H. Kautsky, they all constitute a modernising movement that is, however, not equal to a genuinely socialist movement.

John H. Kautsky shares the opinion of Lenin's many other critics who have claimed that Russian Bolshevism, organised as a conspiratorial party of revolutionary intellectuals, was a Jacobin deviation from orthodox Western Marxism – in this case represented by Karl Kautsky's idea of a democratic mass party. Lars T. Lih denies all accusations of Lenin's Jacobinism most emphatically and stresses that even in this respect he was a true follower of Kautsky's teachings. In Lih's opinion, Lenin followed in all respects Kautsky's 'merger formula', according to which socialism was the result of the merger of scientific socialism with the working class:

Thus scientific socialism tells the proletariat a story of itself: its past ('historical condition'), its present ('oppressed') and its future (world-freeing deed). Since the story will inspire the proletariat to carry out the great deed, talking the story is a precondition for freeing the world.<sup>56</sup>

It is true that originally Marxism was the invention of two bourgeois intellectuals, Karl Marx and Friedrich Engels, and had to be brought to the working class from without. However, once discovered, the working class would be ready to adopt its basic principles and willing to accomplish its great historical mis-

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55 J.H. Kautsky 2002, p. 43.

56 Lih 2008, p. 49.



sion.<sup>57</sup> That the working class could ever turn against socialism and the Party was totally unimaginable to Kautsky. Lenin's formulation, according to which the spontaneous trade-unionism of the working class could bring it 'under the wing of the bourgeoisie' unless the Social Democrats succeeded in fighting these spontaneous tendencies and convince the workers that the Socialist revolution was their only realistic alternative to end capitalist oppression, was undoubtedly extremely pointed. Kautsky, however, shared with Lenin the conviction that the working class would spontaneously develop only a trade-union consciousness defending its economic position and living conditions under capitalism. As Moira Donald formulated this common position, 'without the political leadership of an organized Social Democratic Party, the workers movement would not independently develop socialist consciousness, but only trade union consciousness, which would be subsumed in the more dominant bourgeois ideology'.<sup>58</sup> In addition, Kautsky was convinced, even more so than Lenin, that Marx's and Engels's work was a great scholarly achievement representing the highest standards of science.<sup>59</sup>

Lih is undoubtedly right in pointing out that, at least according to the Marxist merger formula, under normal conditions nothing could prevent the working class from developing real socialist and revolutionary consciousness once the Social Democratic party could openly, without any censorship, propagate Marxism showing how workers' day-to-day interests were not in contradiction with their long-term interests of establishing a socialist society. Furthermore this could only be achieved through a revolutionary upheaval of the present social order. The potential cleavage between trade-union and party politics explains Lenin's and Kautsky's insistence that even though trade unions should unite workers of all political persuasions, the party should fight for political leadership in the unions. In their opinion, trade unions could and should also be used as a weapon not only in the struggle for economic benefits, but also to achieve political goals.

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57 In addition to the *Communist Manifesto*, one can find the basic idea of the 'merger formula' in Engels's early work, *The Condition of the Working Class in England*, where he analysed the emergence and the future perspectives of the Chartist movement in Britain: 'The union of Socialism with Chartism, the reproduction of French Communism, will be the next step, and has already begun' (1974–2004a, pp. 526–7).

58 Donald 1993, p. 29.

59 In German, the word *Wissenschaft* refers to natural science, as well as to various fields of humanistic learning like history or sociology. To Kautsky, Marx's theory was definitely scientific, the high point of the science of society.

As Gaido has noted, in fact the German Social Democratic Party took a decisive step to the right already in its Copenhagen conference in 1910 when trade-union reformism became dominant in its leadership.<sup>60</sup> This change went totally unnoticed – or unmentioned – by Kautsky, as well as his loyal followers in Russia. However, Lenin had an explanation of the trade-union reformism which posed a threat to the political line of the party if given free rein. He thought that this threat came from ‘labour aristocracy’, a particular section of the working class that enjoyed economic benefits, like higher wages and better working conditions. He combined this explanation closely with his analyses of the development of capitalism into imperialism under the reign of big capital. Monopoly capitalists could use their extra profits resulting from their dominating position in the market to bribe selected representatives or smaller sections of the working class with promises of higher wages. These privileged workers would also have a negative impact on the policy of the trade unions.

It should be noted that the emergence of ‘labour aristocracy’, whatever the other merits of Lenin’s claim, is restricted to a specific stage of capitalism and demands auxiliary explanatory factors, not typical of capitalism in general. Even more important, from the point of view of the revolutionary or reformist nature of the working class, is that it will not comprise the masses of workers, but on the contrary will always remain, out of necessity, restricted to a small minority among the wage workers. Even if these workers could be able to exercise more influence on the labour movement than their less privileged comrades, they can never as a rule – only as an exception – become a dominating majority leading to a situation when the whole movement would end up ‘under the wings of the bourgeoisie’. This is certainly something that could not be totally excluded theoretically, but is not part of the ‘normal’ story inherent in the merger formula.

Taking into account Lenin’s firm belief in the readiness of the Russian working class to commit itself to the great historical deed of establishing socialism, it is quite amazing, as Lih notes, that in the month leading up to the Revolution, the Bolsheviks downplayed socialism, and ‘socialist revolution’ was hardly mentioned in their agitation at all.<sup>61</sup> Lih’s explanation is simple: Russian Social Democrats, who were close to people, knew that socialism would not appeal to them. ‘What the Bolsheviks promised and did accomplish was a worker-peasant revolution against autocratic Tsarist rule and all its evils, the imperialist war included, in which the workers are giving political leadership to the

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60 Gaido 2008, p. 133.

61 Lih 2012.

peasants. This is what they promised to do and this is what they accomplished'. What separated Lenin from Kautsky, then, is the fact that even though he was an orthodox Marxist like Kautsky, firmly convinced in the fundamental truth of the two stage formula of revolution where a bourgeois revolution would necessarily precede a socialist one, at times it can be difficult to distinguish these two stages in Lenin's programmatic writings. Lenin's optimism toward the revolutionary potential and spirit of struggle of the Russian masses, as well as toward the coming European revolution, caused him to downplay the problems of advancing from the first to the second revolution, which would become acute after the end of the civil war in Russia. If Kautsky can rightfully be criticised for his over-confidence in the gradual evolution of the working class and its political party into power using overwhelmingly parliamentary methods, Lenin in his turn was convinced that only a short distance separated Russia from socialism once its labouring masses had liberated themselves from their autocratic oppressors and the revolution had spread to Germany and other capitalistically more developed European countries.

These important new scholarly contributions, which have greatly advanced our understanding of Second International Marxism and Kautsky's position in it, have mostly restricted themselves to the analysis of the tactical and strategic programmatic writings of its leading figures. However, in the eyes of his contemporaries, Kautsky was the most important Marxist theoretician, who saw it as his main task to explain and popularise the basic truths of Marx and Engels's writings to his fellow comrades. In doing so, he made some shortcuts that came to dominate the general understanding of Marx's theory of capitalism and the socialist revolution and that were shared by most of his contemporary Social Democratic intellectuals and ideologists. In this respect, Kautsky's early works are decisive. Kautsky's extensive explanation and justification of the Erfurt Programme of the SPD is best known among these. It enjoyed enormous popularity and was almost at once translated into several languages, becoming the catechism of every Social Democrat. Kautsky's interpretation of Marx's *Capital*, presented in *The Economic Doctrines of Karl Marx*, is less well-known, but is at least as important in the history of Marxism. Together with Kautsky's *Anti-Kritik*,<sup>62</sup> a strict defence of Marxism against Eduard Bernstein's attack in *The Preconditions of Socialism*, often translated as *Evolutionary Socialism*,<sup>63</sup> these two works constitute the core of Kautsky's Marxism and his theory of capitalism which remained intact for the best part of his life.

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62 Kautsky 1899a.

63 Bernstein 1909.

The present attempt at a critical reconstruction of Kautsky's theory of capitalism and imperialism does differ in one important respect from the analyses of Hühlich and Salvadori, as well as more recent Kautsky studies. In this study, the relation of Kautsky's theoretical conception to Karl Marx's critique of political economy is of major interest. In this respect, the present study ties up with the tradition of the reconstruction of the critique of political economy presented in Marx's *Capital* and in the manuscripts preceding the published version of *Capital*. In the discussion following this tradition, postmarxian Marxism, the emerging theory of the organised working-class movement has been understood to have resulted from an essential vulgarisation or deformation of Marx's analysis and critique of capitalism. The misunderstanding included in traditional or orthodox Marxism has mainly been understood to result from two serious shortcomings in the interpretation of Marx's critique of political economy, which show that postmarxism never understood the main theoretical 'novum' of *Capital* and Marx's specific critical intention. Both these misinterpretations are closely connected with each other.

The main shortcoming committed by postmarxian traditional Marxism was that it never understood the specific conceptual status of Marx's *Capital*.<sup>64</sup> *Capital* was essentially understood to be a theoretical presentation of the historical development of capitalism and of the genesis of capitalism, starting from the presentation of simple commodity production preceding capitalism and followed by the historical laws governing the development of capitalism. The theoretical and conceptual presentation of *Capital* was understood to follow the actual historical development of the emergence of capitalism. However, it did not describe the history of any specific capitalist country. On the contrary, the developmental laws were abstracted from various historical contingencies in the development of capitalism and, as such, they were theoretical generalisations. The most serious result of this procedure of interpretation was that Marx was understood to have presented the laws governing the functioning of a specific historical mode of production preceding capitalism, that of simple commodity production, and its historical transformation into capitalism.<sup>65</sup>

The second vulgarisation thesis concerns the conceptual presentation or logic of *Capital*. According to this thesis, the theories of monopoly capitalism

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64 For a discussion of the logic of presentation in Marx's *Capital*, see Reichelt 1971, Zeleny 1968 and Backhaus 1974; 1975; 1978; 1981. Haug 1974 presents a more orthodox interpretation.

65 For a critique of Leninism following this kind of argumentation, see *Projekt Klassenanalyse (PKA)* 1972; see also Ebbighausen 1974. In *Projekt Klassenanalyse's Kautsky. Marxistische Vergangenheit der SPD*, of 1976, there is an interesting discussion of Kautsky's historicising interpretation of Marx's *Capital* and its consequences for his political theory of revolution.

or imperialism of traditional Marxism followed from a misunderstanding of the theoretical role of competition in Marx's *Capital*. Following Rosdolsky's<sup>66</sup> original interpretation of Marx's *Grundrisse*, it can be claimed that Marx's *Capital* only covers the representation of 'capital in general' [*das Kapital im allgemeinen*]; the relations of individual capitals or the competition between capitals is not included into the analysis of the capital in general – Marx originally intended to analyse competition in a specific volume of *Capital*<sup>67</sup> – or they are discussed only insofar as they follow on from or correspond to the concept of capital. To Marx, competition was a necessary executor of the inner laws of capital, and free competition is furthermore the specific adequate manifestation of these inner or immanent laws; in free competition, the only difference between the individual capitals is quantitative. Free competition guarantees that every single capital receives a share of the surplus value corresponding to its quantity; every individual capital is an aliquant part of the total capital.

In unproblematically stating that capitalism had developed into a new stage – a stage of monopoly capitalism or imperialism, which in some fundamental sense had transformed the functioning of the laws of capitalism – traditional Marxism actually thought that modern capitalism had developed through three stages: simple commodity production; capitalism of free competition; and imperialism. Marx's theory of capitalism only covered the first two stages of development and had to be supplemented by a fourth volume of *Capital* presenting the theory of the newest or last stage of capitalism. The relation of the conceptual status of the theory of imperialism to Marx's analysis of capitalism was not generally or explicitly reflected. Following Rosdolsky's interpretation of *Capital* and the *Grundrisse*, monopolistic competition could only be analysed at the same level as market competition determining the market prices of commodities. Consequently, if Marx's analysis of competition in *Capital* is taken seriously, then it would be much more problematic to write a new Marxist theory of modern capitalism.<sup>68</sup>

The interpretation of the role of competition in the logical structure of *Capital*, which was inspired by Rosdolsky's thesis, has been challenged by Schwarz.<sup>69</sup> By analysing the development of Marx's plans describing the structure of the contents of *Capital*, Schwarz came to the conclusion that in the final versions Marx did not intend to analyse competition at the level of the analysis of capital in general, even though competition was planned to be included in

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66 Rosdolsky 1964.

67 Rosdolsky 1964, p. 60.

68 See Neusüss 1972; Jordan 1974a and 1974b; Schubert 1973; Gronow 1978.

69 Schwarz 1974 and 1980.

the general conceptual analysis of capital. Schwarz's argument opens up the possibility – within the logical structure of *Capital* – of considering monopolistic competition as a modified form of the appearance of the inner laws of capital, but still it does not solve the problem of the status of free competition as the adequate form of realisation of the inner laws of capital.

The first of these theses is more relevant from the point of view of interpreting Kautsky's theory of capitalism – and it is also a more fundamental thesis in general. Kautsky never postulated that imperialism or monopoly capitalism was a specific, new stage at the economic development of capitalism – as Lenin did – but rather that it should be understood as a new political method of coping with the contradictions inherent in capitalism. Still, much of what can be said about Lenin's theory of imperialism is valid in Kautsky's case too. The first thesis is, however, more important; Kautsky explicitly interpreted Marx's *Capital* as a presentation of the historical development of capitalism and even wanted to correct Marx's analysis and complement it by providing it with the relevant historical facts on the basis of which Marx's historical generalisations were reached.<sup>70</sup>

Kautsky's most original contribution to the development of the theory of capitalism was, however, his interpretation of the law of the accumulation of capital formulated by Marx at the end of the first volume of *Capital*. Kautsky interpreted it to be a historical and empirical law explaining and predicting the future development of capitalism. Together with the theory of immiseration, it was understood to predict the increasing polarisation of bourgeois society into two classes, and to show the objective and subjective limits of capitalism. It was thus an essential element of Kautsky's theory of a socialist revolution.

The idea of the basic contradiction of capitalism formed the second cornerstone of Kautsky's theory of capitalism. Following Engels's formulation in *Anti-Dühring*,<sup>71</sup> Kautsky understood the basic contradiction of capitalism in terms of an increasing contradiction between the prevailing private mode of appropriation and the increasing socialisation of production. Engels obviously wanted to say something more than, repeating Marx, that in capitalism the accumulation of capital is based on the exploitation of alienated wage labour and that this is capitalism's basic contradiction. Most likely, Engels had in mind the idea that the elements of the socialist mode of production were already concretely present and developed in capitalism. The production process was organised in a way that fully anticipated socialism. All one had to do was

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70 Kautsky 1906b, pp. x–xi.

71 Engels 1997–2004d.

to 'expropriate the expropriators' (or the capitalist class) and to organise the appropriation of these products as collectively as they were in fact produced. Engels and Kautsky were thus describing capitalism from the future perspective of socialism. This interpretation, understandable as it is, would have been quite harmless and acceptable as a simplified formula useful for propagandistic purposes were it not connected to Kautsky's first short cut, the understanding of *Capital* as a presentation of the historical development of capitalism from simple commodity production.

One of the main theses of the present study is that as a result of these postulates, Kautsky's critique of capitalism came close to a radical version of natural rights theory; in Kautsky's opinion, capitalism was violating the original right of the producer to the product of his own labour. The real nature of commodity production came into appearance in simple commodity production realising the principle of equal exchange, whereas in capitalism, the products of alienated labour are appropriated by property owners. In imperialism, cartels and finance capital are exploiting both producers and consumers, in a direct way violating the rule of equal exchange. Due to the development of capitalism into imperialism, the exploitative nature of capitalism becomes more evident and accentuated.

It can be claimed that Kautsky's understanding of the social relations of capitalism had important consequences for his conception of the socialist revolution, the development of socialist consciousness, and the role of democracy and dictatorship in the strategy of the working-class movement. Furthermore, it can be claimed that despite the wide spectrum of their political positions, Kautsky's interpretation of Marx's theory of capitalism was shared by theoreticians of the Second International, from Bernstein to Lenin. It was not the validity of the interpretation of *Capital* that was questioned by the critics of Marxism, but rather the empirical validity of Marx's predictions.

By contrasting Kautsky's theory of capitalism with Marx's critique of political economy, it is possible to gain a better understanding of some basic ideas in Kautsky's thinking – and in traditional Marxism in general. Such a comparison can also be justified by the fact that Kautsky always understood it as his task to popularise, explicate and develop the scientific socialism developed by Marx and Engels. The purpose of the following discussion is not, however, merely to explicate and critically evaluate Kautsky's theory of capitalism in the light of Marx's *Capital* and its preworks. The task of reconstructing the theoretical conceptions in Kautsky's thinking is demanding as such, but there is a question of even greater interest connected with it, vis-à-vis a problematisation of Kautsky's central ideas that can be used to re-evaluate and reinterpret Marx's thinking too.

It is quite obviously true that Kautsky misunderstood and misinterpreted many of Marx's central ideas, but the fault was not Kautsky's alone. To Marx, the general law of capital accumulation was not an empirical generalisation explaining the development of capitalism. Neither was Marx's conception of immiseration as straightforward as Kautsky's. Marx never formulated the basic contradiction of capitalism in terms similar to Engels and Kautsky. Kautsky's main mistake was that he totally ignored the fact that Marx's theory stands in a very specific and important relation to classical political economy, and can only be understood and justified as an explicit critique of the theoretical presuppositions inherent in this tradition of thinking.

A main outcome of this neglect is that there is a fundamental difference between Marx's and Kautsky's respective critiques of capitalism. To put it briefly, according to Kautsky, capitalism had to be condemned and was to give way to socialism because in capitalism the products of the working class are exploited by a diminishing number of capital owners violating the right of the worker to the products of her or his own labour. Marx's critique of capitalism is more complicated and one does not find in *Capital* any simplified critique based on the doctrine of natural right. According to Marx's critical conception, the bourgeois society is a society of exploitation despite the fact that the exchange of commodities is based on equal exchange. Bourgeois society does not hold its promise of a reasonable society guaranteeing the freedom and equality of its members and the human existence and well-being of humankind. It is not the natural society postulated by classical political economy.

It could be claimed, however, that even in *Capital* there is a tendency to positivise the critical intention of the theory and to write a historical theory of the origins and development of capitalism. It is equally true that Marx did not object to – and in fact, even contributed to<sup>72</sup> – Engels's formulation of the basic contradiction of capitalism in terms of the private mode of appropriation and socialisation of production. Even in Marx's opinion, the material means and the richness of society are nothing but the hidden potentialities of labour only temporarily alienated and objectified in capitalism as the potentialities of capital. In principle, they were returnable to labour, even though not as the potentialities of an individual worker, but rather as those of the collective working class. It can be tentatively claimed that it was the concept of labour and the labour theory of value critically adopted by Marx from classical political economy, which formed the common theoretical core of both Marx's thinking and Marxism. But even in this respect, there is a crucial shortcoming in Marxism's

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72 See the editor's preface in Engels 1974–2004d, pp. XIII–XIV.



understanding, namely, that Marxism almost totally neglected the analysis of the value form of a commodity and of labour power; consequently, its theoretical position can be claimed to be closer to classical political economy than to Marx's critique of it.

There are important consequences resulting from Marxism's theory of capitalism concerning the idea of the future socialist society; in Marxism, socialism came very close to what might be called organised capitalism. Even though the idea of an organised capitalism, which had already made the socialist revolution obsolete, was first developed by Hilferding in the 1920s,<sup>73</sup> the characterisation of socialism presented by Kautsky, for example, shared many features with Hilferding's conception of organised capitalism. It was mainly the fact that, due to the centralisation of capital, the anarchic nature of capitalist production had already been – at least partly – overcome, and elements of the planned regulation of production had been established, which was understood by Engels and Kautsky to form the conditions of socialism ripening within capitalism. In Kautsky's opinion, the state was the only social institution capable of organising national production in socialism. Thus all that the socialist revolution had to accomplish was to transform the state from an organ of the power of the bourgeoisie to the organ of the working class, and put an end to the still prevailing antagonism of distribution. A socialist society was then essentially a society in which the anarchy of production and the antagonism of distribution had been replaced by state planning and regulation.

Even though Kautsky referred to socialism as a society which would mark the end of the power of the products over the producers, his socialism could hardly be equated with Marx's communism. In Marx's communism, humans would put an end to the prehistory of humankind, to the subordination of the activity of human beings under reified social relations. His idea of a free association of the producers was reached through an implicit critique of the classical experience manifest in the philosophy of the Enlightenment and classical political economy, according to which the private acts of individuals unintentionally and unconsciously realise a hidden plan in history; human history has a reasonable goal. Only insofar as there is such a claim of reason in history does Marx's thinking maintain its critical potency. Marx's principle of labour included his historico-philosophical postulate, according to which human history is a result of the objectification of human labour, the productive potentialities and capacities of humanity, temporarily alienated in a bourgeois society. The present study, then, can be read as a problematisation of this thesis.

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73 Hilferding 1973a.

The following study is divided into two relatively independent but mutually related parts. In the first part, Kautsky's Marxism is analysed; in the second part, Marx's critique of political economy is discussed, insofar as it is relevant for an understanding of the Marxism of the Second International and for a problematisation of Marx's Marxism. There are three major themes in the first part dealing with Kautsky's Marxism: Kautsky's theory of capitalism; his conceptions about imperialism; and the question of democracy and revolution. The elements of Kautsky's theory of capitalism are first introduced by analysing his dispute with Bernstein, and his explicit interpretation of Marx's economic theory. The questions of imperialism, democracy and revolution are especially interesting because by analysing Kautsky's conceptions and their relation to those of other Marxists of the time, it is possible to test the fruitfulness of the thesis that Kautsky's theory of capitalism in fact formed the common core of Marxism. Furthermore, Kautsky's idea of scientific socialism, and the role of science and intellectuals in the labour movements, is of special importance for an understanding of the formation of Marxism.

The second part begins with a discussion of Marx's standards of critique and the character of his theory of capitalism as a critical theory. In the following chapters, Marx's critique of the concept of labour and the relation between private property and labour in classical political economy is analysed. The discussion also includes a short excursion into John Locke's theory of property.

The critical re-evaluation of Marx's critique of political economy thus consists mainly of the problematisation of his redefinition of the concept of labour and of the logic of the presentation of *Capital*, which results in a thesis about the labour theory of value as the core of Marx's Marxism. Finally, the last chapter before the conclusion presents an answer to the question of whether there is a theory of immiseration of the working class in Marx's *Capital*.

**PART 1**

*Kautsky's Marxism*





# Organised Capitalism, the General Cartel and the Proletariat

Hilferding's famous treatise on modern capitalism of 1910, *Das Finanzkapital*,<sup>1</sup> was the most systematic study of the historical development of capitalism of the period of the Second International. It can be claimed that, in *Finance Capital*, Hilferding formulated some of the main conclusions drawn from Marx's *Capital* common to traditional or orthodox Marxism. In Hilferding's understanding, the various forms of the concentration and centralisation of capital form the main feature of the development of modern capitalism. Accordingly, he understood it as his main task to analyse the new phenomena of the concentration of capital, the establishment of cartels, and to evaluate their consequences for the functioning of capitalism, the strategy of the working class and the Social Democratic Party. It was an understanding and analysis of capitalism shared in the main by Kautsky too – even though many of the conclusions drawn from the analysis are different in Kautsky's works and articles.

Hilferding's main idea was that there are, in principle, no limits to the centralisation of production and the formation of cartels. The establishment of one single general cartel was – in the end – the logical result of this process:

If we now pose the question as to the real limits of cartelization the answer must be that there are no absolute limits. On the contrary there is a constant tendency to cartelization to be extended ... The ultimate outcome of the process would be the formation of a general cartel.<sup>2</sup>

Capitalism was due to develop into a society polarised into two opposite forces: the general cartel responsible for the production and distribution of the national product on the one hand, and the working class to be mercilessly exploited by the centralised capital on the other:

The whole of capitalist production would then be consciously regulated by a single body which would determine the volume of all production

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1 Hilferding 1981.

2 Hilferding 1981, p. 234.

in all branches of industry. Price determination would become a purely nominal matter, involving only the distribution of the total product between the cartel magnates on one side and all the other members of society on the other.<sup>3</sup>

The new economic order solves the problem of the organisation of production. The whole national product is consciously distributed among the cartel and the rest of the people. Money and money prices lose their function of importance, and are substituted by a planned and conscious distribution of goods. The general cartel thus overcomes the anarchic nature of production and the contradictions inherent in production. The society remains, however, antagonistic by its nature, but this antagonism is only an antagonism of distribution. The antagonism of distribution between the general cartel and the rest of the people becomes even more accentuated in a society regulated by a general cartel:

The illusion of the objective value of the commodity would disappear along with the anarchy of production, and money itself would cease to exist. The cartel would distribute the product. The material elements of production would be reproduced and used in new production. A part of the output would be distributed to the working class and the intellectuals, while the rest would be retained by the cartel to use as it saw fit. This would be a consciously regulated society, but in an antagonistic form. This antagonism, however, would concern distribution, which itself would be consciously regulated and hence able to dispense with money. In its perfected form finance capital is thus uprooted from the soil which nourished its beginnings.<sup>4</sup>

The finance capital – a further result of concentration – ensuing from the combination of industrial and bank capital is manifest as a unified power based on the ownership of the means of production. The specific nature of capital disappears in a society governed by finance capital. Finance capital solves the problem of organising the national economy, and at the same time the capital associations concentrate property in their hands, making the relations of property apparent and accentuated:

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3 Ibid.

4 Ibid.

Thus the specific character of capital is obliterated in finance capital. Capital now appears as a unitary power which exercises sovereign sway over the life process of society; a power which arises directly from the ownership of the means of production, of natural resources, and of the whole accumulated labour of the past, and from command over living labour as a direct consequence of property relations. At the same time property, concentrated and centralized in the hands of a few giant capitalist groups, manifests itself in direct opposition to the mass of those who possess no capital. The problem of property relations thus attains its clearest, most unequivocal and sharpest expression at the same time as the development of finance capital itself is resolving more successfully the problem of the organization of the social economy.<sup>5</sup>

In Hilferding's opinion, the polarisation of society into a general cartel and the propertyless masses has, as such, no economic limitations whatsoever. From the economic point of view, the development of capitalist society would inevitably lead to the formation of a general cartel. Such a development is, however, impossible to imagine when the political forces are taken into account. The general cartel would sharpen the class contrasts to such a degree – and even more importantly, it would make them visible – that the capitalist society would be changed into a socialist one – the power of the general cartel would be changed into the power of the proletariat – long before the final stage of the general cartel was fully established.

The development or the tendency towards a general cartel has, however, made the task of the proletariat much easier; not only has it created a working class conscious of its historical mission, but it has also established an economic order readily and easily changeable into a socialist mode of production. The tendency towards the formation of a general cartel has put an end to the anarchy of capitalist production and has thus actually solved the economic problems inherent in capitalism.

The above characterisation of Hilferding's conception of the main historical development of capitalism is, in a sense, the consequential extrapolation of the historical tendencies inherent in capitalism as understood by the majority of Marxist theoreticians during the time of the Second International. In his *Finance Capital*, Hilferding was both the most influential theoretician on modern capitalism and the formulator of the strategic perspective of a socialist revolution. It is characteristic of his position that after the First World War, specifically

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5 Hilferding 1981, p. 235.

in 1926, Hilferding could formulate a reformist version of the same theory (the concept of an 'organised capitalism').<sup>6</sup> Hilferding's later revisionism does not in any sense diminish his role as highly influential theoretician of the Second International. On the contrary, the concept of 'organised capitalism' as formulated in his famous speech at the Party Congress in Kiel in 1926<sup>7</sup> only supports the general conclusions of *Finance Capital*. The main difference between Hilferding's theories of 1910 and 1926 is that in the later work he recognises the general cartel as the very end of capitalism in itself; the dictatorship of the proletariat has become obsolete, since the economy organised by the big cartels has made it possible to overcome not only the anarchic nature of capitalism, but also its inner antagonism. All that is necessary for the Social Democratic Party to do is take over the management of the organised economy through the state institutions.<sup>8</sup>

One could – by way of a preliminary formulation of the problem – argue that among the Second International theoreticians, the theory of capitalism was, in a fundamental sense, based on two complementary propositions. As already pointed out, Marx's main contribution to the understanding of capitalism and the fate of the working class was understood as being the historical law of capitalist accumulation as presented at the end of the first volume of *Capital*. Hence, *Capital* was essentially read to describe the law-like historical development of capitalism. Marx was interpreted as having claimed that the accumulation of capital was not only producing an increasing amount of wage labourers – the working class – but was also leading to the concentration of capital and the establishment of big industrial enterprises and capital associations. According to the second proposition, this would also complete a change in the laws of commodity production; the law of the appropriation based on ownership of the products of one's own labour is reversed into its opposite. In monopolistic capitalism, the exploitative nature of capitalism becomes visible. The law of equal exchange characteristic of earlier commodity exchange is violated, and capitalist private property loses its basis of legitimation. The freedom and equality of the commodity producers of so-called simple commodity production is thus violated. In monopolistic capitalism, the accumulation of capital is based on the direct exploitation of wage workers and consumers too. The accumulation and concentration of capital has led to a relation of exploitation, which no longer expresses itself in the form of reified social relations;

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6 Hilferding 1973a.

7 According to Gottschalch, Hilferding used the concept of organised capitalism as early as 1915 (Gottschalch 1962, p. 190).

8 Schimkowsky 1974a.



the surplus product produced by the wage workers is appropriated by the capitalist in a direct, one could almost say feudal, way. The strategic consequences drawn from this thesis are crucial. Since the exploitation has become quite visible and can be experienced by its objects in a direct way, capitalism – as a fully established mode of production – is politically impossible; its very establishment will inevitably lead to its replacement by a different mode of production, the elements of which have furthermore already been developed within capitalism.

In Hilferding's *Finance Capital*, this kind of reasoning is explicitly presented. In his study, Hilferding did not, however, formulate all the political and strategic conclusions inherent in his theory. And Hilferding's later political standpoint – that of an organised capitalism – is already that of a social democrat of the Weimar Republic – even if in his own self-understanding, he remained a Marxist.

From this point of view, it is interesting to study the concept of capitalism and the interpretation of Marxism presented by Karl Kautsky. Kautsky never formulated such an explicit theory of modern capitalism as had Hilferding. Nor did Lenin for that matter. There is no such systematic presentation of monopolies, finance capital or imperialism in Kautsky's voluminous work. In many of his works and articles, he did, however, quite extensively discuss the problem of cartels, finance capital, export of capital, restrictive tariffs [*Schutzzölle*], joint stock companies, imperialism, and so on. He had already formulated many of the propositions later to be systematised in Hilferding's work, and after the publication of Hilferding's *Finance Capital*, Kautsky hailed it as a great contribution to the understanding of modern capitalism.<sup>9</sup>

Despite the lack of a coherent theory of monopoly or finance capitalism, Kautsky shared many of Hilferding's conclusions. Capitalism was essentially seen as constituting the capitalists and the proletariat, the main relation between them being one of increasing exploitation. The accumulation of capital was understood to inevitably lead to a polarisation of capitalist society. And to Kautsky above all, the law of accumulation of capital was a scientific law from which the revolutionary socialist perspective and the necessity of overthrowing the capitalist system of exploitation could be scientifically deduced. The strategy of the working-class movement was thus based on scientific knowledge of the development of capitalism. Scientific socialism was supposed to prove both the necessity and the possibility of the goal of the socialist movement. Even though the overthrow of capitalism can – in the last instance – only

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9 Kautsky 1910–11, p. 883.

be the outcome of conscious action by the proletariat organised in a socialist party, the dissolution of capitalism is not a problem as such; it is the necessary and law-like result of the historical tendency of the accumulation of capital.

## The Dispute over Revisionism

Some of the main ideas and problems in Kautsky's theoretical thinking – his concepts of capitalism and of socialist revolution – can best be presented with an analysis of the first dramatic polemic against Kautsky and the Scientific Socialism represented by him, the revisionist controversy of 1899, which was the first polemic to seriously threaten Kautsky's theoretical authority inside the party. In 1899, Eduard Bernstein published his critique of Marxism and the *Erfurt Programme*, the theoretical basis of the Social Democratic Party of Germany. Bernstein's *Evolutionary Socialism*<sup>1</sup> was a wholesale attack on all the main propositions on which Kautsky's position of socialism was based. (Kautsky was the recognised author of the theoretical parts of the programme). Bernstein criticised the 'method', the 'programme' and the 'tactics' of the *Erfurt Programme*. Kautsky hastened to answer Bernstein's critique already during the same year by publishing his *Anti-Bernstein*.<sup>2</sup>

*Evolutionary Socialism* had as its main target – as explicated by Bernstein in the beginning of his preface to the first edition of 1899<sup>3</sup> – the Marxist theory of the breakdown of capitalism. This theory of collapse referred to a concep-

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1 Bernstein 1909. Bernstein's revision of Marxism was first criticised and vehemently condemned by 'orthodox' Marxists – Kautsky among them – after the publication of *Evolutionary Socialism*. Starting in 1896, Bernstein had, however, already presented his main arguments against Marxism in a series of articles published in *Die Neue Zeit* under the title 'Problems of Socialism' (Bernstein 1896–97a, b, c, d, e; 1897–98a, b, c). Kautsky expected from the publication of these articles a veritable development of Marxism and an attempt to understand the new phenomena of modern capitalism from a Marxist standpoint (see Hühnlich 1981, p. 40). (For an analysis of the exchange of letters between Kautsky and Bernstein during the dispute, see Steinberg 1978). The articles published in *Die Neue Zeit* were already criticised by Rosa Luxemburg in *Die Leipziger Volkszeitung* as representing social reformism even before the publication of Bernstein's *Evolutionary Socialism* (see Luxemburg 1970 [1898–9]; see also Plechanow 1897–8). Bo Gustafsson has pointed out that Bernstein's break with Marxism can be dated back to his postscript and comment written in 1895 or 1896 and published in the 1897 German edition of Luis Héritier's history of the French Revolution of 1848. At this time, no one paid any attention to Bernstein's critique of the Marxist idea of a revolutionary seizure of power by the proletariat. (See Gustafsson 1969, pp. 109 and 120).

2 Kautsky 1899a.

3 Bernstein 1909. See also Colletti 1972, pp. 48–9.

tion according to which capitalist development will lead, out of necessity, to the destruction of capitalism, to a final crisis in capitalist society. Economic development was understood as leading toward a growing polarisation of society, that is, to a decreasing number of big capitalists and an increasing mass of proletarian wage workers. The middle classes, artisans, small-scale manufacturers and merchants, as well as peasants, are dying out. Economic development furthermore leads to the increasing misery of the working class; immiseration is the other side of the accumulation of capital. The inevitable result of the growing polarisation of society is socialist revolution, the overthrow of capitalism.

It was typical of the polemics between Bernstein and Kautsky that the latter did not approve of the former's interpretation of Marxism. According to Kautsky, there was no question of either collapse or immiseration in Marxism. Neither the programme of the party nor Kautsky's own conceptions were ever based on any such ideas. The very terms were invented by Bernstein and other opponents of Marxism. Bernstein was fighting against the windmills of a dogmatic Marxism that he had himself constructed.<sup>4</sup>

Despite the obvious disagreement over the right interpretation of Marxism, it is all the more astonishing that both Bernstein and Kautsky did, however, seem to share a common understanding of what constituted the theoretical core of Marxist theory of capitalism and socialist revolution. In order to prove that this was indeed the case, it is better to start the analysis of the dispute not with a discussion of the method of Marxism – where the disagreement seems to be the greatest (Bernstein explicitly rejected dialectics and the materialist conception of history) – but instead with a discussion of the disputants' analyses of the economic development in Western Europe and Germany in particular, and the strategic conclusions drawn from them. It was the question of the accumulation and concentration of capital – and the dispersion of ownership of property – that was the main problem for both theoreticians.

The whole dispute seems to concentrate on the empirical validity of the economic laws of capitalist development and the Marxist prognosis about the increasing centralisation of capital and the growing proletarianisation of the great majority of the population in the developed capitalist countries. They both agreed that if Marx's prognosis is valid, then the socialist revolution is a historical necessity. If not, then the revolutionary socialist perspective loses its scientific basis and the way is open to social reforms within bourgeois

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4 Kautsky 1899a, pp. 42–3.

society and to an increasing participation of the working class and its political organisations in the political institutions of the bourgeois state.

In the chapter 'The economic development of modern society', Bernstein launched a full-scale attack on the Marxist law of concentration and centralisation of capital. The main question could be formulated, according to Bernstein, as follows: 'A greater centralisation of capital, a greater concentration of enterprises, [an] increased rate of exploitation. Now, is all that not correct?'<sup>5</sup>

Bernstein was willing to admit that there is some essential truth in the analysis; such a tendency is active in capitalism, but Marxism has neglected to analyse equally important countertendencies:

It is correct above all as a tendency. The forces depicted are there and work in the given direction. And the proceedings also correspond to reality. The fall in the rate of profit is a fact, over-production and crises are a fact, the periodic destruction of capital is a fact, the concentration and centralisation of industrial capital is a fact, the increase of the rate of surplus value is a fact. So far we are, in principle, agreed on the statement above. When the statement does not reflect reality, it is not because what is said is false, but because what is said is incomplete. Factors which serve to limit the contradictions described are either completely overlooked by Marx or are, despite being discussed on occasion, abandoned later on when the established facts are summed up and confronted. This ensures that the social result of the conflicts appears to be much stronger and more immediate than is really the case.<sup>6</sup>

A good example of the tendencies acting against the increasing concentration and centralisation of capital is the growth of joint stock companies. These were discussed by Marx in *Capital*, but their importance as a tendency working against centralisation of property was not, however, fully recognised by Marx and his followers. Joint stock companies are a good example of the fact that in parallel to the concentration of industrial enterprises, there need not necessarily be a tendency towards the concentration of riches or property:

To a very considerable extent, the joint-stock company form counters the tendency of wealth to be concentrated by the centralisation of industry. It

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5 Bernstein 1909, p. 41.

6 Bernstein 1909, pp. 41–2 (translation modified BL).

allows for an extensive division of already concentrated capitals, rendering superfluous magnates appropriating capital for the purpose of concentrating industrial firms.<sup>7</sup>

Bernstein's main task in his empirical critique of Marxism was to test the real distribution of property and income in the capitalist countries of his time. The relevant statistics were, of course, rather incomplete and dispersed – a fact readily admitted by Bernstein. Using various sources he was, however, able to compile data to support his arguments. The main result of Bernstein's research was as follows:

It is thus quite wrong to assume that the present development of society shows a relative or indeed absolute diminution of the number of the members of the possessing classes. Their number increases both relatively and absolutely.<sup>8</sup>

Even if one were to admit that the concentration of capital in enterprises is an inevitable result of the development of a capitalist economy, there does not necessarily exist a parallel centralisation of property. According to Bernstein, recent developments in the capitalist countries prove quite clearly that there is an increase in the number of property owners. Joint stock companies are the means by which the middle classes are enjoying a new revival. The growth of a new middle class is also made possible because of the simultaneous increase in surplus product due to the increasing productivity of labour.<sup>9</sup> Bernstein admitted that if the total number of property owners were steadily decreasing, capitalist society would necessarily crash. In Bernstein's opinion, the socialist perspective is not, however, dependent on the postulate of the ever-decreasing number of property owners in society. The increase in the number of property owners by no means makes the demands of the social democrats about the just distribution of income and property less important:

Whether the special surplus product is accumulated in the shape of monopoly by 10,000 persons or is shared up in graduated amounts among half-a-million of men makes no difference to the nine or ten million heads

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7 Bernstein 1904, p. 47.

8 Bernstein 1909, p. 48.

9 Bernstein 1909, pp. 49–50.

of families who are worsted by this transaction. Their struggle for a more just distribution or for an organization which would include a more just distribution is not on that account less justifiable and necessary.<sup>10</sup>

Having discussed the dispersion and centralisation of property in society, Bernstein criticised another central supposition or doctrine of Marxist economics. According to Bernstein, the necessity of the future disappearance of small enterprises or small production units can be deduced from the doctrine of the concentration of capital. Even though Bernstein was by no means trying to deny the tendency towards centralisation of capital as such, he vehemently denied the conclusions drawn from it. The small-scale enterprise typical of an earlier stage of capitalism is by no means dying out. Even though typical of modern capitalism, big industrial enterprises do not push small ones out of the market. There continues to be room for the small producer and there are even certain factors that are beneficial to the increase of small-scale production in general in modern society. And as in the case of the centralisation of property, the statistical evidence collected from the end of last century does not support the thesis of the ever-decreasing number of small enterprises in general.<sup>11</sup> In industrial production, the small production units are able to preserve their position or lose it only very gradually. In agriculture, the situation is even better. The small and medium-sized enterprises grow faster than the big ones. If the collapse of capitalist society were to depend on the disappearance of the middle steps between the top and the bottom of the social pyramid, it would not be any nearer to us today than it has ever been during the earlier development of capitalism.<sup>12</sup>

In Bernstein's opinion, it was thus not possible to generalise any tendency towards increasing centralisation either of ownership or of production in capitalism. There are tendencies inherent in capitalism pointing in such a direction, but at the same time there are countertendencies in action. The total result of these tendencies can only be clarified after careful analysis of the relevant empirical data. The empirical data at Bernstein's disposal concerning the concentration in the 1880s and 1890s did not support the thesis of any clear concentration tendencies as such.

The next step in Bernstein's critique consisted of the Marxist conception of crisis development. Consequently, he criticised various explanations of crises

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10 Bernstein 1909, p. 49.

11 See Bernstein 1904, pp. 55–61; Bernstein 1909, pp. 54–60.

12 Bernstein 1909, pp. 63–4.

and a recent discussion of the causes of crises by Rosa Luxemburg in particular.<sup>13</sup> The most important question taken up by Bernstein was, however, the effect of the various forms of centralisation on the character of crises. In his opinion, the employers' associations or associations of capitalists, cartels, syndicates and trusts, were obviously able to regulate production. Bernstein was not, however, supporting the thesis that the cartels were able to cure all the evils of capitalism.

But in any case, new associations of capital, cartels, are a product of the capitalist economy, and not only a product of political intervention into the economy via protectionist tariffs. As such, they are a means of adapting production to the market; they are an effective countertendency to overproduction. According to Bernstein, cartels are able to modify the appearance of capitalist crises in the market:

To deny this is to deny the superiority of organisation over anarchic competition. But we do so if we deny on principle that cartels can work as a modifying influence on the nature and frequency of crises.<sup>14</sup>

It is, thus, impossible to prophesy more precisely the effect of cartels on the crisis phenomena. Bernstein, however, warned the workers' organisations not to neglect the problem of the cartels, even though nothing very definitive could be said about their effects. One should take them into account because they might still modify crises.<sup>15</sup>

The general line in Bernstein's critique is not difficult to summarise. He criticised any expectations of an imminent collapse of capitalism, whether the expectations were based on the centralisation of capital, property or income, or on crisis development. On the one hand, Bernstein denied the increasing centralisation and polarisation of society, while on the other hand, the concentration of capital was, in the form of capital associations, modifying the market problems of overproduction. Collapse and general polarisation of society were not to be expected. Any strategy based on such expectations is false and doomed to failure.

The chief question in the dispute between Bernstein and Kautsky was quite evidently the role of capital concentration in capitalism. The problem was once more taken up by Bernstein at the end of his critique. Bernstein referred to

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13 Bernstein 1909, pp. 80–9.

14 Bernstein 1909, p. 90 (translation modified BL).

15 Bernstein 1909, pp. 92–3.



Kautsky's answer to the critique presented at the Stuttgart Party Congress a few years earlier. Kautsky had made the thesis about concentration the crucial question by saying:

If it is capitalists who are increasing in number, and not those without property, then we are going ever further from our goal the more that this development progresses. It is capitalism that grows stronger, not socialism.<sup>16</sup>

Bernstein's own comment on this thesis was typical. He not only rejected the increasing polarisation, but also problematised its possible consequences:

Suppose the victory of socialism depended on the constant shrinkage in the number of capitalist magnates. Social democracy, if it wanted to act logically, either would have to support the heaping up of capital in ever fewer hands, or at least to give no support to anything that would stop this shrinkage. As a matter of fact it often enough does neither the one nor the other.<sup>17</sup>

In other words, while believing in the inevitable decrease of capitalists, the Social Democrats not only neglected the real historical tendencies, but also, in fact, condemned the practical political measures of their own party. The empirical falsification of the tendencies towards the concentration of capital was not actually needed either, after all, to prove Bernstein's point. Having attempted with great effort to prove that the concentration of capital is not a permanent and unavoidable tendency in capitalism, Bernstein denied the importance of the whole problem as far as the socialist perspective was concerned:

That the number of the wealthy increases and does not diminish is not an invention of bourgeois 'harmony economists' [bourgeois economists preaching harmony], but a fact established by the boards of assessment for taxes, often to the chagrin of those concerned, a fact which can no longer be disputed. But what is the significance of this fact as regards the victory of socialism? Why should the realisation of socialism depend on its refutation? Well, simply for this reason: because the dialectical

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16 Kautsky quote in Bernstein 1909, p. 212 (translation modified BL).

17 Bernstein 1909, p. 213.

scheme seems so to prescribe it; because a post threatens to fall out of the scaffolding if one admits that the social surplus product is appropriated by an increasing instead of a decreasing number of possessors. But it is only the speculative theory that is affected by this matter; it does not at all affect the actual movement. Neither the struggle of the workers for democracy in politics nor their struggle for democracy in industry is touched by it. The prospects of this struggle do not depend on the theory of concentration of capital in the hands of a diminishing number of magnates, nor on the whole dialectical scaffolding of which this is a plank, but on the growth of social wealth and of the social productive forces, in conjunction with general social progress, and, particularly, in conjunction with the intellectual and moral.<sup>18</sup>

The above quotation clearly proves that Bernstein was not, after all, only trying to falsify the predictions of Marx's *Capital* as interpreted by Kautsky. He was trying to prove something else, namely, the irrelevance of the whole 'dialectical scheme' for the socialist perspective in general. Socialism could not, under any circumstances, be the automatic consequence of the economic development of capitalism.

What then is the strategy recommended by Bernstein for the social democratic movement based on his re-evaluation of the economic tendencies in modern capitalism? According to Bernstein, socialism essentially is a 'co-operative social order' [*genossenschaftliche Gesellschaftsordnung*].<sup>19</sup> Marxists claimed that in the big capitalist enterprises, production is already organised in a socialist manner; it has become socialised. The idea of the realisation of socialism in socialist theory was based on two essential conditions: first, the high development of capitalism (the socialisation of production); and second, the exercise of political power by the worker's party.<sup>20</sup>

Despite the fact that the big enterprises had developed and occupied a major position in industry, Bernstein emphasised that smaller enterprises still played an important role in production – even more so in capitalist countries other than Germany or Prussia. Consequently, there could be serious doubts as to the stage of development of the socialisation of production and the realisation of a socialist economic order in this respect in the nearest future. The second problem was even greater. The exercise of the political power through the working

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18 Bernstein 1909, pp. 212–13.

19 Bernstein 1904, p. 84.

20 Bernstein 1909, pp. 84–7.

class was traditionally understood among Marxists in terms of the dictatorship of the proletariat.<sup>21</sup> Bernstein was expressing rather serious doubts about the willingness of the propertyless classes to support such a socialist course. To begin with, workers are differently placed in accordance with their actual economic position and qualifications. Further, the propertyless in commerce and agriculture, for instance, are in a position that is very different from the propertyless in industry. Hence, it would be a great miscalculation to suppose that all the propertyless are potential supporters of revolutionary social democracy. On the contrary, political development in England – where the capitalist relations emerged earlier and are more highly developed than on the Continent – seems to point towards serious problems in the socialist movement. Even though the wage workers have been increasing in number, the socialist revolution does not seem to be any nearer today than it was at the beginning of the nineteenth century.<sup>22</sup>

As a matter of fact, Bernstein was then questioning all the central doctrines of revolutionary socialism on which the expectation of a socialist revolution had been based. The socialisation of production was not sufficiently developed; it would thus be impossible for the state to take over the organisation of production; and last but not least, the majority of wage workers and other propertyless classes by no means automatically supported the revolutionary course presented in the programmes of Social Democracy. There were no signs of a linear increase in the support of socialist ideals despite the increase of wage labourers. In short, in Bernstein's opinion, it was justifiable to question the conditions of socialism in modern society on which the social-democratic strategy rested. It is the important task of Social Democrats to overcome the evident discrepancy between the programme of the party and the Marxist theory on the one hand, and the actual goals and aspirations of the working class on the other. The only consequential result of this re-evaluation could be the overthrow of all doctrinaire beliefs in a revolution in an immediate future and in the establishment of the dictatorship of the proletariat. In fact, Bernstein claimed to have been performing exactly such a revision; the party programme should be changed to answer the needs and the conditions of the present situation: 'But is social democracy to-day anything beyond a party that strives after the socialist transformation of society by the means of democratic and economic reform?'<sup>23</sup>

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21 Bernstein 1909, p. 102.

22 Bernstein 1909, pp. 105–8.

23 Bernstein 1909, p. 197.

Kautsky took Bernstein's critique very seriously. As already pointed out, he answered it during the same year, in 1899, by publishing his *Anti-Bernstein*.<sup>24</sup> In his response, Kautsky took up all the central problems and questions posed by Bernstein in his *Evolutionary Socialism*. Kautsky did not practically accept any of Bernstein's conclusions. They were all based on either serious misunderstandings or unreliable empirical data. The historical validity of the law of capital accumulation and concentration was discussed in great detail and in a systematic way in the second part of the work, 'the programme'.

According to Kautsky, Bernstein's first mistake was that he did not seem to recognise that Marx's theory of concentration of capital did not include any predictions or prophecies as to the exact development and stage of concentration, even less any prophecy of a collapse of capitalism. Marx had only pointed out the general direction of economic development in capitalism.<sup>25</sup> However, Kautsky admitted that there was a real problem pointed out by Bernstein: is there a tendency towards increasing concentration active in capitalism? According to Bernstein, there is no parallel tendency towards the concentration of production and enterprises, and the concentration of property. The first tendency is – with certain reservations – a real one; the second does not necessarily take place at the same time. According to Kautsky, the statistical evidence provided by Bernstein could not, however, prove anything of the kind. To begin with, Bernstein was using statistics that for the most part referred to a certain year, and thus they could not prove anything about the historical tendency of concentration. Secondly, the Social Democrats had never denied the possible future existence of small-scale enterprises alongside the big ones.<sup>26</sup> Furthermore, there cannot be any question of a general expropriation of the small capitalists all at once.<sup>27</sup> In Kautsky's opinion, it cannot be denied that there is, however, a general tendency towards the capitalisation of production and the gradual disappearance of individually owned enterprises operative in capitalism.

This tendency is of crucial importance from the point of view of the socialist perspective, for it is through this tendency that the proletariat comes to recognise the inevitability of overcoming private property:

The abolition of petty proprietor production [*Alleinbetrieb*], which hitherto formed the dominant form of enterprise, creates proletarians, wage-

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24 Kautsky 1889a; see also Kautsky 1899b and 1899c.

25 Kautsky 1899a, p. 49.

26 Kautsky 1899a, pp. 52–3.

27 Kautsky 1899a, p. 49.

workers. The more that capitalist production develops on the ruins of handicraft, the less chance the wage-worker, as an isolated producer on the basis of private property, has of freeing himself from capitalist exploitation and subjugation, and the greater his yearning for the abolition of private property. Thus, concurrently with the emergence of the proletariat, socialist ideas inevitably arise among the proletarians themselves, as well as among those who place themselves on the side of the proletariat and who wish to raise it to independence, i.e. freedom and equality.<sup>28</sup>

The concentration of capital is the crucial question because it creates both the subjective and the objective conditions of a socialist revolution:

It is the concentration of capital that continues to improve these [the preconditions of socialism]. The more it advances, the more it increases and schools the proletariat. As we have seen, however, the more it advances, the more it reduces, enfeebles and dejects the mass of those who have an interest in private property of the means of production, the self-sufficient entrepreneurs, the more it weakens their interest in maintaining this property and the more it creates the preconditions of socialist production.<sup>29</sup>

Kautsky was quite explicit in his theoretical thinking about the laws of capitalist development. The concentration of capital both sets the historical task of the proletariat and creates the means to solve it:

According to the Marxist point of view, these are the elements from which socialism is to arise. The concentration of capital sets the historical task: the introduction of a socialist social order. It produces the forces to accomplish this task, the proletarians, and it creates the means of doing so: social production. Yet it does not *solve* this task by itself, without further ado. This solution can only arise from the *consciousness*, the *will* and the *struggle* of the proletariat.<sup>30</sup>

The data about German occupational and industrial statistics used by Bernstein were not, however, totally irrelevant, for they could still be used to test

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28 Kautsky 1899a, p. 53.

29 Ibid.

30 Kautsky 1899a, p. 54.

Marx's prognosis about the direction of social development. Kautsky was, after all, taking Bernstein's empirical studies, or the questions posed by them, seriously. He first took up the question of the concentration of enterprises and the development of small-scale industries or enterprises. For Kautsky, there was no doubt about centralisation in this respect. Even though the number of small enterprises and their share of the total labour force were still quite prominent in some industries, the general trend was obvious; their share had been diminishing during the latter part of the century. The situation was somewhat different in commerce and in the sphere of circulation, where small enterprises still held a dominant role. They did not, however, support the thesis of the viability of the small-scale enterprise in general. On the contrary, the small enterprises in commerce were becoming more and more 'proletarianised' and dependent on the bigger enterprises. Moreover, their customers were predominantly proletarian, which lent them a proletarian character:

However, the increase in small-scale enterprises in intermediary trade and the tourist and catering industry [*Gewerbe der Beherbergung und Erquickung*] is not a sign of the viability of small-scale enterprise, but a product of its decomposition. In this way the small publicans and traders are becoming ever more proletarian in their feeling and thinking. If up until now the petit-bourgeois mindset was decisive for the proletariat, then the opposite is increasingly the case.<sup>31</sup>

Taken as a whole, the statistical material supported the Marxist thesis about the development of concentration and centralisation in industry and the economy in general:

'If ever a theory was glowingly confirmed in the figures provided by the German employment and industry data, then Marxist theory was'.<sup>32</sup> In agriculture, the situation was somewhat different, and Kautsky was forced to admit that the concentration of capital was not as clear in farming as in industry. The share of small farms had been increasing in agricultural production. But even here the tendency towards the polarisation of production relations was quite clear. On the one hand, there were big farms working with wage labourers, on the other, there were small family farms providing work for members of the family for only part of the time. The small farmers were not only no longer able to make a living from work on the farm, their work and means of subsistence had become

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<sup>31</sup> Kautsky 1899a, p. 64.

<sup>32</sup> Kautsky 1899a, p. 68.

more and more dependent on industrial production and the capitalist market. It was therefore possible to speak of proletarianisation even in relation to agricultural production and the agrarian population.<sup>33</sup>

Once again, the latest development in the economy thus supported the Marxist thesis about the polarisation of society even in the agricultural sector, even though there was an important difference when compared with developments in industry. In agriculture, there were more countertendencies and, consequently, the direction of the development was not easy to predict.<sup>34</sup> There could not, however, be any doubts about the general direction of development in the whole capitalist production:

Yet if Marx's expectations about the concentration of land holdings have not been fulfilled, then his expectations about the whole of the modern process of capitalist production have been all the more splendidly confirmed. The 'capital magnates', who 'usurp and monopolise' all the advantages of the capitalist 'revolutionary process', have become a reality in the short space of time since Marx wrote this sentence, and are increasingly becoming a reality in the form of *cartels* and *trusts* achieving the concentration of capital.<sup>35</sup>

Having discussed the problem of the tendency towards the concentration of capital in modern society, Kautsky took up Bernstein's second and seemingly more central argument. Bernstein did not, in fact, deny the concentration of capital or enterprises, but only the concentration of property. According to Kautsky, the greatest problem was what Bernstein meant when speaking about property owners [*Besitzenden*]. Marx never presented any theory about the decrease in the number of property owners. On the contrary, the number of capitalists was due to an increase at the same time as the number of wage labourers due to the accumulation of capital. Kautsky was obviously at his strongest in arguing against Bernstein about the meaning of the property owners. It is, indeed, unclear as to what Bernstein meant when speaking about property owners and their increase. More specifically, Bernstein was speaking about people with a 'higher income based on property', that is, people who have some property income without or besides the income from their wage labour. Kautsky's interpretation was that Bernstein could have meant one of three pos-

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33 Kautsky 1899a, p. 73.

34 Kautsky 1899a, p. 78.

35 Kautsky 1899a, pp. 78–9.

sible alternatives, namely, either the increase in the number of property owners referred to the capitalists, which was not in contradiction with Marx's theory, or it referred to the increase in the middle classes with some independent sources of income of their own. The thesis about the increase in the share of the middle classes is more serious, and, according to Kautsky, it contradicted the ideas presented in the *Communist Manifesto*. If the share of the capitalists and the wage workers was increasing simultaneously, then there could not possibly be any simultaneous increase in the share of the middle classes.<sup>36</sup> The third alternative was that Bernstein was simply referring to the increasing wellbeing of the wage workers in modern society. It would, however, be rather strange to speak about property in relation to wage workers and their income.

Once more, the statistical evidence is found to be problematic. To begin with, it was restricted to too short a period, and secondly, it is very difficult to interpret the income statistics in terms of sources of income. As a whole, Kautsky was not convinced of Bernstein's critique of Marxism and the concentration thesis. He was, however, willing to accept that economic developments in capitalism would lead not to the straightforward destruction of the middle classes, but rather to the transformation of the traditional middle classes (merchants, artisans, and so on) into a new kind of middle class.<sup>37</sup>

The argument about joint stock companies was presented by Bernstein as further evidence of the important role of the middle classes in capitalism. According to Bernstein, joint stock companies function as a counterfactor against the centralisation of property despite the centralisation of production. The evidence presented by Bernstein of the effects of joint stock companies on the dispersion of property was found to be quite inadequate by Kautsky. But even his theoretical arguments were – in Kautsky's opinion – misleading and wrong. It is quite true that joint stock companies make the dispersion of ownership of capital possible in principle, but this does not prove anything about the actual dispersion taking place:

The increase in the number of shareholders does not at all prove an increase in the number of property owners; it merely proves that in capitalist society the share form is increasingly becoming the most dominant form of ownership.<sup>38</sup>

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36 Kautsky 1899a, pp. 84–5.

37 Kautsky 1899a, p. 98.

38 Kautsky 1899a, p. 100.



Further:

Far from offsetting the effects of the concentration of capital, share ownership is rather a means of bringing them to the boil. Only with the joint stock company form is it possible to have enormous enterprises, with which individual capital cannot compete.<sup>39</sup>

Bernstein's whole argumentation aimed at proving that the polarisation of society into centralised capital (big capitalists) and propertyless wage labourers was not in fact taking place, or that it was taking place much more slowly than was usually expected. What Bernstein seemed to be trying to show was that there was still room for small enterprises and middle classes in society. The Marxist doctrine on the ever-increasing polarisation of society could thus be seriously doubted. Kautsky, on the other hand, stressed both the concentration of capital and the parallel increase in wage labourers. Even though small-scale enterprises still existed, and even though there were still middle classes side by side with the proletariat and concentrated capital, the general trend had not changed. There were fewer and fewer chances for a wage labourer to become anything but a wage labourer: the socialist perspective was the only realistic one for the proletariat.

Kautsky was quite clearly able to show many of Bernstein's weak points and the imprecision of many of the questions he posed.<sup>40</sup> But in a sense, the whole polemic might actually be considered rather irrelevant from the point of view of the socialist perspective and the strategy of the social-democratic movement – the real issue at stake.

The doctrine against which Bernstein was arguing in his *Evolutionary Socialism* was the theory of collapse of capitalism. Kautsky, on the other hand, was rejecting the whole critique because he thought that it was totally misdirected – neither he nor the Social Democratic Programme had ever presented any conception of revolution based on the theory of collapse. In Kautsky's opinion, the idea of a general and final collapse of capitalism in times of an economic crisis was totally alien to social democracy. Bernstein's critique was based on false assumptions.<sup>41</sup>

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39 Kautsky 1899a, p. 103.

40 According to Colletti, the *Anti-Bernstein* is one of the best treatises written by Kautsky, only to be compared with *The Agrarian Question* [*Die Agrarfrage*]; see Colletti 1968, p. 68.

41 Kautsky 1899a, pp. 42–3.

Kautsky claimed that Bernstein's mistake was that he understood the nature of the Marxist conception of the necessary laws of development or economic laws of society in fatalist terms.

In accordance with his interpretation of necessity as fatalism, he only acknowledges necessity where there is plight. For him, then, Marxist theory becomes a doctrine where economic development eventually creates a situation of plight, in which people have no other choice but to introduce socialism. This is how he understands the Marxist 'theory of collapse'. Refuting this is not exactly an art.<sup>42</sup>

In Marxism, on the contrary, the socialist revolution is understood to be a result of class struggle, and not an automatic outcome of economic development. Socialism will not be established because of a final collapse of capitalism. It will result from the conscious activity of a mature and revolutionary working class:

This theory sees in the capitalist mode of production the factor that drives the proletariat into class struggle against the capitalists, that sees the proletariat increase ever more in number, unity, intelligence, self-confidence and political maturity, that sees its economic significance grow ever larger and makes both its organisation into a political party and that party's victory inevitable. Just as inevitable is the rise of socialist production as a consequence of this victory.<sup>43</sup>

The above interpretation of Bernstein's critique by Kautsky is very illuminating. On the one hand, the whole critique seemed to be totally irrelevant because it is based on the presumed fatalistic idea of collapse. On the other hand, Kautsky admitted that if the concentration of capital did not take place as predicted by theory, then the whole Social Democratic Programme would be based on false premises.<sup>44</sup>

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42 Kautsky 1899a, p. 46.

43 Kautsky 1899a, p. 48.

44 According to Colletti, Bernstein's critique of the conception of collapse in Marxism is – at least partly – legitimated: 'However, granted this, it is also necessary to point out that the way in which Marx's own theory was expounded by Marxism of that period transformed what Marx himself had declared a *historical tendency* into an "inevitable *law of nature*". A violent crisis would sooner or later produce conditions of acute poverty which would turn people's minds against the system, convincing them of the impossibility of continuing

The dilemma became once more clear in a critique of Bernstein's *Evolutionary Socialism* published by Kautsky in *Vorwärts* in 1899, in which he explicitly stated that the factors making socialism necessary were as follows: 'An increase in the size of the proletariat, of the concentration of capital, of overproduction – these are the factors that drive towards socialism'.<sup>45</sup>

On the one hand, in this article Kautsky was ready to defend the deductions of Marxism as corresponding to the statistical evidence: 'On the contrary, the statistics completely accord with the deductions of our theory up until now and most splendidly confirm it'.<sup>46</sup> On the other hand, Kautsky doubted the relevance of such statistical comparison from the revolutionary perspective:

I doubt that we are in a position to statistically calculate when society has become ripe for socialist production. This production will not merely be a product of economic development, but also of the class struggles arising from this development. It presupposes a certain level of capitalist production, as well as a certain strength and maturity on the part of the proletariat.<sup>47</sup>

Once again, Kautsky was denying Marxism as depending only on the presumed future polarisation or collapse of capitalism. The objective tendencies of capitalism are not as such sufficient, even if necessary, conditions for socialist revolution. In Kautsky's opinion, neither Marx nor Engels nor the Social Democratic Programme relied on any such expectations:

But no party, whether in Germany or anywhere else, can do anything with the kind of tactics that make the victory of our movement dependent on a world crisis or world war which are supposed to come about in the near future. The struggle against the theory of collapse in this manner is to tilt at windmills.<sup>48</sup>

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under the existing order. This extreme and fateful economic crisis would then expand into a generalized crisis of society, only concluded by the advent to power of the proletariat' (Colletti 1972, pp. 54–5).

45 Kautsky 1899b, p. 1.

46 Ibid.

47 Ibid.

48 Ibid.

In Kautsky's opinion, Bernstein's critique was obviously misdirected, but if it were justified, then the whole Social Democratic Programme would be miscredited:

If Bernstein's critique of the theory of collapse was justified, then the fundamental clauses of our programme would turn out to be one single great error. But that is not all. If the number of proletarians is falling, if capital is not attaining domination over production, if the market is capable of unforeseen expansion – what is then to become of socialism itself?<sup>49</sup>

Bernstein had proposed that the Social Democratic Party reform its programme and dare to appear as what it in reality already was, namely, a democratic party of social reforms. If Bernstein's proposal were accepted, then the party would cease to be what it really was:

Yet what he is actually proposing to the party is nothing short of saying that it should cease to *be* what it *is*. If we follow Bernstein, then we will throw overboard more than just a few bloodthirsty figures of speech. We will throw overboard not just our previous theory, but also our previous practice, our programme and our tactics, our ultimate aim and our movement, in order to trade this in for a socialism that lacks any justification, any specific differentiation from liberalism and one that is based on the prospects for the radical German bourgeoisie's benevolence.<sup>50</sup>

As a matter of fact, it could be claimed that the result of the dispute between Bernstein and Kautsky was predetermined by the different interpretations of what was understood by them to be the methodology of Marxism, the materialist conception of history. According to Bernstein, the materialist conception of history had to be understood as being equivalent to the 'belief in the inevit-

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49 Ibid. Rosa Luxemburg had formulated the same idea in her critique of Bernstein's *Probleme des Sozialismus*: 'But if one admits, in line with Bernstein, that capitalist development does not move in the direction of its own ruin, then socialism ceases to be an objective necessity. Only two other mainstays of the scientific explanation of socialism remain, which are results of the capitalist mode of production itself: the socialisation of the process of production and the growing consciousness of the proletariat' (Luxemburg 1989, p. 27).

50 Kautsky 1899b, p. 3.

ability of all historical events and developments'.<sup>51</sup> The dominating factors in human society are the productive forces and relations of production. According to Bernstein, it would, however, be wrong to emphasise exclusively the role of economic factors in this development. Even ideological factors have a specific effect of their own. This and only this can be the standpoint of modern advanced materialism (and here Bernstein was referring to the authority of old Engels).<sup>52</sup> Even though the economic development of society is still recognised as being the dominant factor, modern historical materialism should not deny the role of other relevant factors either:

But in any case the multiplicity of the factors remains, and it is by no means always easy to lay bare the relations which exist between them with such precision as to determine with certainty where, in a given case, the strongest/most important driving force is to be found.<sup>53</sup>

Kautsky did not approve of what he understood to be Bernstein's revision of the Marxist conception of history, or its division into an old and a new modern materialism: 'The materialist conception of history has become the theory on which the proletariat bases its socialist aspirations'.<sup>54</sup> Kautsky was, however, willing to admit that the theoretical system of Marxism was still in its initial stages.<sup>55</sup> It would be a veritable service to Marxism to develop it further. In Kautsky's opinion, this would be possible only through a historical study of the development of the economy, by comparing the theory with the relevant historical facts.<sup>56</sup>

In Kautsky's view, it was not only essential to the materialist conception of history for the factors behind the development of society to be found in the economy, in the relations of production. It was equally important for it to provide a method for analysing which groups and classes in society have an interest in the overthrowing of capitalism:

Invariably, there are only quite specific classes whose interests and propensities coincide with the needs of social development. These interests

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51 Bernstein 1909, p. 7 (translation modified BL).

52 Bernstein 1909, pp. 10–11; see Bernstein 1904, pp. 7–8.

53 Bernstein 1909, p. 13 (translation modified BL).

54 Kautsky 1889a, p. 10.

55 Kautsky 1899a, p. 9.

56 Kautsky 1899a, p. 11.

can only be identified through an investigation of the existing mode of production.<sup>57</sup>

This is the scientific method of socialism, the method that is central to scientific socialism.

Kautsky was willing to acknowledge that the materialist conception of history is by no means the only possible scientific one; in principle, there are alternatives to it:

Those who think that the Marxist method is false only have two options. Either they recognise that social development is necessary and follows a certain pattern, but deny that this development can, in the last instance, be traced back to the development of the modes of production. They assume that other additional or exclusive factors need to be taken into account. We could only describe this method as scientific socialism if it investigated the other factors as thoroughly as the economic factor is investigated in *Capital*, and if these factors were substantiated in a way that a socialist society had to result from their operation.<sup>58</sup>

The second possibility is to totally deny the existence of lawful development in society. In that case, scientific knowledge does, however, become impossible. If there are no laws in history accessible to scientific knowledge, scientific socialism becomes impossible too; one cannot say anything about the direction of social development and the great social problems of our time:

This does not exclude a socialist movement, but its goals cease to be anything else than pious wishes arising from the needs of the present. Everything – the arguments, the type of struggle – would have to change.<sup>59</sup>

Kautsky concluded his discussion of Bernstein's critique of the materialist conception of history by claiming that Bernstein seemed altogether to be denying the possibility of scientific socialism. As a consequence, Bernstein denied the scientific justification of socialism:

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57 Kautsky 1899a, p. 17.

58 Kautsky 1899a, p. 18.

59 Ibid.

His embittered struggle against historical necessity leads us to assume that he is paying homage to the view that it is altogether impossible for socialism to have a scientific basis.<sup>60</sup>

Bernstein's critique was aimed at questioning the deterministic nature of social development, vis-à-vis the role and nature of the economic laws of society.<sup>61</sup> The problem with Bernstein's argumentation is that, on the one hand, he was operating on an abstract philosophical level, criticising the doctrine of economic determinism, while on the other, he was trying to empirically falsify the historical explanations and predictions of Kautsky's theory of capitalism. Thus, he made it relatively easy for Kautsky to defend his Marxist position. Bernstein constructed his theoretical opponent in such a way that Kautsky could deny the relevance of his critique. Marxism was neither a deterministic doctrine, nor did the history of socialism depend on the ever-increasing concentration of capital and the collapse of capitalism.

Still, Bernstein's critique was not totally irrelevant after all, as evidenced by Kautsky's reaction to it. Kautsky had to admit – at least indirectly – that Bernstein pointed out an important problem in scientific socialism: In what sense is the socialist doctrine and the strategy of the working class based on the idea of the necessary economic development of capitalism?

According to Kautsky, it was not the economic development alone that would determine the future of socialism. It was neither the concentration of capital nor any final and general crisis of capitalism that would give birth to a socialist society, but rather the increasing strength of a revolutionary working class movement. The dissolution of capitalism and the establishment of a socialist society would, in the final instance, be the outcome of class struggle. Only a revolutionary working class, conscious of its historical mission, could overthrow capitalism and realise the final goal of socialism.

However, it can be claimed that Kautsky was unproblematically expecting that the subject of revolution would rather automatically emerge out of the development of capitalism. The political and moral strength of the proletariat was expected to increase in parallel to the objective conditions of socialism ripening in the form of concentration and socialisation of production inside

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60 Kautsky 1899a, p. 19. Rosa Luxemburg summarised the crucial question of the dispute as follows: 'The dilemma leads to another. Either Bernstein is correct in his position on the course of capitalist development, and therefore the socialist transformation of society is only a utopia, or socialism is not a utopia, and the theory of "means of adoption" is false' (1989, p. 29).

61 See also Arato 1973–4, p. 9.

capitalism. The wage workers would inevitably come to understand their genuine interests because they did not have any alternative open to them other than a socialist revolution – otherwise they would only remain wage workers in a society where their fate was characterised by social and economic misery.

It can be claimed that the conception of the immiseration of the working class was the indispensable link between Kautsky's theory of capitalism and his theory of revolution. And in this respect, Bernstein's critique of Kautsky's determinism was partly justified, even though he was unable to formulate it quite explicitly. His discussion of determinism and free will in history tended more to confuse the issue than to clarify it.



## The Theory of Immiseration, Socialist Consciousness and the Intellectuals

Kautsky was quite clearly at his strongest in criticising Bernstein's conceptions about the role of the 'property owners' and the middle classes in society – as can be seen from Kautsky's discussion of the role of the new middle class, which he preferred to call the intellectuals. Bernstein was generally referring to the increase in the number of property owners or people deriving some income from their property – and not from wage labour exclusively – or to small entrepreneurs in different fields of industry. According to Kautsky, it would be more valid to discuss the role of intellectuals rather than property owners as the new middle class in modern capitalist society:

Had Bernstein wanted to say nothing other than that the middle class is not dying out, with a new middle class taking the place of the old one, i.e. the 'intelligentsia' taking the place of the independent craftsmen and small merchants, then we would have conceded this to him without further ado.<sup>1</sup>

Kautsky's concept of the intellectual was very broad. To him, an intellectual was any qualified worker representing some kind of organisational function in society. The representatives of free professions were a clear and rather uninteresting case of intellectuals – as part of the old middle classes. The reason for the increase in the number of middle classes is the transmission of some of the functions of the exploiting classes to specific employed functionaries, qualified wage workers. The broadening of the functions of the modern state and modern enterprises has led to a remarkable increase in these functions. A relatively well-paid group of people with a specially qualified labour power has emerged. It would, however, be a grave misunderstanding to consider the new groups to be identical with the old middle classes. Their position and functions in society are rather different. It would, however, be equally erroneous to regard them as similar to the proletariat in a straightforward way.

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1 Kautsky 1899a, p. 19.

They resemble the bourgeoisie in their way of life and they have close relations with it in other respects too. While representing the functions of capital, they assume many of the mental attitudes of the bourgeoisie as well: 'From this too, an antagonism against the proletariat arises between the proletariat and the several "intelligentsias"'.<sup>2</sup>

The main characteristic of the new middle class stems from its privileged position based on the privilege of education [*der Privilegium der Bildung*]. Even though education has become relatively common among the population compared with the period of feudalism, it is still a privilege preserved for a narrow section of the population. Kautsky's most interesting contribution to the analysis of the intellectuals was, however, his analysis of their class position. From this point of view, intellectuals do not form a homogeneous class. Their more privileged members are close to the bourgeoisie, while their least privileged members are almost proletarian in position. The most interesting group of intellectuals is, however, the increasing middle stratum of the middle class [*die Mittelschichten der Mittelschichten*], which is situated between the anti-proletarian intellectuals sharing the attitudes of capitalists and the genuinely proletarian intellectuals. This group shares some of the features of both strata in a way similar to the old traditional petit bourgeoisie. There are, however, two important differences: first, there is an important advantage from the point of view of the socialist movement:

It is distinguished from it by its broad intellectual horizons and its instructed ability to think abstractly. It is the stratum of the population that is most easily able to rise above its class and caste-narrowmindedness, to feel idealistically 'above' momentary and sectional interests, to look the enduring needs of the whole of society in the eye and to represent them.<sup>3</sup>

On the other hand, the middle stratum of the new middle class presents a feature that is disadvantageous from the point of view of socialism: it lacks the readiness to fight against capital. Being a relatively small group, without any specific class interest and without a unified organisation, it is not willing to fight for its interests. Moreover, it can easily safeguard its interests even without fighting, while being in a relatively privileged position:

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<sup>2</sup> Kautsky 1899a, p. 131.

<sup>3</sup> Kautsky 1899a, p. 133.

They hate the class struggle and preach its abolition or at least its mitigation. For them, class struggle means insurrection, rebellion and revolution: such things are to be rendered superfluous by social reform.<sup>4</sup>

The future social and political development of the new middle class is a genuine problem for the fighting proletariat. Its social position is contradictory by its nature:

Claiming them entirely for the cause of the proletariat would go too far. But it would be even more erroneous to simply count them amongst the 'propertied'. In this social stratum we can find all the social contradictions that characterise capitalism compressed into a small space. But in this microcosm, like across society as a whole, we find the proletarian element taking steps forward.<sup>5</sup>

The analysis of the new middle class (the intellectuals) is once again characteristic of the whole argumentation presented in Kautsky's anti-critique against Bernstein. Kautsky did not try to deny the importance of all the arguments that Bernstein presented against the thesis of the concentration – or rather polarisation – of society. His aim was more to prove that despite the continued existence and even increase of the middle classes (small property owners, members of the new middle class), their position and functions in society had radically changed due to the development of capitalist relations and the concentration of capital. The groups remaining in between the proletariat and the bourgeoisie – even if not wholly proletarian in position and consciousness – had important features in common with the proletariat. They were gradually being proletarianised.

Summing up the various proletarian elements in modern society, Kautsky came to the conclusion that at least two-thirds or even three-quarters of the population were already proletarian in character – and hence potential supporters of revolutionary social democracy.<sup>6</sup> Even though they were not uniform in their interests, in future it would be possible to unify all the proletarian elements behind the Social Democratic Party and win their support for genuine workers-rule.<sup>7</sup> All that was needed was skilful and forceful agitation by the

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4 Kautsky 1899a, p. 134.

5 Kautsky 1899a, p. 135.

6 Kautsky 1899a, p. 186.

7 Kautsky 1899a, pp. 192–3.

party and its representatives. One of the best-known elements in Kautsky's thinking in this respect was his conception of immiseration.

A two-fold tendency towards the repression and elevation of the proletariat constantly operates in capitalist society. The contradiction in the tendency is, however, nothing but an expression of the general contradiction between capitalists and wage workers.<sup>8</sup> The growing working class and its organisations are able to fight against increasing exploitation and its effects. However, exploitation as such cannot be eliminated in capitalism by an organised working class. The proletariat is able to improve its social position through class struggle, but this pertains to its moral rather than economic standing.<sup>9</sup> In this respect, Kautsky is rather more pessimistic than Engels. In his critical comments on the Party Programme proposal (the Erfurt Programme), Engels pointed out that the workers are able to oppose – at least to some extent – the tendency towards increasing misery. They cannot, however, avoid the insecurity characteristic of their existence in capitalism.<sup>10</sup> As Kautsky formulated it, there exists a constant tendency towards increasing misery in capitalist society, even though many of its effects on the working class have been modified and changed:

Thus in the sense of tendency which cannot be eradicated in capitalist society, and which is asserting itself on an ever greater scale, the phrase about an increase in misery and subordination, as well as outrage amongst the workers, is completely correct.<sup>11</sup>

The fight of the organised working class against exploitation has, however, changed the nature of misery in capitalism. In modern capitalism, it would be better to speak about *social* misery, rather than *physical* misery:

However, yet another point of view is compatible with the facts. The word *poverty* can mean *physical* poverty, but it can also mean *social* poverty. Poverty in the first sense of the word is measured by the *physiological* needs of human beings. However, these are not the same in all places and

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8 Kautsky 1899a, p. 115.

9 Kautsky 1936, p. 200.

10 Engels 1974–2004e, p. 223. Engels's *Critique of the Draft of Social Democratic Programme of 1891* was originally written in 1891, but it was first published in 1901 in *Die Neue Zeit* (see Engels 1974–2004e, p. 599, n. 183).

11 Kautsky 1899a, p. 116.

at all times. Yet the differences they exhibit are nowhere near as large as the *social needs*, the non-satisfaction of which creates social poverty.<sup>12</sup>

In the physiological sense, the Marxist conception of growing misery would obviously be false. But in its wider social meaning, the concept is still valid:

But if the working class rising out of physical poverty is such a slow process, then it follows that there is a constant increase in the class's *social misery*, because labour productivity increases tremendously quickly. This then means nothing other than that the working class remains cut off from the progress of culture to an increasing extent, that the bourgeoisie living standard rises more quickly than that of the proletariat, that the social contradiction between the two of them grows.<sup>13</sup>

In the above quotation, the growing social misery of the working class could be understood as being almost synonymous with the increasing accumulation of capital. Due to the increase in the productivity of labour, capital accumulates faster than the total wages in society. The relative share of the national product received by the bourgeoisie is getting bigger. If the struggle against capital is caused by growing misery, and if the growing misery is synonymous with the accumulation of capital in general, then the theoretical implications of this conception are rather devastating. But in Kautsky's opinion, the growing misery is also reflected in the increasing number of women and children among the labour force. Social misery is indeed a permanent element of capitalism, as permanent as exploitation, and in countries where capitalism is still only establishing its relations, the misery is even more obvious. In such regions, one could even speak of pure physical misery. Hence, Kautsky was able to summarise his discussion of immiseration as follows:

Thus poverty is everywhere in the capitalist mode of production. This poverty is even greater, the more proletarians there are, the more small-scale enterprises are degraded by or made dependent on capital. But this also means more struggle against poverty, more working-class indignation against capitalist rule.<sup>14</sup>

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12 Ibid.

13 Kautsky 1899a, p. 118.

14 Kautsky 1899a, p. 127.

In *The Theory of Immiseration: A Helpless Critique of Capitalism* [*Die Verelendungstheorie: eine hilflose Kapitalismuskritik*], Wolf Wagner discussed the dispute over revisionism mainly as a dispute of the theory of immiseration. Wagner is ready to admit that the study of the polemical writings of both Bernstein and Kautsky does not reveal so many explicit references to the problem of immiseration.<sup>15</sup> The dispute seems to be primarily concerned with the theory of the collapse of capitalism. The development of the social position of wage workers was discussed only sporadically. Still, it is easy to agree with Wagner that the concept of immiseration was perhaps the most important single part of the revolutionary socialist doctrine as presented by Kautsky. It was essential to Kautsky's thinking because it made sense of the general emphasis he placed on the future development of the socialist revolutionary consciousness among wage workers.<sup>16</sup> And it was generally understood to be one of the cornerstones of the scientific socialism of Engels and Marx.<sup>17</sup>

To Bernstein's general theoretical argument, the fate of the working class was important too. It was important to show that the worker's position could be improved in capitalism. Bernstein did not, however, primarily discuss the development of the value and price of labour power. Rather, he tried to show that the devastating consequences of the capital-wage labour relation could already be avoided or at least sidestepped in capitalism by introducing workers'

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15 Wagner 1976, p. 23.

16 However, in *The Agrarian Question*, Kautsky definitely denied that the growing misery of the proletariat was a necessary precondition of its revolutionary aspirations. Improving the position of the proletariat as consumers did not eliminate the necessity for class struggle; on the contrary, it even improved its conditions: 'Modern wage-labourers remain proletarian so long as they are not in possession of their means of production, regardless of how satisfactory their status might be as a consumer, and what they – as a consumer – might own, be it jewellery, furniture or even a small house. In fact, far from making them unfit for proletarian class struggle, improving their position as a consumer enables them to struggle all the more vigorously. Proletarian class struggle is not the outcome of poverty, but of the antithesis between the proletarian and the owner of the means of production. The establishment of social peace will not be brought about by the overcoming of poverty – even if this were to prove possible – but by overcoming this antithesis. And this can only occur when the working population regains possession of its means of production' (Kautsky 1988, p. 314).

17 Wagner presents a list of the works of Marx supporting the thesis that Marx also shared a conception of immiseration. In Wagner's opinion, it does not, however, form a central element of the works of the 'mature' Marx (i.e. *Capital*). (See Wagner 1976, p. 18, n. 14; for a discussion of the role of immiseration in Marx's *Capital*, see Chapter 17).

co-operatives and juridical measures by the state and local authorities. The fate of the working class could be improved in spite of capitalism.

In answering Bernstein's critique, Kautsky formulated his revision of the immiseration doctrine – and introduced the concept of social misery discussed above. (Kautsky was, of course, trying to show that it was no revision after all. According to Kautsky, the *Erfurt Programme* should have been quite understandable to anyone familiar with Marx's work. The misunderstandings were due to an imperfect knowledge of *Capital*).<sup>18</sup> In defending the 'Marxist' conception of immiseration against various critics, Kautsky gave various definitions of the concept – the growing misery had to be understood as only a tendency<sup>19</sup> – but in its most general meaning it became equivalent to the discrepancy between the growing cultural needs of wage workers and their means of satisfying them. There cannot be any fixed definition of these needs. They are cultural needs because they vary from one society to another. The growth of cultural needs kept pace with the struggle and organisation of the proletariat.<sup>20</sup>

The discussion of the Gorlitz Party Programme shortly after the war is even more interesting in this respect. Kautsky defended the *Erfurt Programme* against the revisions in the new programme. According to him,<sup>21</sup> the doctrine of immiseration could be understood in three different ways: (1) The increase in the share of wage workers was, as such, part of immiseration – more and more workers were working for capital and under the command of capital; (2) Immiseration was only a tendency, the realisation of which depended on several factors, especially the power of the organised working class; (3) The misery of the wage workers is only a 'relative' concept: 'Under different historical circumstances, this same life situation can on one occasion be perceived as favourable, and on another occasion as unfavourable.'<sup>22</sup>

The last formulation is by far the most interesting and at the same time most problematic. It could be interpreted as proving that Kautsky had adopted a position similar to the concept of 'relative deprivation' in sociology (workers compare their position with that of other groups or classes in society and/or with their own former position and feel deprived if the experience is unsatisfying). However, this interpretation is not correct. Kautsky represented a position that was, after all, more materialist.

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18 Kautsky 1889a, pp. 127–8.

19 Kautsky 1889a, p. 115.

20 Kautsky 1889a, p. 118.

21 Kautsky 1968a, pp. 246–9.

22 Kautsky 1968a, p. 249.

For Kautsky, as well as for Bernstein, the 'civilising' influence of the struggle of the organised working class and its organisations was enormous; the working class was supposed to develop nothing less than a new and higher sense of morals in its common struggle. And the new cultural needs were going to develop in the common action of the workers too.<sup>23</sup> The growing sense of solidarity among the workers was an important factor in this development. The organised and educated working class would not be content with its former means of satisfying needs. This is the basis for the different experiences of the same life situation [*Lebenslage*] at different times. The conflict between classes would not diminish in power despite the concessions the capitalists were forced to make to an organised working class. New needs were continuously developed in the common action of the working class. Hence, even though Kautsky did not formulate the problem accordingly, he could perhaps be interpreted as having claimed that there is a permanent discrepancy between the value of labour power and the wages actually paid by the capitalists.

Kautsky did not, however, base his ideas of the new conditions of wage workers on any analysis of the possible changes in the production process of capital. (He was not actually speaking of any reproduction of the labour power at all, nor did he use the phrase 'value of labour power' [*der Wert der Arbeitskraft*] in this context.) The thesis of growing misery in the *Erfurt Programme* was based on an analysis of the growing use of unskilled labour, the use of women's and children's labour power, the moral dispersion of the working class family, and so on. The new needs of the wage workers were not a result of any new 'needs' in the production process of capital (such as the use of skilled labour and the rise in the general level of education; the only factor that is mentioned in this context is the growing intensity of labour). The new needs are produced by the organised class struggle only: 'In this way, the proletariat unceasingly grows in number, moral strength, intelligence, unity and indispensability'.<sup>24</sup>

The class struggle fought by the organised proletariat constitutes a permanent learning process for the workers. That is why Kautsky's vision of the condi-

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23 In an article published in 1907–8, *Verelendung und Zusammenbruch*, Kautsky emphasised the role of immiseration as a factor contributing to the moral and intellectual power of the proletariat: 'Marx's great deed precisely consisted in not merely seeing the aspects of the working class's misery which degrade it, but also those that cause them to revolt and thus rise up' (Kautsky 1907–8b, p. 550).

24 Kautsky 1968b, p. 164.



tions of the socialist revolution included the growing strength of the proletariat, the growing needs of the proletariat, and its growing exploitation and repression by capital.<sup>25</sup>

The theoretical core of Kautsky's theory of capitalism could be summarised as follows: The other side of the concentration and centralisation of capital is increasing proletarianisation. Capitalism produces a steadily increasing proletariat. Revolution is not, however, an automatic outcome of the concentration and crisis development of capitalism; it is not caused by any final crisis or collapse of capitalism. It is a conscious deed by the organised socialist working class. In this sense, Kautsky was not really the fatalist criticised by Bernstein.<sup>26</sup>

On the other hand, the growth of the revolutionary movement – the subjective factor or agent of revolution – is understood as taking place almost automatically. Kautsky had no doubts about the development of the socialist elements inside the working class. The development of capitalism was a necessary and automatic training ground for the wage workers. It makes them realise that socialism is the only realistic alternative to the 'misery' of capitalism.<sup>27</sup>

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25 In a preface written in 1906 to the Russian edition of *Handelspolitik* [Trade Policy], Kautsky stated his position without any reservations: 'The capitalist mode of production exhibits two sides: the misery of the proletariat and the wealth of the capitalists. Both are preconditions of socialism. The misery of the proletariat, its exploitation and repression, awakens its indignation, drives it to organise itself, to fight against the state and society, and in so doing to raise itself morally, intellectually and often physically so as to fashion the revolutionary force that is called upon to transform society, to abolish private property in the means of production and to get rid of class differences' (Kautsky Nachlass A 48).

26 In this respect, one can agree with Hühnlich's interpretation of Kautsky's conception of socialist revolution: Considerations of the subjective factor are always present in his analysis. But the relationship between the development of the productive forces, or rather of the concentration of capital, and the subjective conditions of revolution, is, after all, a mechanistic one: The development of the revolutionary working class is an automatic process following from the economic development of capitalism (see Hühnlich 1981, pp. 59–60, 67–8).

27 According to *Videnskab og kapital* [Science and Capital] (1974, pp. 15–16), the strategic expectations of traditional Marxism are deduced from a theory based on the history of the working class – and thus their character is different from that presented by Marx. They are based not on the analysis of the inner contradictions (or rather form determinations) of capital, but rather on the postulated 'subjective factor' deduced from the history of the working class. As a consequence, the struggle of the proletariat becomes a struggle of an oppressed class fighting to realise its ideal of a better society. In this sense, Kautsky's theory is a good example of Marxism.

In this sense, there is some truth in Bernstein's accusation of the fatalistic or rather deterministic – and voluntaristic – nature of Kautsky's theoretical thinking. Scientific socialism is based on the idea of a natural, law-like development of capitalism into two opposite classes, the proletariat and the bourgeoisie, the proletariat growing in 'moral and economic strength' and becoming mature to take over the rule of society.

As already pointed out, Bernstein's critique was, however, rather ineffective and Kautsky was able to defend his position against the accusation of fatalism, because Bernstein formulated the problem in terms of the neo-Kantian tradition as a problem of the relation between the free will of individuals and the natural necessary laws of development.<sup>28</sup> Bernstein thus did not actually take up the theoretical issue of the constitution of the revolutionary subject. On the one hand, he questioned the empirical validity of the economic laws of Marxism, and on the other, the 'fatalistic' version of historical materialism.

If the position of Kautsky's *Antikritik* were taken seriously, then quite clearly there would not be any problems with the development of revolutionary consciousness among the working class. In other contexts, however, Kautsky presented a conception that would seem to contradict the above one, namely, that there are principal limits to the spontaneous consciousness of the wage workers. The wage workers can never develop anything but a limited economic or trade-unionistic consciousness all by themselves. They can become conscious of their common economic (wage) interests as opposed to the capitalists and, at best, learn to understand that these interests must be defended by trade unions in organised common action. But the wage workers can never achieve socialist consciousness by themselves. Socialism must be brought into the working class from the outside. Its representative is the socialist party, which is in possession of the scientific theory of the development of capitalism and the socialist strategy based on it. The creators and carriers of this theory are the socialist intellectuals, who represent science in relation to the working class.<sup>29</sup>

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28 See Colletti 1968, p. 36; Colletti 1972, pp. 73–4.

29 In the *Erfurt Programme*, Kautsky seemed to be representing another kind of position which was not, however, less deterministic. To begin with, it is suggested that in defending their economic interests, workers will inevitably come to state political demands as well (such as the demand of free assembly or free association). Economic struggle will thus inevitably lead to the formation of a political workers' party. Secondly, this party will develop, out of necessity, into a socialist or social-democratic party. In Kautsky's opinion, workers schooled by machines will come to understand wider social problems and the right nature of class relations will be revealed to them because of the rapid economic

One of the clearest formulations of the relation between the working-class movement and scientific socialism was formulated by Kautsky in his 1908 pamphlet *Die historische Leistung von Karl Marx. Zum 25. Todestage des Meisters*. The difference between trade-unionistic consciousness and socialist revolutionary thought as presented by scientific socialism is strictly one of principle:

It is not at all the case that the workers' movement and socialism are one by nature. The primordial form of the workers' movement is the purely economic form, that of the struggle around wages and working hours. At first this assumes the form of simple outbreaks of despair, of unprepared mutinies. Soon, however, *trade union organisations* translate this into higher forms.<sup>30</sup>

But even the spontaneous common economic interests of the wage workers are by no means obvious. The organisation of the workers into unified trade unions is problematic *per se*. To begin with, the interests of the workers in various industries are not always identical; indeed, they are often even contradictory:

Yet since the trade union only represents the immediate interests of its members, it does not automatically stand opposed to the whole bourgeois world, but initially only to the capitalists of its profession.<sup>31</sup>

Secondly, organised action by the trade unions can easily lead to a new rift inside the labour movement. There is a widening gap between organised and non-organised workers:

Thus, however much the trade-union movement may strengthen individual strata of the proletariat, if it is not imbued with a socialist spirit, then it can actually lead to a weakening of the proletariat as a whole.<sup>32</sup>

As a result, a new aristocracy emerges among workers, an aristocracy having no interest in the common cause of the proletariat. Even though trade unions are

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development of capitalism (see Kautsky 1910b, pp. 190–1). In his later works, Kautsky did not, however, develop these arguments any further.

30 Kautsky 1919a, p. 29.

31 Ibid.

32 Kautsky 1919a, p. 30.

an important field of recruitment for the socialist movement, left to themselves they easily develop into a force opposing socialism rather than supporting it. In order to overcome the limitations of the trade union organisation, a wider perspective must be introduced into the workers' movement to make it understand and realise its common historical goals. This can be accomplished only by introducing scientific socialism into the movement. Originally, scientific socialism is a product not of the proletariat, but of the bourgeois intellectuals taking a proletarian standpoint in their theoretical thinking:

Only somebody who was able to place himself on the ground of the proletariat, to observe bourgeois society from this point of view, could arrive at a socialist understanding. Yet it could only be somebody who had mastered the tools of science, which back then were far more the preserve of the bourgeoisie than they are today ... All over the world [*überall*], socialism could at first only arise from the bourgeois milieu.<sup>33</sup>

Furthermore, scientific socialism is nothing but a social science having as its starting point the proletarian position.<sup>34</sup> On the one hand, socialist society can be established only by the power of the working class; the proletariat is able to liberate itself only through its own action. On the other hand, the social liberation of man is not possible without scientific socialism:

It is not able to achieve this [socialist society] without a socialist theory, which alone is capable of figuring out the interests common to all proletarians in the multi-coloured multiplicity of the different proletarian strata, and of sharply and permanently separating them all from the world of the bourgeoisie. The naïve workers' movement that arises by itself against the growth of capitalism, and which is devoid of any theory, is incapable of achieving this.<sup>35</sup>

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33 Kautsky 1919a, p. 27.

34 Ibid.

35 Kautsky 1919a, p. 29. It is possible that Kautsky was further developing an idea presented by Marx and Engels in the *Communist Manifesto*. In the *Communist Manifesto*, communists are said to be theoretically superior to the other masses of the proletariat, having understood the conditions, the development and the results of proletarian struggle. The next task of the communists – a task shared by all the other workers' parties – is to develop the proletariat into a class (see Marx and Engels 1974–2004c, p. 498). There is, however, an important difference between Marx's, Engels's and Kautsky's respective formulations

Scientific socialism was first developed by Marx and Engels. According to Kautsky, the socialist theoreticians before them were certainly familiar with the political economy of their time. They did not, however, achieve a systematic critique of old science, and instead used it only to draw conclusions favourable to the proletariat. It was Marx who first undertook an independent study of the capitalist mode of production and proved that it could be understood and analysed much more deeply and clearly from the standpoint of the proletariat: 'Only this point of view, which considers capitalism to be a transitory form [of society], allows it [the proletariat] to fully grasp its revolutionary character'.<sup>36</sup>

By formulating the scientific laws of capitalism and its historical role, the founders of scientific socialism developed a science far surpassing any of its bourgeois predecessors:

Using this reasoning, Marx and Engels created the basis on which social democracy arises, the basis on which the fighting proletariat of the entire globe is increasingly placing itself and the basis on which the proletariat has begun its illustrious triumph.<sup>37</sup>

Compared with the socialist perspective as presented by Kautsky in his answer to Bernstein, the discussion about the limits of spontaneous economic consciousness is somewhat peculiar. In Kautsky's *Antikritik* – and in the *Erfurt Programme* – the development of revolutionary consciousness was taken to be a self-evident fact, whereas in the *Historische Leistung* [*Historical Achievements*], socialist consciousness and perspective are understood to be a product of the intellectuals which must be especially incorporated or introduced into the workers' movement.<sup>38</sup> The spontaneous development of the movement is

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of the problem: in the *Communist Manifesto*, the communists are not claimed to be anything other than a part of the proletarian mass; cf. Engels's *Socialism: Utopian and Scientific* (Engels 1974–2004c, pp. 304, 325).

36 Kautsky 1919a, p. 37.

37 Kautsky 1919a, p. 36.

38 Przeworski explained, in an interesting way, the evident contradiction in Kautsky's thinking concerning the formation of a revolutionary, socialist working class: Whenever Kautsky stated that the proletariat spontaneously acquires consciousness of its historical mission – and that the party merely assists, supports and participates in the class struggle alongside the working class – he was referring to the situation after the 1890s, whereas the problem of the development of socialist consciousness and the organisation of workers by socialist parties and intellectuals always refers to the situation around 1848 before

even apt to prevent the development of a unified socialist movement as evidenced by the formation of a new workers' aristocracy. As a matter of fact, the introduction of the socialist theory and perspective is not, however, even now considered to be problematic. The new science of political economy by definition presents the authentic proletarian standpoint. Once the principles of the new science have been taught to the workers, they will readily and naturally adopt the right political conclusions.

On the other hand, the discussion about the new workers' aristocracy – later to be adopted by Lenin in his theory – also seems somewhat out of place in this connection. If the distinction between economic and socialist consciousness really is one of principle, then any rift within the movement caused by a labour aristocracy would seem to be a minor problem compared with the general restrictions of the spontaneous economic interests of the workers.

The postulated distinction between the two kinds of consciousness within the labour movement has quite serious consequences for Kautsky's understanding of the role of intellectuals and the Social Democratic Party in relation to the struggle of the workers. Leineweber proposed an interesting formulation of the consequences resulting from the understanding of the socialist science as presenting the authentic proletarian standpoint:

Firstly, theory appears as, so to speak, the proletariat's natural form of consciousness, thus losing its independence as a product of a self-sufficient and distinct [*selbständig und eigenständig*] mode of production ... Secondly the proletariat loses the independence of its mode of production in that it does not produce any experiences, ideas, thoughts etc. which are opposed to theory, because otherwise these could not become ideational reflections in the rear-view mirror [*ideele Rueckspiegelungen*] in the minds of the class. Only with the help of theory can and should it gain insight into the sequence of the historical process in which it has a role to play.<sup>39</sup>

Kautsky's formulation of the problem of socialist consciousness thus has far-reaching consequences both for the understanding of the role of theory and that of the proletariat in the socialist movement; representing the authentic

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the organised working class movement had come into being (Przeworski 1977, p. 351). The character of Kautsky's *Historische Leistung* as a 'Festschrift' paying homage to Marx evidently supports Przeworski's thesis. But the ambivalence still remains: Kautsky did not seem to recognise it, and he never tried to explicate it in similar terms as Przeworski.

39 Leineweber 1977, pp. 48–9.

proletarian standpoint, theory – and intellectuals – legitimate their leading role in the movement. And in this respect, Kautsky's concept of Marxism is representative of the theoretical thinking of Second International Marxism.

## Socialism as Science

Kautsky's argument that the socialist perspective and scientific socialism are brought into the labour movement from outside by bourgeois intellectuals, who have taken the proletarian standpoint, seems to display an ambivalence, namely, that the intellectuals<sup>1</sup> are able to develop scientific socialism precisely because they do not have a clear class position of their own. As a result, not only do they represent higher learning and scientific knowledge, but they also have a specific capacity for abstract thinking. And it seems to be their classless position that endows them with a wider perspective in their thinking: 'However, the intelligentsia is distinguished from both of these classes by its broader intellectual horizons, its better education in how to think abstractly and its lack of united class interests'.<sup>2</sup> Concrete interests in the daily struggle make it impossible for the other classes in society to understand the general laws of social development, the specific subject matter of scientific socialism.<sup>3</sup>

On the other hand, Kautsky seems to believe that the modern proletariat is the only rightful heir to bourgeois culture [*Bildung*]. A wage worker has no use for scientific knowledge in improving his social and economic position. He cherishes scientific knowledge for its own sake, like an ancient philosopher:

One of the most striking aspects of modern society is the proletariat's *thirst for knowledge*. Whereas all other classes seek to dawdle away their

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1 In referring to the intellectuals as creators and producers of scientific socialism, Kautsky was clearly using the concept in a narrower sense than when talking about intellectuals as the new middle class having some organisational functions in capitalism. He did not, however, explicitly discuss the different uses of the concept, and he did not therefore make any distinction between critical intellectuals and the intellectuals as a social class.

2 Kautsky 1894–5a, p. 76.

3 According to Leineweber, Kautsky's theoretical discussion of the social position of intellectuals was the first Marxist contribution to a class theory of 'intelligentsia' (Leineweber 1977, p. 58). It is interesting to note that Karl Mannheim's famous concept of 'free-floating intelligentsia' [*freischwebende Intelligenz*] is clearly a further extrapolation of Kautsky's ideas. The classless position of intellectuals is the central theme of Mannheim's theory of intelligentsia in *Ideology and Utopia* (1960, pp. 136–46). There is, however, an important difference between Kautsky and Mannheim, insofar as in Mannheim's thinking, intellectuals – although situated between classes – do not constitute a new middle class (see Mannheim 1960, p. 139).



leisure time in the most mindless possible way, the proletariat strives for education [*Bildung*] with veritable greed ...

And this thirst for knowledge is entirely disinterested. Knowledge cannot help the machine-worker to increase his income. He seeks truth for its own sake, not for material gain. He therefore does not limit himself to a single, smaller domain of knowledge: his eye is on the whole: he seeks to understand the whole of society, the whole world. The most difficult conundrums lure him most, he delights in addressing himself to questions of philosophy and metaphysics. It is often difficult to bring him back down to solid earth from the clouds.<sup>4</sup>

The proletariat is the inheritor of the philosophical spirit of the ancient aristocracy because it is interested in the most general and abstract problems of the world for the sake of pure knowledge. Kautsky's argument is similar to that used in connection with the intellectuals: they too have a wider spiritual horizon. And science – the great science – is something that deals with the general and necessary development of the world and society in particular. The specific interests and needs of the various groups of population are often a hindrance to a correct understanding of these general tendencies and laws.

Scientific socialism has a double role in relation to the proletariat: to make it recognise its common goals and general interests, and to make it possible for the proletariat to reach these goals with maximum efficiency. It is, however, not legitimate to draw any ideals from scientific knowledge.<sup>5</sup> In this respect, Kautsky made a rather clear neo-Kantian distinction between values and science:

Even Social Democracy, as an organisation of the proletariat in its class struggle, cannot [dispense with] the moral ideal, the moral indignation against exploitation and class rule. But this ideal has nothing whatsoever to do with scientific socialism, which is the scientific examination of the laws of the development and movement of the social organism, for the purpose of knowing the necessary tendencies and aims of the proletarian

4 Kautsky 1934, pp. 156–7 (translation modified BL).

5 For a discussion of the neo-Kantian impact on Marxism, and Kautsky and Bernstein especially, see Colletti 1972, pp. 72–6. The distinction between factual statements [*Sachurteile*] and value statements [*Werturteile*] is crucial in the neo-Kantian tradition. It is characteristic in this respect that Karl Vorländer, who in his *Kant and Marx* of 1911 proposed to unite and supplement historical materialism with Kant, approvingly referred to Kautsky's conception of ethics and science (see Vorländer 1924).

class struggle ... Science has only to do with the recognition of necessity. It can certainly arrive at prescribing a shall, but this may only come up as a consequence of insight into the necessary.<sup>6</sup>

Science cannot ascribe any ideals or goals to action; it can, however, reveal the direction of development and, hence, the necessary outcome of history.<sup>7</sup> In this sense, it can be of assistance in showing that some goals of action are impossible to achieve (i.e. wage workers have no other realistic alternative but socialist society to liberate them from the exploitation of capital). Hence, the unifying role of science is based on the recognition of the laws of development of society: 'Without socialist theory they are not able to recognise the unity of their interests. The individual strata of the proletariat are alien to each other, occasionally even hostile'.<sup>8</sup> Apart from its role as a unifying force, science can function as a guideline in the struggle for socialism, that is to say, only with the help of science is the proletariat able to reach its historical goals with the maximum efficiency and minimum use of energy:

Only through a *recognition* of the social process, its tendencies or aims, can this waste be ended, the strength of the proletariat concentrated, the workers brought together into great organisations united around a common aim, with all personalities and momentary actions subordinated to the permanent class interests, and those interests, in turn, placed at the

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6 Kautsky 1909b, pp. 202–3. In discussing the limits of science and scientific knowledge, Kautsky also made a distinction between individual and mass phenomena. Only the latter can become the object of scientific study and knowledge: 'The field of science only extends as far as the field of discernible necessity. Where this ends, science ends too. Its frontiers are expanding on a daily basis, but we are not yet far enough to be able to scientifically fathom the will of the *individual* in society, i.e. to be able to recognise it as necessity. The field of science only extends as far as the field of discernible *necessity*. We can only subject *mass phenomena* to scientific investigation' (Kautsky 1900–1, p. 358). It is, however, somewhat unclear whether this distinction is thought to be one of principle, or whether it is a practical limitation due to the present stage of the development of science.

7 Kautsky's discussion of science as revealing the necessity in history was certainly influenced by Engels's conception of freedom and necessity in *Anti-Dühring*. According to Engels, in socialism humans will consciously make use of the laws governing the development of society. For Engels, then, socialism does not abolish the natural laws of society, but will be equal to the conscious utilisation of these laws in the interest of humanity. 'The laws of his own social action ... will then be used with full understanding, and so mastered by him' (Engels 1974–2004d, pp. 254–71).

8 Kautsky 1919a, p. 29.

service of collective social evolution. In other words, theory is the factor that raises to the highest degree the strength which it is possible for the proletariat to develop. Theory does this by teaching the workers how to use the powers arising at any given stage of economic development in the most effective manner and by preventing the waste of those powers.<sup>9</sup>

Because the proletariat does not realise its own power in the present society, the analysis of the development of society and the class position of the proletariat is a necessary step on the way to the establishment of proletarian power.

The proletariat is in a more fortunate position than the earlier revolutionary classes in history.<sup>10</sup> Its science is the most developed form of knowledge. The new science was developed from the proletarian standpoint. Yet, to Kautsky, the proletarian and the scientific standpoint are identical, because the proletariat represents progress in history. In this sense, its general interests are identical to the interests of the whole of society:

But no party has ever delved into the social tendencies of its time so deeply, and understood them as precisely as social democracy has. That is due not to social democracy's merit, as to its good fortune. It owes its superiority to the fact that it stands on the shoulders of bourgeois economy, which carried out the first scientific investigation of social relations and conditions.<sup>11</sup>

The revolutionary proletariat is the rightful heir to this theoretical aspiration, which is dying out with the increasing conservatism and reactionary nature of the bourgeoisie.<sup>12</sup> The proletariat can and must base its whole action and

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9 Kautsky 1919a, p. 44.

10 Cf. also: 'Yet social democracy's great fortune stems from the fact that it has the fortune of possessing a theory that can guide it better than any other through the labyrinth of modern society and shows that its aims point in the same direction as that of necessary social development, whereas those of our opponents go in the opposite direction. Our aims therefore prove to be irresistible, whereas those of our opponents prove to be barren ... But our socialist theory does not merely point out the general direction of social development, but it also makes it possible for us to predict the coming situation, and what this situation demands, with greater certainty than would otherwise be the case. It makes it possible for us to prepare ourselves for such situations, and to exploit them most rapidly and energetically' (Kautsky 1905–6, p. 859).

11 Kautsky 1910b, p. 123 (translation modified BL).

12 Kautsky 1902–3a, p. 730.

struggle on scientific knowledge of the laws of society. In this very sense, the proletarian standpoint is the scientific one, and the proletariat the inheritor of the scientific world outlook of the bourgeoisie.

The scientific perspective is synonymous with the recognition of the objective necessary laws of society, and the recognition of these necessities is identical to the general proletarian interest:

And these outlooks are no mere expectations of conditions which simply ought to come, which we simply wish and will, but outlooks at conditions which must come, which are necessary. Certainly not necessary in the fatalist sense, that a higher power will present them to us of itself, but necessary, unavoidable in the sense that the inventors improve technology and the capitalists, in their desire for profit, revolutionise the whole of economic life in its entirety, as it is also inevitable that the workers aim for shorter hours of labour and higher wages, that they organise themselves, that they fight the capitalist class and its state, as it is inevitable that they aim for the conquest of political power and the overthrow of capitalist rule. Socialism is inevitable because the class struggle and the victory of the proletariat is inevitable.<sup>13</sup>

The scientific interest is not, however, identical to the specific interests of the wage workers, and the proletariat cannot come to know the social necessities all by itself in its practical political action. It presupposes that the proletarian science – a new positive science more scientific than its predecessors – is developed.<sup>14</sup> Socialism is inevitable, but only on condition that its inevitability is understood by the proletariat; however, the problem is not unsolvable since the proletariat will inevitably come to understand this inevitability. It has no other alternative. Once the development of society towards greater concentration and polarisation is understood and recognised, the interests of the

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13 Kautsky 1910b, p. 206 (translation modified BL).

14 Cf. also: 'As soon as it has arrived at self-consciousness to some extent, an ascendent class, which cannot achieve complete equality or develop freely within the framework of the society in which it is arising, has to strive to replace the existing form of society with another one that suits its interests' (Kautsky 1902–3a, p. 729). Leineweber has suggested an interesting interpretation of such a conception of scientific socialism. The classless socialist science anticipates the future classless society: 'Without knowing it, he [the theoretician] is ideally where the proletarian scatters about in reality' (Leineweber 1977, p. 70).

proletariat become identical to the demands of progress in society, and the coalition of science and proletariat is accomplished.

Kautsky's comment on the discussion about Mach and Machism<sup>15</sup> – a lively discussion among Marxists of his time, as shown also by Lenin's *Materialism and Empirio-criticism*<sup>16</sup> – is typical both of his willingness to avoid any disputes which would endanger the unity of the party and which in his opinion are also totally irrelevant from the point of view of social theory and practical politics. For Kautsky, Marxism was essentially a positive science of society and of history, and it did not include any specific theory of knowledge. Even though materialism is characteristic of Marxism, questions of the theory of knowledge are irrelevant to Marxism, and the stand adopted by a Marxist on these questions is exclusively a private matter for every individual member of the party.

The main task of the proletariat is to learn Marxist theory of capitalism and the materialist conception of history, and especially to recognise the immediate tasks in its own country. Compared with these main truths of Marxism, the theoretical clarity about different versions of the theory of knowledge is of secondary importance.<sup>17</sup>

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15 Kautsky 1909a.

16 Lenin 1967i.

17 In this respect, Lenin's position could be characterised as a total antithesis. In his opinion, questions concerning the theory of knowledge are of immediate interest to the party. Il'enkov (1980) accordingly interpreted the importance of Lenin's *Materialism and Empirio-criticism* mainly from the point of view of the political line of the Russian Social Democratic Party: the main result of Lenin's critique of Mach's theory of knowledge is that a Menshevik having a false conception of the strategy of the party but a correct position in the theory of knowledge is less dangerous than a Bolshevik representing a Machist theory of knowledge.

## The Capitalist Law of Appropriation: Kautsky's Interpretation of Karl Marx's Economic Thought

One would expect that the phenomenon of revisionism would have had something to do with the question of the dual nature of consciousness of the working class. However, revisionism was never a serious theoretical problem for Kautsky. He could cherish illusions that the theoretical authority and the programme of the party were not seriously challenged by revisionism because, in his opinion, revisionism had not yet presented any alternative scientific theory endangering the role of Marxism in the movement. As a matter of fact, it had not presented any theory at all. In this respect, it could better be compared to the historical school of national economy.<sup>1</sup> On the other hand, one would expect Kautsky to have wondered why the proletariat, in his opinion already a decisive majority in the developed capitalist countries, had not been ready to take over state power. The only explanation he offered was that the proletariat was not yet ripe for its historical mission.

Regarding Germany, Kautsky's optimism in this respect, shared by Engels,<sup>2</sup> was understandable. During the relatively short period since the abolition of the socialist law, the party had succeeded quite well in the parliamentary elections. The final victory was only a question of time. Minor setbacks could be explained by concrete political conditions. In England, however, the situation should have been theoretically more challenging. The increase of the proletariat and its organisation into trade unions had tended to weaken the revolutionary spirit of the labour movement. As a matter of fact, in England – as was already pointed out by Engels – there had not been any genuinely socialist movement of importance, but only 'eclectic, average socialism'.<sup>3</sup>

However, Kautsky never developed any theoretical explanation for the phenomenon of revisionism or reformism inside the party and trade unions. He clearly understood revisionism as only a singular event in the development of Social Democracy and did not analyse it at all in the wider context of emerging

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1 Kautsky 1902–3a, pp. 727–8.

2 Engels 1974–2004f, pp. 521–2.

3 Engels 1974–2004c, p. 297.

reformist tendencies in the labour movement. In 1902, in *The Three Crises of Marxism* [*Die drei Krisen des Marxismus*] Kautsky could already state that the newest crisis in Marxism, the challenge posed by revisionism, had been overcome and had not left any permanent effects on Social Democracy: 'Above all, it had almost no affect at all on the main thing, i.e. practical Marxism, almost completely untouched, which is understandable'.<sup>4</sup> This crisis did not have any real reasons: it was caused exclusively by the personal reaction of certain persons. Thus it did not leave any permanent traces and 'as of yet, the most recent crisis of Marxism has not even brought about a fundamental revision of our programmes'.<sup>5</sup>

In an article written shortly after the Dresden Party Congress in 1903, Kautsky could triumphantly announce that 'the declarations and votes in Dresden signify the burial of theoretical revisionism *as a political factor*'.<sup>6</sup>

Finally, in an article dedicated to the seventieth birthday of Bernstein in 1920, Kautsky could even afford to give his former opponent credit for having discussed the new problems posed by imperialist politics and economic prosperity, and connected with the relations of Social Democracy with radical bourgeois parties.<sup>7</sup> At the same time, Kautsky nevertheless preserved his old position, and stated that the development of capitalism had subsequently made the problems posed by Bernstein obsolete:

When imperialism went from its first stage into its second stage, when prosperity and continual trade-union victories were replaced by rapid inflation and the stagnation of the trade-union struggle, the question of the correctness of Marx's prognoses ceased to play a role.<sup>8</sup>

The problems posed by Bernstein were thus understood to have been connected only with a specific economic conjuncture of capitalism. However, even according to Kautsky's own conception, reformism was a natural feature of the labour movement in its initial stages of development. Without the political guidance of the party provided with a socialist theory, the labour movement could never become conscious of its genuine interests. Obviously, Kautsky believed that once the labour movement was politically organised and the proletariat had adopted the essentials of scientific socialism, reformism could

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4 Kautsky 1902–3a, p. 727.

5 Ibid.

6 Kautsky 1902–3d, p. 814.

7 Kautsky 1920a, pp. 45–6.

8 Kautsky 1920a, p. 47.

no longer gain any permanent footing in the movement. Revisionism was only a temporary indiscretion on the part of some party intellectuals caused by ignorance and insufficient knowledge of the wider perspectives of social development.

There are several explanations as to why the proletariat cannot attain a general and common class consciousness in its economic struggle scattered throughout Kautsky's work (petit-bourgeois traditions and remnants, labour aristocracy, and so on), but the main obstacle is clearly one of principle: there are limits of principle to economic consciousness that can never be overcome automatically. In this respect, Kautsky's dualism is rather devastating. Political consciousness and the struggle for power – whether inside or outside of parliament – have practically nothing to do with the daily interests of the wage workers, yet the labour movement is supposed to develop automatically and out of necessity into a revolutionary political party. The mediator is the Social Democratic Party in possession of the scientific socialism and the right strategy. The best form of political struggle in this respect is parliamentary politics. Electoral campaigns have an important organisational function. They are the best means of organising the proletariat of the whole country into common action.<sup>9</sup>

Theoretically, Kautsky's conception of the economic vs. socialist consciousness of the wage workers, and the political consequences drawn from it, are deeply rooted in his interpretation of Marx's 'economic thought'. Kautsky's book *The Economic Doctrines of Karl Marx* [*Karl Marx' Ökonomische Lehren*], written in co-operation with Bernstein and under the guidance of Engels,<sup>10</sup> was originally published in 1887. It could be argued that at least in some of its basic interpretations, *The Economic Doctrines of Karl Marx* presents the core of the Marxism of the Second International; the fundamental aspects of this interpretation were shared by most theoreticians of the time.

The basic idea behind the Kautskyan interpretation of *Capital* was the historical character of its economic theory; *Capital* is basically a presentation of the historical development of capitalism, the most important part of which is the presentation of the historical law of capital accumulation. Kautsky is quite explicit in his interpretation in this respect. In the preface to his book, he formulated the task of his presentation not only as a popularisation [*Gemeinverständlichkeit*] of *Capital*, but also, in an important sense, as a further development of Marx's economic thought.<sup>11</sup>

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9 Kautsky 1911a, p. 137.

10 Steenson 1978, p. 66.

11 Kautsky 1906b, pp. IX–X.



According to Kautsky, Marx's *Capital* is often said to be very difficult to understand and hard to read. In Kautsky's opinion, this complaint is totally misplaced. The presentation in *Capital* is superior in its beauty and clarity; its style is classical. And yet it must be admitted that many a reader has found it very difficult to understand. The presentation should not, however, be made responsible for the many misunderstandings. Economics is by its very nature a difficult field of study; society is such a complicated formation. The part of economic science which Marx called 'vulgar economics' is easy enough to understand for anyone familiar with the business transactions of everyday life. Knowledge of everyday business life is not, however, sufficient for the study of Marx's critique of political economy. The theory presented in *Capital* can be comprehended only when the relevant historical and contemporary facts are known:

Understanding Marx's *Capital*, which establishes a new historic and economic system in the form of a critique of political economy, not only presupposes a certain historical knowledge, but also a recognition of the facts presented by the development of big industry. Those who are not at least partly aware of the facts from which Marx derives his historical laws will remain in the dark when it comes to the meaning of these laws, and may complain about mysticism and Hegelianism. Even the clearest presentation will be of no use to them.<sup>12</sup>

Knowledge of the relevant historical facts is, however, problematic, because Marx himself did not – for some odd reason – always present them in *Capital*.<sup>13</sup> The chapters on big industry [*grosse Industrie*] carefully present the relevant historical facts, whereas they are clearly missing at the beginning of *Capital*. And Kautsky takes it upon himself to supplement the presentation in this respect:

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<sup>12</sup> Ibid.

<sup>13</sup> In a letter to Werner Sombart in 1895, Engels formulated the task of the further development of Marx's *Capital* in terms similar to those employed by Kautsky. In discussing the problematic nature of value in capitalism (in a 'developed system of exchange of commodities'), Engels stated that, in capitalism, value is hidden as opposed to the immediate value of undeveloped exchange. It would thus be a veritable service to the further development of Marx's theory of value to present the necessary mediating steps of the historical process of transformation from the still undeveloped exchange of commodities into capitalism, from the immediate value to the hidden value of commodities – a process, in Engels's opinion, not presented by Marx in *Capital*. (See Engels 1974–2004k, pp. 461–2; see also Himmelfmann 1978, p. 306, who interpreted Engels as requiring a positive verification of Marx's theory of value.)

On the one hand, the task consisted of making the reader aware of the facts which underlie the theoretical deliberations. This was particularly necessary in the first chapter. For the most part, Marx referred to these facts himself, but often he only alluded to them. As a rule, these allusions have been overlooked. At other times I had to take the liberty of making the reader aware of these facts myself. This was particularly the case in the first paragraphs of the first chapter. In the present work we could only provide pointers. Providing an exhaustive account of the facts that underlie *Capital* would not only far exceed the space available to me, but also my own abilities. Doing so would mean nothing short of writing a history of the development of humanity from prehistoric times. *Capital* is a substantially historical work.<sup>14</sup>

The main shortcomings in the presentation of *Capital* are to be found in the chapters dealing with commodity and money. According to Kautsky, in these chapters Marx analyses a specific historical stage of production called simple commodity production. He does not, however, present the necessary historical facts in relation to this mode of production. The presentation of these facts is – in his own opinion – Kautsky’s main contribution to the further development of Marx’s economic thought.

According to Kautsky, Marx’s abstract-theoretical presentation of simple commodity circulation is easier to comprehend and clearer when understood as the description of a specific historical stage of production. Simple commodity production is a mode of production based on private ownership of the means of production and the exchange of products in the market. Every producer is the owner of his own means of production and subsistence and, hence, the products of her or his labour. The right of property is based on the labour of every commodity producer. Even though Kautsky set out to present the missing historical facts supporting the postulated existence of simple commodity production, he was quite obviously at great pains to try to find anything that really existed in history. The manufacturing period of capitalism dates back to the mid-sixteenth century in Europe. Consequently, simple commodity production should already have existed in the Middle Ages. On the other hand, Kautsky accepted Marx’s conception of the products of labour taking the form of a commodity only under developed capitalistic relations – at least in general.<sup>15</sup>

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14 Kautsky 1906b, pp. x–xi (translation BL).

15 ‘It is therefore not until production is conducted on capitalist lines that the individual commodity producer (the capitalist) produces as a rule with socially-necessary average

The emphasis on the historical interpretation of *Capital* has important consequences for Kautsky's conception of the production relation in capitalism. In simple commodity production, the right of property is based on one's own labour. The appropriation of alien labour – and its products – is only possible when the law of equal exchange of commodities (exchange of equal values) is respected. This form of appropriation is, however, reversed as soon as the capitalist mode of production is introduced:

The accumulation of surplus-value means the appropriation of unpaid labour for the purpose of extending the appropriation of unpaid labour.

What a contradiction of the principles of commodity exchange! We have seen that originally the exchange of commodities was conditioned, on the one hand, by the private property of the commodity producer in his product, and, on the other hand, by the exchange of equal values, so that none could obtain possession of a value except through his own labour or through the surrender of an equal value. Now we find, as the foundation of the capitalist mode of production, on the one hand, the separation of the labourer from the product of his labour; he who creates the product and he who owns it are two different persons; and on the other hand we find the appropriation of value without the surrender of an equal value, surplus-value. Moreover, we now find that surplus-value is not only a result, but is also the foundation of the capitalist process of production. Capital not only produces surplus-value, but surplus-value turns into capital, so that finally the greater part of all wealth consists of value which has been appropriated without an equivalent value.

This distortion of the foundation of commodity production into its contrary is effected, however, not in contradiction to its laws, but on the basis thereof.<sup>16</sup>

Kautsky's formulation of the historical transformation of the law of appropriation is rather difficult to interpret. It is, however, quite obvious that taken together with the strong emphasis on the historical character of Marx's theory of capitalism, a specific conception of the wage labour-capital relation follows from it. In the book *Kautsky: The Marxist Past of the SDP?* [*Kautsky: Marxistische Vergangenheit der SPD?*],<sup>17</sup> Projekt Klassenanalyse has compared Kaut-

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labour, and must do so. It is only under the capitalist mode of production that the law of commodity value is in full operation' (Kautsky 1936 [1906], p. 137).

16 Kautsky 1936, pp. 207–8.

17 Projekt Klassenanalyse 1976.

sky's Marxism with Marx's critique of political economy in *Capital*. According to Projekt Klassenanalyse, Kautsky made an elementary theoretical mistake in his interpretation. Kautsky did not understand the theoretical position of the presentation of simple commodity circulation in *Capital*. According to him, the circulation of commodities shows that alien labour can be appropriated only when one's own labour is given as an equivalent in exchange. Before being able to appropriate alien labour, one must appropriate the product of one's own labour outside the relations of exchange. And this original appropriation of one's own product can only take place as an appropriation of nature's products, a relation that is socially undetermined. As a consequence, Kautsky postulated the existence of a specific historical stage of production, simple commodity production, preceding capitalism:

Thus from the form of appearance of commodity circulation, Kautsky comes to the conclusion that simple commodity circulation is subject to a corresponding [stage] of simple commodity production, in which labour and the ownership of its product are not separated from each other ... Thus it is his understanding of the simplest economic forms of bourgeois society that constantly forces him to [develop] a thesis on the historical genesis of these forms, which is contradicted by the historical material he offers in support of this thesis.<sup>18</sup>

Kautsky failed to understand the specific character of the capital relation as an indirect or mediated relation of domination and serfdom [*Herrschaft und Knechtschaft*] because of his historical conceptualisation of simple commodity production. Consequently, in his thinking there is no necessary relation between the appropriation of surplus value and the exchange of equivalents. He recognised the capital relation only as a relation of exploitation of surplus value, as a relation in which the producers are subordinated under the products of their own labour and in which they are faced by capital as an alien force. He failed to recognise the other side of the relation, vis-à-vis the formal equality of a wage worker and a capitalist:

He does not see that the transformation of labour into a power hostile to the labourers involves intermediate linkages. Although these intermediate linkages constantly force the labourers to submit to the laws of capital, they simultaneously transfer them into a social relationship in which they

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18 Projekt Klassenanalyse 1976, p. 27.

are apparently on an equal footing with the capitalists. He considers these inverted forms, which are created by the capitalist mode of production, to be historically out of date and without any basis in the capitalist mode of production itself.<sup>19</sup>

The most serious confusion in Kautsky's interpretation is that he seemed to understand the capital relation as a direct relation of exploitation which can obviously be experienced by wage workers as such, whereas the freedom and equality of the commodity owners are something belonging exclusively to the world of simple commodity production preceding capitalism. They are a remnant of an earlier mode of production. His conceptualisation of the consciousness of the proletariat was, consequently, contradictory. Even though the relation of exploitation seemed in his understanding to result from an immediate and direct violation of the original rule of property, Kautsky was forced to postulate a limit in principle to the consciousness of the wage worker. The capitalistic reality is not revealed to the wage worker after all. Spontaneous class struggle is often something actually opposed to the socialist cause. Kautsky did not consider it necessary to seek a theoretical mediator between the existence of the wage worker as a free and equal commodity owner and his role as a producer of surplus value. 'In the sentence where he says that the workers cannot arrive at socialist consciousness by themselves, he seemingly finds a solution to the contradiction within the consciousness of the proletariat.'<sup>20</sup>

According to Projekt Klassenanalyse, Kautsky's attempt to solve the problem of the formation of socialist consciousness with the help of the auxiliary theoretical construction of the dual nature of consciousness immediately lead to further problems. If socialist consciousness is not a result of the immediate experience of exploitation, then it must be introduced into the labour movement from outside. The proletariat cannot develop the 'proletarian standpoint' all by itself; it is left to the science of socialism to develop it. But the main precondition for scientific socialism is the adaptation of the proletarian standpoint. A real *circulus vitiosus* seems to be the result of Kautsky's reasoning: 'For him, the thing that first of all needs to be explained scientifically becomes a precondition of science.'<sup>21</sup>

As has already been pointed out, science is produced not by the proletariat but by the intellectuals. The position of the intellectuals is, on the other hand,

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19 Ibid.

20 Projekt Klassenanalyse 1976, pp. 53-4.

21 Ibid.

contradictory. They are both above the classes, and must consequently be treated with suspicion by the socialist party, and at the same time they – or at least those of them who have adopted the proletarian standpoint – are the producers and developers of socialist theory and abstract knowledge. In the second role, they are irreplaceable to the party.<sup>22</sup>

Projekt Klassenanalyse's interpretation of Kautsky's Marxism is in most respects adequate. However, it could be claimed that in some respects Kautsky's interpretation of *Capital* in *The Economic Doctrines of Karl Marx* was more complicated. There are clearly many formulations which directly support Projekt Klassenanalyse's main thesis, especially in the preface to the work, in which Kautsky explicates his historical conception of *Capital*. On the other hand, some of Kautsky's formulations seem to suggest that he was, after all, more conscious of the theoretical problems involved in the relation between the laws of commodity circulation and capitalist production.<sup>23</sup> For instance, Kautsky was obviously aware that the laws of commodity exchange are preserved intact even during capitalist production, and that the capitalist and wage worker meet at the market as commodity owners with equal rights:

Whatever the system of paying wages may be, the worker and the capitalist always confront each other, under normal conditions, as two commodity owners who mutually exchange equal values. Capital now operates no longer in contradiction to the laws of commodity circulation, but on the basis of these laws. Worker and capitalist confront each other as commodity owners and therefore as free and equal persons, personally independent of each other; as such they belong to the same class, they are brothers. Worker and capitalist exchange equal values with each other; the empire of justice, of freedom, of equality and brotherhood, the thousand years kingdom of happiness and peace, seems therefore to have dawned with the advent of the wage system. The misery of servitude and of tyranny, of exploitation and of club-law, now lies behind us.<sup>24</sup>

Despite the recognition of 'an empire of freedom' within the capital relation, Kautsky's position seems to be quite ambivalent in this respect. The

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22 See Projekt Klassenanalyse 1976, p. 56.

23 Kautsky even explicitly stated that in capitalism we are dealing not with the exchange of commodities, but with the circulation of commodities presupposing the existence of money (see Kautsky 1936, p. 60).

24 Kautsky 1936, p. 63 (translation modified BL).

ideas of freedom and equality seem to be more a form of falsification performed by the bourgeois theoreticians than a real manifestation of the relation between capital and wage labour.<sup>25</sup> As soon as the sphere of production is substituted for the field of circulation, this falsification should become apparent to everyone.<sup>26</sup> The same ambivalence is present in Kautsky's discussion of the transformation of the form of appropriation. The new form of appropriation is, according to Kautsky, based on the old one, but in Kautsky's historical interpretation it is unclear in which sense. On the one hand, the appropriation of surplus value does not violate the rules of commodity circulation,<sup>27</sup> while on the other hand, the laws of commodity production are transformed into their opposites. In a similar way, the recognition of the commodity form becoming the general form of labour's products only in developed capitalism<sup>28</sup> did not lead Kautsky to problematise his conception of simple commodity production. This ambivalence of Kautsky's thinking could be interpreted as resulting from the specific character of *The Economic Doctrines of Karl Marx*. On the one hand, Kautsky simply presented Marx's central ideas in a condensed form paraphrasing Marx; on the other hand, he also developed Marx's theory following his own interpretation of its shortcomings.

The main result of Projekt Klassenanalyse's interpretation of *The Economic Doctrines of Karl Marx* in any case remains valid: In Kautsky's conceptualisation of *Capital*, there is no need to problematise the specific character of capital relation as a relation of both exploitation and equality. The equality and freedom of commodity producers belong to an earlier mode of production, simple commodity production, whereas in capitalism the relation between capital and wage labour is basically a relation of exploitation.

At the very end of his *The Economic Doctrines of Karl Marx*, Kautsky formulated his socialist perspective in a way that shows the similarity between his conception and that of Friedrich Engels:

Thus everything presses for a solution of the contradiction, which is embodied in the capitalist mode of production, the contradiction between the social character of labour and the traditional form of appropriating the means of production and the products.<sup>29</sup>

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25 Kautsky 1936, p. 68.

26 Kautsky 1936, p. 71.

27 Kautsky 1936, p. 63.

28 Kautsky 1936, pp. 2–3.

29 Kautsky 1936, p. 244.

Further:

We can also perceive the sole path that is left for the further development of society: the adaptation of the form of appropriation to the mode of production [the assumption of the means of production by society – BL], the complete and unreserved accomplishment of the transformation, which has only been half carried out by capital, of production from isolated production into social production. With this, however, a new epoch opens for mankind.<sup>30</sup>

The conception of the basic contradiction of capitalism in terms of the contradiction between the private form of appropriation and the social character of production or means of production was first formulated by Engels in his *Anti-Dühring*.<sup>31</sup> Kautsky's reading of *Capital* as a historical presentation with a strong emphasis on the transformation of the form of appropriation quite clearly goes back to *Anti-Dühring*.<sup>32</sup> Engels formulated the basic contradiction as follows:

The means of production, and production itself had become in essence socialised. But they were subjected to a form of appropriation which presupposes the private production of individuals, under which, therefore, everyone owns his own product and brings it to market. The mode of production is subjected to this form of appropriation, although it abolishes the conditions upon which the latter rests. This contradiction, which gives to the new mode of production its capitalistic character, contains the germ of the whole of the social antagonisms of today.<sup>33</sup>

This contradiction is the specific capitalistic form of the general contradiction between the means of production and the relations of production; it shows how big capitalist industry is faced with the limits set by the very capitalist mode of production.<sup>34</sup>

During an earlier historical stage of simple commodity production, there could be no question of the ownership of the products of labour. Every pro-

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30 Ibid.

31 Engels 1974–2004d. For a more detailed discussion, see Gronow 1975.

32 For Engels's historicising interpretation of Marx's *Capital* and its influence on the theory of capitalism of the Marxists of the Second International, see also Paul 1978, pp. 44–58. For a further discussion, see Chapter 15.

33 Engels 1974–2004d, p. 258.

34 Ibid.



ducer was the owner of his own means of production and the right of property was based on one's own labour. The development of capitalism, however, transforms the means of production used in big workshops and manufacture into 'such means of production which are already social in reality'.

Engels continues:

But the socialised means of production and their products were still treated, after this change, just as they had been before, i.e., as the means of production and the products of individuals. Hitherto, the owner of the instruments of labour had himself appropriated the product, because, as a rule, it was his own product and the assistance of others was the exception. Now the owner of the instruments of labour always appropriated to himself the product, although it was no longer his product but exclusively the product of the labour of others. Thus, the products now produced socially were not appropriated by those who had actually set in motion the means of production and actually produced the commodities, but by the capitalists.<sup>35</sup>

The contradiction between the social character of production and the private form of appropriation also reproduces itself as a contradiction between the planned organisation of production in a single factory and the anarchy of the market. All the main contradictions in capitalism can be deduced from this basic one. They become apparent during periods of violent crises, in which the 'mode of production is in rebellion against the mode of exchange, the productive forces are in rebellion against the mode of production which they have outgrown'.<sup>36</sup> On the one hand, an overproduction of products and means of production; on the other hand, oversupply of workers. The contradiction has developed into absurdity.<sup>37</sup>

There is a clear difference between the formulation of the basic contradiction of capitalism by Engels's and Marx's conception of capitalistic appropriation. Marx takes up the problem of appropriation in the chapter dealing with the transformation of surplus value into capital. As soon as the labour power of the wage worker is bought using capital produced during an earlier capital relation (surplus value is transformed into capital), the form of appropriation is reversed, even though the relation between the capitalist and wage labourer

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35 Engels 1974–2004d, pp. 257–8.

36 Engels 1974–2004d, p. 263.

37 Kautsky 1936, p. 228.

still follows the principle of equal exchange of commodities, and even though the worker is paid the value of her or his labour power. The role of the original relation, the exchange of equivalents has, however, changed, since the exchange now belongs to the realm of appearance:

first that the capital which exchanged for a labour power is itself but a portion of the product of others' labour appropriated without an equivalent; and, secondly, that this capital must not only be replaced by its producer but replaced together with an added surplus.<sup>38</sup>

The relation of exchange between the capitalist and the worker becomes a relation belonging to the realm of appearance in the process of circulation. It becomes a mere form, alien to its contents.<sup>39</sup>

The ever repeated purchase and sale of labour is now the mere form; what really takes place is this: the capitalist again and again appropriates, without equivalent, a portion of the previously materialised labour of others, and exchanges it for a greater quantity of living labour. At first, the rights of property seemed to us to be based on a person's own labour. Now, however, property turns out to be the right, on the part of the capitalist, to appropriate the unpaid labour of others or its product, and to be the impossibility, on the part of the labourer, of appropriating her or his own product. The separation of property from labour has been the necessary consequence of a law that apparently originated in the identity.<sup>40</sup>

The form of appropriation and the right to property is reversed in capitalism even according to Marx, but Marx is very careful to stress that the capitalist form of appropriation is still based on the equal exchange of commodities – not only as a historical precondition, but also as a condition that is permanently present in capitalism. Even though the capitalist form of appropriation seems to contradict the original laws of commodity circulation, it does not exclude them: it is based on them. The whole secret of the capitalist form of appropriation is already inherent in the following formulation:

The law of exchange requires equality only between the exchange-values of the commodities given in exchange for one another. From the very outset, indeed, it presupposes a difference between their use-values and

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38 Marx 1974–2004, p. 582.

39 Ibid.

40 Marx 1974–2004, pp. 582–3.

it has nothing to do with their consumption, which begins only after the contract has been concluded and executed.<sup>41</sup>

Taken as such, Marx's formulation of the transformation of the law of appropriation seems to be quite similar to that of Engels and Kautsky. There is, however, an important difference, namely, in that Marx does not comprehend this transformation as consisting of any contradiction – not to speak of the basic contradiction of capitalism. The real content of the wage labour-capital relation is the appropriation of alien labour in the form of surplus value, but its form is the exchange of equivalents. This form is alien to its content and mere appearance [*Schein*], but a form that is preserved intact even in capitalism.

While formulating the fundamental contradiction of capitalism as if there were a contradiction between the form and content of capital relation, Engels seems to be regressing into an almost moralising critique of capitalism. To Marx, the whole discussion of the capitalist form of appropriation is only a means of summarising the results of his analysis of surplus value production: capital relation is, as a matter of fact, a relation in which former objectified alien labour is exchanged for a larger amount of future alien labour. Even though the law of exchange of equivalents is respected in the selling and buying of labour power, the result of the transaction is the exploitation of surplus labour. The law of appropriation is thus only another expression of the economic laws of capitalism. It summarises the analysis of the production of surplus value from the point of view of the right of property, and its critical point is directed against bourgeois economics. The bourgeois society is not the real world of liberty and equality, as propagated by the science of economics, but a world of exploitation and repression. The right of property is based not on the appropriation of one's own labour, but on that of alien labour. The *Schein* of bourgeois society is thus revealed.

In criticising Engels's conception of appropriation, the context of his presentation should, however, be kept in mind. Engels was analysing those elements of capitalism which anticipated socialism, even though he rather unfortunately tried to deduce all the basic contradictions – and even economic crises – from the transformation of the form of appropriation. While discussing the social character of production – production as actually social in character – Engels

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41 Marx 1990, p. 731. The original German reads: 'Das Gesetz des Austausches bedingt Gleichheit nur für die Tauschwerte der gegeneinander weggegebenen Waren. Es bedingt sogar von vornherein Verschiedenheit ihrer Gebrauchswerte und hat absolut nichts zu schaffen mit ihrem Verbrauch, der erst nach geschlossenem und vollzogenem Handel beginnt' (*Marx-Engels Werke*, Volume 23, p. 611).

was obviously trying to analyse the conditions of socialism already developed inside capitalism. Marx was criticising capitalism immanently (for a discussion of Marx's immanent critique, see Chapter 14). Engels's theory of capitalism in *Anti-Dühring* ideally anticipates socialism, a classless society where all the contradictions of capitalism have been overcome. The same element of anticipation was also included in the corresponding formulations in Kautsky.<sup>42</sup> More often, however, Kautsky formulated the contradiction in terms of the contradiction between the organised character of production and the anarchic character of the market.<sup>43</sup> The establishment of socialism is thought to imply the transformation of the total national production into a single big firm or co-operative factory with a conscious and planned organisation of production by the state.<sup>44</sup>

The crucial problem in Kautsky's theory of capitalism was not the interpretation of the law of appropriation as such, but rather the interpretation of Marx's *Capital* as an essentially historical presentation of the development of capitalism. For Kautsky, the core of Marxism was composed of the laws of accumulation and concentration of capital, which also included the conception of the inevitable proletarianisation of the majority of the population. The difference between the formulations of Engels and Kautsky was rather one of minor emphasis. The interpretation of Marx's economic thought as being fundamentally a presentation of the historical laws of development of capitalism was already implicit in Engels's thinking too.

The socialist perspective connected with increasing capital concentration was a direct consequence of this interpretation. In a sense, the independ-

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42 Kautsky 1936, p. 247.

43 'The economic machinery of the modern system of production constitutes a more and more delicate and complicated mechanism; its uninterrupted operation depends constantly more upon whether each of its wheels fits in with the others and does the work expected of it. Never yet did any system of production stand in such need of careful direction as does the present one. But the institution of private property makes it impossible to introduce plan and order into this system. The more that large production [*Grossbetrieb*] develops, the larger every single industry becomes, the better is the order to which the economic activity of each is reduced, and the more accurate and well considered is the plan upon which each is carried on, down to the smallest details. The joint operation of the various industries is, however, left to the blind force of free competition. It is at the expense of a prodigious waste of power and of materials and under stress of constantly increasing economic crises that free competition keeps the industrial mechanism in motion. The process goes on, not by putting every one in his place, but by crushing everyone who stands in the way. This is what is called "the survival of the fittest in the struggle for existence" (Kautsky 1910b, pp. 50–1).

44 See Kautsky 1906a, pp. 117–19; Kautsky 1910b, pp. 99–101.

ent producer owning his own means of production represents, in Kautsky's thinking, the simple commodity production historically preceding capitalism in which the right of property was still based on one's own labour. The big enterprise produced by capital concentration represents the capitalist form of appropriation. Continuous capital concentration proves that there is no return to the bourgeois paradise of natural rights.<sup>45</sup> The task of the party and the intellectuals (or rather, party intellectuals) is to make the growing proletarian masses realise the irreversible nature of this development.

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45 Kautsky 1910b, pp. 94–5.

## The Centralisation of Capital and Monopoly Formation

In analysing Kautsky's theoretical conceptions about the centralisation of capital and the formation of monopolistic associations and restrictions of competition, it should be remembered that Kautsky never developed any very systematic theoretical ideas about monopoly capital – or about imperialism.<sup>1</sup> His formulations are scattered as smaller or larger remarks throughout most of his work, and they are, furthermore, usually connected with rather practical political questions and disputes (the policies of the Social Democrats against the war and restrictive tariffs). Care should be taken in analysing Kautsky's position out of context. There are, however, certain basic ideas and problems that recur throughout his writings. The differences of emphasis caused by the different contexts of discussion should also be kept in mind.

One of the earliest analyses of the formation of monopolies and their effects can be found in *The Class Struggle* [*Das Erfurter Programm*]. The new restrictions on competition which became visible and important during the last quarter of the nineteenth century were a result of the centralisation of capital and the decreasing rate of profit. The rate of profit had a tendency to decrease in the long run because the organic composition of capital grew; the share of variable capital became smaller in comparison with the share of constant capital. Following Marx's presentation of the problem, Kautsky argued that the long-term tendency of the rate of profit – and the rate of interest – to decrease could take place simultaneously with an increase in the rate of exploitation. Kautsky remarked that the rate of profit is, furthermore, negatively affected by increasing state expenditure and land rent subtracted from the surplus value produced by industrial capital. The new restrictions of competition at the market are an attempt to compensate the decreasing rate of profit. The monopolistic associations – or the various forms of their existence (cartels, trusts, syndicates, and so on) – are able to price their commodities above their real value by restricting competition and the supply of products. Hence, they are able to get higher gain in the form of extra profit. The formation of big nationwide cartels is the most recent and visible form of this development.<sup>2</sup>

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<sup>1</sup> See Kraus 1978, pp. 57–8.

<sup>2</sup> Kautsky 1910b, pp. 63–4.

The restrictions of competition and the formation of cartels are made possible by the centralisation of capital. There are fewer and fewer independent firms operating on a certain market. The centralisation of capital has reduced the number of firms on many an important market to a handful of big enterprises co-operating with each other: When cartels are formed, the several concerns that have combined actually form just *one* concern, quite often under the guidance of a single head.<sup>3</sup> Such cartels can already be found in certain important fields of production, especially in the production of raw materials (steel and coal cartels).

In his article *Imperialist War* [*Der imperialistische Krieg*], Kautsky stated that the motive force behind capitalist production is always the appropriation of extra or maximum profit. Every single capitalist tries to make more profit than his competitors. In general, the extra profit is based on the fact that the firm has a more advantageous position either on the market or in the production process:

Capital was never satisfied with average profits, every capitalist always strove for extra profits. These can be achieved either through a particularly advantageous position on the market, through buying and selling, or through a particularly advantageous position in the production process.<sup>4</sup>

The advantages in the production process are due to more advanced means of production and higher productivity of labour, which make it possible to increase exploitation. As soon as the new methods of production became generalised, there is no extra profit to be appropriated. Such is, however, the case only during free competition. As soon as monopolies or cartels have been introduced and free competition gives way to restrictions of competition the situation changes. Cartellisation and monopoly formation is promoted by the economic policy of the state functioning in the interests of big capital:

The situation changes, however, as soon as monopoly replaces competition. And the time for this comes in the process of capitalist development. Not only does this process centralise capital amongst fewer and fewer hands; employers' associations, joint-stock companies and banks also bring about the centralisation of the *management and control* of cap-

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3 Kautsky 1910b, p. 65 (translation modified BL).

4 Kautsky 1916–17a, p. 475.

ital far more quickly than they centralise the *property* of the means of production. Thus there arises in advanced capitalist industrial states the regime of large monopolies and their dominance of [the] state [power].<sup>5</sup>

As a result, a new method of acquiring extra profits is introduced. The monopolies are able to reach an advantageous position in the market with the help of state power through colonial policy and high import tariffs:

Again, the big capitalists seek to gain a favourable, monopolist position on the market with the help of the state [power]: on the one hand through import tariffs, which weaken foreign competition on the domestic market, relieve the employers' organisations and give them the strength to carry out cut-throat competition [*Schleuderkonkurrenz*] on the world market. On the other hand, the big capitalists seek to do this through *colonial policy* – the incorporation of agricultural territories as direct colonies, or as vassal states to the industrial state, and through the monopolisation of these countries as outlets, sources of raw materials and sites of investment for exported capital.<sup>6</sup>

In his writings on imperialism (imperialism was not yet explicitly discussed in the *Erfurt Programme*),<sup>7</sup> Kautsky analysed monopolistic extra profits almost exclusively in terms of a new state policy. Imperialism is essentially a new method of securing extra profits for the big cartels and monopolies. The extra profits are due to the restrictions of competition organised by the bourgeois state in the form of restrictive tariffs and colonial policy. According to Kautsky, monopoly profits are thus essentially politically mediated. In this sense, the discussion of monopolies and cartels is closely connected with a discussion of the world market and the orientation of national capitals and states towards changing international competition. Imperialism is a political method of guaranteeing higher profits for the big capitals.<sup>8</sup>

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5 Kautsky 1916–17a, p. 477.

6 Ibid.

7 See, however, Kautsky 1910, pp. 83–4.

8 One can agree with Rainer Kraus that Kautsky's theory of the formation of cartels and monopolies was rather unsystematic and fragmentary. According to Kraus, Kautsky explained the formation of monopolies mainly by the strong position of finance capital; consequently, monopolies are sometimes understood to be atavistic phenomena at the time of increasing industrialisation (see Kraus 1978, p. 128).



In *Policy of Trade and the Social Democracy* [*Handelspolitik und Sozialdemokratie*] of 1901, Kautsky stated that the industrial crises in 1873 marked the end of free trade as bourgeois ideal:

Certainly, free competition between the private owners of the means of production remained the best way of reconciling demand and supply, and consumption and production, at least temporarily, and therefore best safeguarding the interests of the consumers.<sup>9</sup>

At the same time as the ideology of free trade was being discredited, the centralisation of capital made the appropriation of extra profits possible in a new way:

If the moral bankruptcy of free competition created the *desire* to replace it by a private monopoly for the entrepreneurs of individual industries, and to secure for them an exceptional position from which they could extort extra profits using their superior power, then the ongoing centralisation of capital presented the possibility of doing so.<sup>10</sup>

Historically, the cartels developed simultaneously with the new system of restrictive tariffs. They represented the specific interests of a small group of capitalists at the cost of the general public [*Allgemeinheit*]:

The basis of free competition is, as an idea at least, the freedom and equality of buyers and sellers, entrepreneurs and workers. From the outset, the idea of the cartel is to privilege groups of entrepreneurs who bring to bear their superiority both on the market and the shop floor in the most violent and ruthless manner.<sup>11</sup>

If the restrictive tariffs are a political method of increasing the profits of the big capitals organised into cartels, they are essentially a result of the political power of the cartel magnates. However, despite their political power, the cartels are not able to solve all the problems of capital accumulation; on the contrary, they only lead to the sharpening of both the international and national contradictions of capitalism.<sup>12</sup>

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9 Kautsky 1911b, p. 38.

10 Ibid.

11 Ibid.

12 Kautsky 1911b, p. 94.

Because of the restrictions of competition and production, cartels are faced with the chronic problem of overproduction. Growing exports are the only possible means of solving this problem. The cartels must export their commodities in an ever-increasing amount. There must always be new foreign markets open for their products. On the other hand, the cartels are permanently faced with the problem of cheap raw materials. Both the problems are – at least ostensibly – solved by colonial policy. Colonies offer both a market for the industrial products of cartels and a source of cheap raw materials and foodstuffs. If all the industrial countries follow the interests of the cartels in their foreign economic policy and introduce restrictive tariffs, then naturally the development will out of necessity lead to increasing competition for non-industrial markets and the annexation of colonies. Colonialist competition is the inevitable result of this new economic policy. Consequently, as Kautsky predicted, the conflicts between industrial states become intensified and world war is the logical outcome.<sup>13</sup> As will be shown later in this study, Kautsky came to modify the results of his analysis. In his later writings, there are alternatives open to capitalism other than war and barbarism or socialism.

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13 Kautsky 1911b, pp. 90–4.

## Imperialism and the Relation between Industrial and Agrarian Countries

The problem of external markets for industrial products is even more deeply rooted in capitalist commodity production. According to Kautsky, capitalism is constantly in need of new markets to swallow the increasing amount of commodities produced by the industrially developed countries. Capitalism has a permanent tendency towards overproduction. Overproduction – or rather underconsumption – is the basis of the relation between the industrial and the agrarian countries, which is an essential part of Kautsky's thinking on modern capitalism and his theory of imperialism and ultra-imperialism.

The reasons behind the conception of general overproduction are not altogether clear: why cannot all industrial commodities be absorbed by the consumers of the industrial countries? In this sense, Kautsky seemed to be sharing a conception widely accepted by the Marxists of the Second International. On the most abstract level, the problem of overproduction seems to be a result of the very nature of capitalism as the production of surplus value.

In her *Accumulation of Capital* of 1913, Rosa Luxemburg<sup>1</sup> formulated the problem facing the accumulation of capital in a most pronounced manner: the accumulation of capital faces the principle difficulty of realising its surplus product. According to Luxemburg, the continuous accumulation of capital would require a continuous and increasing demand for commodities. And this demand cannot be satisfied within a capitalist economy. As the starting point of her analysis of the conditions of the accumulation of capital, Luxemburg takes the relation between the two departments of production in capitalism as formulated in the reproduction schemes of the second volume of Marx's *Capital*. Maintaining the right proportion between the two departments of production – Department I producing the means of production and Department II producing the provisions or consumer goods – is as such a permanent problem in capitalism, because there is no predetermined plan for maintaining the right proportion. In principle, it is still possible for accumulation to continue as long as the right proportion is maintained, and no necessary economic collapse can be deduced from the relative development of these two departments of production; still, there is a permanent problem of effective demand in capitalism:

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1 Luxemburg 1963.

It does not follow, however, that so long as both these conditions are observed, accumulation in both departments is bound, as Marx's diagram makes it appear, to go on automatically year after year. The conditions of accumulation we have enumerated are no more than those without which there can be no accumulation. There may even be a desire to accumulate in both departments, yet the desire to accumulate plus the technical prerequisites of accumulation is not enough in a capitalist economy of commodity production. A further condition is required to ensure that accumulation can in fact proceed and production expand: The effective demand for commodities must also increase. Where is this continually increasing demand to come from, which in Marx's diagram forms the basis of reproduction on an ever increasing scale?<sup>2</sup>

According to Luxemburg, this increasing demand can result from the consumption of neither the capitalists nor the workers. A necessary and obvious precondition for accumulation is precisely that at least some of the commodities representing surplus value are not consumed by the capitalists, but are instead accumulated. Workers cannot possibly absorb these commodities either, because the purpose of capitalism is not to increase the demands and needs of the wage workers. Even though Luxemburg did not explicitly refer to the conception of the wage worker as being principally an underconsumer while producing a surplus value, her discussion of the problem in fact led to the acceptance of this premise.

The conclusion drawn from the discussion is, nevertheless, that the realisation of surplus value is altogether impossible within a pure capitalist economy: 'Realisation of the surplus value outside the only two existing classes of society appears as indispensable as it looks impossible. The accumulation of capital has been caught in a vicious circle.'<sup>3</sup> And if the commodities representing surplus value cannot be realised within the capitalist economy, the only alternative left is that – if they are to be realised at all – they must be realised outside it:

Seeing that we cannot discover within capitalist society any buyers whatever for the commodities in which the accumulated part of the surplus value is embodied, only one thing is left: foreign trade.<sup>4</sup>

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2 Luxemburg 1963, pp. 131–2.

3 Luxemburg 1963, p. 165.

4 Luxemburg 1963, pp. 135–6.

But not even foreign trade is the final solution to the problem, since foreign trade cannot simply be directed at other capitalist countries, which also face the same problem of lacking demand. The only possible extra demand for commodities, then, must come from a non-capitalist economy and non-capitalist areas and countries.

It requires as its prime condition ... that there should be strata of buyers outside capitalist society ... The decisive fact is that the surplus value cannot be realised by sale either to workers or to capitalists, but only if it is sold to such social organisations or strata whose own mode of production is not capitalistic.<sup>5</sup>

Thus the accumulation of capital constantly requires the existence of either non-capitalist societies or other non-capitalist social strata. So long as there are non-capitalist markets for the commodities produced in capitalism, accumulation can proceed. Once capitalist production has been established in all the remaining areas and fields of production, accumulation must come to an end, and the final collapse of capitalism will result:

As soon as this final result [the establishment of capitalist production in all the countries of the world] is achieved – in theory, of course, because it can never actually happen – accumulation must come to a stop. The realisation and capitalisation of surplus value becomes impossible to accomplish ... For capital, the standstill of accumulation means that the development of the productive forces is arrested, and the collapse of capitalism follows inevitably, as an objective historical necessity. This is the reason for the contradictory behaviour of capitalism in the final stage of its historical career: imperialism.<sup>6</sup>

Imperialism is the necessary outcome of the problems facing the accumulation of capital, and Luxemburg associated imperialism with all the features later to become familiar in the theories of imperialism of both Kautsky and Lenin: export of capital in the form of international loans, protective tariffs, increasing armaments and militarism, colonial policy, annexation of colonies by the major capitalist states. In earlier capitalism, 'peace, property and equality' prevail – at least in principle. In imperialism, they are superseded by other principles:

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5 Luxemburg 1963, pp. 351–2.

6 Luxemburg 1963, p. 417.

Its predominant methods are colonial policy, an international loan system – a policy of spheres of interest – and war. Force, fraud, oppression, looting are openly displayed without any attempt at concealment, and it requires an effort to discover within this tangle of political violence and contests of power the stern laws of the economic process.<sup>7</sup>

Kautsky's analysis of the necessary conditions for the accumulation of capital resembled that of Luxemburg's in many respects.<sup>8</sup> It may be claimed that, according to Kautsky too, the wage workers are always 'overproducers' because they are producing a surplus value and surplus product. There cannot possibly be an effective demand for the surplus product by the wage workers. Furthermore, the luxury consumption of the capitalists cannot satisfy the necessary extra demand. The wage workers are by definition thus overproducers and underconsumers. As a result, overproduction is a permanent curse of capitalism:

Along with the periodical crises and their permanent manifestations, along with the recurring periods of overproduction and [the accompanying] loss of wealth and waste of force, there develops chronic overproduction and waste of energy.<sup>9</sup>

Markets expand much more slowly than production. Hence, it is impossible for capitalism to develop its productive forces maximally: The intervals (periods) of prosperity become ever shorter; the length of the crises ever longer (especially in industrial countries like Britain and France).<sup>10</sup>

In more concrete terms, overproduction is explained by the limitless need for the accumulation of capital and the permanent revolution in the means of production. Since production increases much faster than the number of employed wage workers, it becomes more and more difficult for the capitalists to realise their products on the home market:

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7 Luxemburg 1963, p. 452.

8 Kautsky actually formulated the dilemma of capitalist accumulation and the relation between industrial and agrarian production before Luxemburg's *Accumulation of Capital* (see Kautsky 191b [1901]). It is not known whether Luxemburg's analysis was directly influenced by Kautsky. At least one can assume that the idea was prevalent among the Marxists at that time.

9 Kautsky 1910b, pp. 81–2 (translation modified BL).

10 Kautsky 1910b, pp. 84–5.

Furthermore, it is not only the surplus withheld by the capitalist that the growing productivity of labor increases; it also increases the quantity of goods that are thrown upon the market. Along with the exploitation of labor grows the competition among capitalists, which becomes a bitter contest of each against all.<sup>11</sup>

The rapid growth of production and the accumulation of capital in industry are made possible by the development of the modern loan system and the constant supply of free workers on the labour market. There do not seem to be any natural limits to the increase of production.

Even in Kautsky's analysis of capitalism, there is the permanent danger that the proportional relations between the different sectors of production will be disturbed. The relation between the sectors producing the means of production and the means of consumption is especially important. If the right relation is not maintained, there will be serious disturbances in the market. The problem is that the proportional relations are constantly changing due to improvements in the technical and social relations of production. Equilibrium is achieved only through continuous disturbances and changes in prices and volumes of production.<sup>12</sup>

According to Kautsky, there is, however, an even more serious problem in capitalism connected with the establishment of the right proportional relations between the industrial and agrarian products and sectors. Whereas a non-capitalist mode of production is a necessary precondition for the realisation of the surplus value in Luxemburg's conception, there is in Kautsky's analysis a further difficulty connected with the relation between agrarian and industrial production due to differences in the rate of accumulation in these departments. The expansion of industrial production is always possible. Agricultural production is, however, always faced with natural limits – even in its capitalistic form.<sup>13</sup> There are still other reasons why it cannot expand at the same rate as industry:

The proportionality between industry and agriculture is necessary under any circumstances, but it is always in danger of being violated, first by migration from the countryside to the cities, which deprives agriculture of labour-power in order to supply it to industry, and, secondly, through the

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11 Kautsky 1910b, p. 70.

12 Kautsky 2011d, p. 759.

13 Kautsky 2011d, p. 764.

development of knowledge and technique in the cities, by means of which the productivity of industry is easily increased. Industrial production also has the tendency to develop more rapidly than agricultural production, because the number of producers and their average productivity grows more quickly in the former than in the latter.<sup>14</sup>

Industrial production is forced to accumulate and find an ever-increasing demand for its products:

The individual capitalist must now constantly increase his production under all circumstances, and, if domestic demand does not naturally grow in the same proportion, then he must employ all the forces at his disposal to enlarge that demand artificially and to broaden the market. The intensity of industrial competition results from the fact that the drive and the possibility to accumulate capital and increase production are far greater in industry than in agriculture. This fact, resulting from the differences between industry and agriculture, in turn becomes one of the most powerful factors causing the distinction between them to grow.<sup>15</sup>

On the other hand, agricultural production is – in a rather trivial sense – a necessary basis for all economic enterprise as we cannot go on living for a single moment without the products of agriculture. If industrial production is to increase continuously, an increase in agricultural production and population is also demanded. The agricultural sector must produce the raw materials and the foodstuffs consumed by industry and the industrial wage workers on an ever larger scale. But even more importantly, it must also be ready to buy the surplus produce of industry which is not consumed by the industrially active population.<sup>16</sup>

Kautsky's main problem is, consequently, how to establish the right balance between agriculture and industry if the accumulation of capital is much faster in industry than in agriculture. The solution is the constant expansion of the agrarian areas and regions in the capitalist market:

Capitalist accumulation in industry can only proceed unhindered and develop freely if the agricultural regions it serves as supplier and buyer

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14 Kautsky 2011d, p. 762.

15 Kautsky 2011d, p. 766.

16 Kautsky 2011d, p. 767.



expand constantly, which requires a constant extension and improvement of the means of communication.<sup>17</sup>

If the agrarian areas do not constantly expand, there will be an oversupply of industrial products and an overdemand for agrarian products. As a consequence, capital accumulation will be seriously hindered and disturbed. Capitalism has tried to solve the problem by imperialism or colonial policy.

The expansion of the market and the resources of raw materials was possible for Britain with a policy of free trade so long as it was the main industrial country in the world. As soon as other European countries developed their capitalist production and introduced protective tariffs to be able to compete with Britain, an international system of restrictive tariffs – and imperialism – was born.<sup>18</sup>

The main determinant of imperialism is thus the contradictory relation between the industrial and the agrarian countries, as summarised by Kautsky in his booklet *National State, Imperialist State and Confederation* [*Nationalstaat, imperialistischer Staat und Staatenbund*]. In the same pamphlet – later to become famous as a polemical target of Lenin's *Imperialism, the Highest Stage of Capitalism* – Kautsky referred to his article *Imperialism* [*Der Imperialismus*] published in *Die Neue Zeit* in 1913–14 as the best presentation of his conception of imperialism. He defined the concept of imperialism as follows:

First of all, we must be clear about what we understand by imperialism. This word is used all the time today, but the more people talk about it and discuss it, the more indefinite it becomes, which of course makes understanding very difficult. By now, the meaning of the word imperialism has expanded so far that all the manifestations of modern capitalism are included in it – cartels, protective tariffs, the domination of finance, as well as colonial policy. In that sense, naturally, imperialism is a vital necessity for capitalism. But that knowledge is just the flattest tautology; all it says is that capitalism cannot exist without capitalism. If we take the word not in that general sense, but in its historical determination, as it originated in England, then it signifies only a particular kind of political endeavour, caused, to be sure, by modern capitalism, but by no means coincident with it.<sup>19</sup>

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17 Ibid.

18 Kautsky 2011d, pp. 767–71.

19 Kautsky 2011d, p. 757.

Imperialism is consequently not to be understood as being synonymous with modern capitalism in general, but as a specific form of capitalist rule which is, by all means, caused by the economic development of capitalism but is not identical to it. Imperialism is a necessary companion of capitalism – if the modern conditions are taken as given:

Imperialism is a product of highly developed industrial capitalism. It consists of the drive of every industrial capitalist nation to conquer and annex an ever-greater *agrarian* zone, with no regard to what nations live there.<sup>20</sup>

However, Kautsky firmly believed that imperialism as a method of guaranteeing high profits is doomed to fail in the end; imperialistic policies based on the export of capital and protective tariffs cannot be continued eternally. There is a natural limit to the further development of imperialism. As soon as all the agrarian areas have been divided among the industrial nations, the expansion of imperialism comes to a natural end, and the only way open for further development is an open trade war:

Capital and labour grow at home. The number of consuming industrial countries increases, whereas the number of agricultural countries decreases. In as far as these are still free, they will soon be completely divided up, and then there is only one way for the monopolised territory to further expand: this is no longer the battle between the industrial state and the agricultural state, but the bloody battle between the great industrial states, i.e. world war.<sup>21</sup>

The final result of the analysis proves that there are thus only two alternatives facing capitalism and imperialism: socialism or world war. World war is just one alternative to the system of world trade [*Welthandelssystem*] that is rapidly heading towards collapse; the other is *socialist* society.<sup>22</sup>

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20 Ibid. Luxemburg's characterisation of imperialism comes close to Kautsky's definition: 'Imperialism is the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment' (Luxemburg 1963, p. 446).

21 Kautsky 1911b, p. 94.

22 Ibid.

## Imperialism and Its Alternatives

Colletti saw the merit of Bernstein's critique of Marxism as a response to the new developments of capitalism largely neglected by Engels, Kautsky and other theoreticians at the turn of the century. Because of his sensitivity to these new features of capitalism, Bernstein would be nearer to Lenin's and Hilferding's generation of Marxists than to Kautsky's and Plekhanov's:

[Joint] stock companies, the development of cartels and trusts, the separation of 'ownership' and 'control', the growing 'socialization of production', 'the democratization of capital' etc., are all themes of Hilferding's *Finance Capital* and Lenin's *Imperialism*. That is why the most effective answers to Bernstein can be found in these texts.<sup>1</sup>

It may, however, be added that these new phenomena – especially trusts and cartels – became the subject for discussion among other Marxists, as well, including Kautsky, at the beginning of the century. Among Marxists they became part of an analysis of the new features of modern capitalism, namely, imperialism.

Hans-Holger Paul pointed out that it was Parvus (Alexander Helphand) who was the first Marxist to conduct a special analysis of the transformations in the conjunctural development of capitalism due to imperialism:

Thus it was Parvus who provided the first substantial theoretical determinations concerning an analysis of world-economic relationships, of the global economic boom. For the most part these were adopted by Kautsky and Rosa Luxemburg, and found their way into German social democracy's official party statements.<sup>2</sup>

Some of Kautsky's main ideas were already present in one of his earliest articles on imperialism, *Germany, England and World Politics* [*Deutschland, England und Weltpolitik*] of 1900.<sup>3</sup> In the first stage of imperialism, the colonies func-

1 Colletti 1972, p. 62.

2 Paul 1978, p. 146; see also Parvus 1897; 1895–6; 1900–1a and b; 1901.

3 Kautsky 2011b.

tioned as a market to realise industrial products.<sup>4</sup> In the new present stage of imperialism, the export of capital becomes the decisive motive force for the acquisition of colonies: It is no longer a question merely of securing a market for the growing surplus of goods, but also of providing the increasing accumulation of capital with investment markets.<sup>5</sup>

Colonies and colonial trade are more profitable to finance – resulting from the increasing connections between moneyed and industrial capital<sup>6</sup> – than to industrial capital:

Just as it is certain that the industries of England and Germany are mutually dependent, and that an interruption of commercial relations between the two countries must have the most disastrous effects on their industrial development, so it is equally certain that finance-capital frequently has interests different from those of industrial capital.<sup>7</sup>

Even though industrial capital can profit from imperialism, the costs incurred by imperialistic methods are even higher. The only fraction of capital really benefiting from imperialism is, then, finance capital:

The only beneficiary from the founding of colonies, from the modern expansion-policy, is finance-capital, which draws further advantages from the failings of colonial governments and the consequent expenditures and loans for colonial purposes.<sup>8</sup>

Export and import tariffs and their consequences are the main interests in Kautsky's earliest analysis of imperialism and imperialistic methods of government. In *Treatises of Trade and Custom Duties* [*Die Handelsverträge und der*

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4 In the following, Kautsky's first article on imperialism, *Old and New Colonial Policy* [*Ältere und neuere Kolonialpolitik*] of 1897–8, is not discussed. John H. Kautsky (1961, pp. 111–18) characterised this period of Kautsky's thinking as 'Schumpeterian' (colonial policy was explained by the influence of the remnants of precapitalist expansionism of states), as opposed to his later industrial or capitalist explanations of imperialism. Only the 'industrial' explanations of imperialism will be discussed here.

5 Kautsky 2011b, p. 172.

6 Rainer Kraus (1978, p. 59) pointed out that in the earlier articles on imperialism in particular, Kautsky used the parallel terms of finance capital and high finance [*hohe Finanz*], and only after the publication of Hilferding's *Finanzkapital* in 1910 did he use the term finance capital more systematically.

7 Kautsky 2011b, pp. 173–4.

8 Kautsky 2011b, p. 175.

*Zolltariff*] written in 1903, Kautsky stated that a high rate of tariffs is not in the interests of industry. The abolition of industrial tariffs would clearly increase the productivity of the home industry and lower its production costs. Imperialistic customs policy and its consequence, colonialism, were also seen to be the main factors favouring militarism and the armaments race. The best method of fighting imperialism is to oppose high import and export tariffs. Imperialism is a result of the economic policy of the state and there is no effective direct method of opposing it. Military strikes propagated by the party's left wing have generally proved ineffective.<sup>9</sup>

In the third part, *Value Theory and Colonial Policy* [*Werttheorie und Kolonialpolitik*], of a series of articles called *The Advantages of Colonies to the Workers* [*Die Nutzen der Kolonien für die Arbeiter*],<sup>10</sup> Kautsky already presented a line of argumentation that would later become central to his theory of imperialism. According to Kautsky, there are in principle two possible ways of developing capitalism. The first is essentially based on the repression of the working class, the second on a continuous increase in the productivity of labour. However, the most important difference is that whereas the first method is in general disadvantageous to economic development, and thus also to the future perspective of establishing socialism, the second method effectively promotes general economic development and thus also the present conditions and the future possibilities of socialism:

A modern capitalist state can only choose between two paths: one of them consists in crushing the proletariat using all available means. If it succeeds in doing this, then the productivity of these workers will dwindle along with their intelligence and strength, the state's competitiveness and social wealth will fall and it will head towards total bankruptcy. The other path consists in the state promoting economic development as much as possible, seeking to physically and intellectually raise its proletariat. If this is the case then the proletariat develops, along with its strength and self-confidence, its urge to free itself from the yoke of state domination. Then labour productivity will increase and social wealth will prosper, as will the state's standing in the world. *At the same time*, however, the power and the standing of the proletariat will grow within the state, seeing the state of socialism mature rapidly. There is no other way out for capitalism, because labour is the source of all value.<sup>11</sup>

9 Kautsky 1904–5, pp. 368–70.

10 Kautsky 1907b.

11 Kautsky 1907b, p. 3.

The development of the productive forces is the crucial question in evaluating the role of imperialism and its advantages and disadvantages for the proletariat:

The development of the productive powers [forces of production] at the disposal of humanity is of the greatest importance to the proletariat ... We must therefore investigate the effect[s] of colonial policy on the productive powers of mankind.<sup>12</sup>

Just as there are two possible alternatives of developing capitalism, so there are two methods of colonial policy itself. According to Kautsky, there are in principle two kinds of colonies: labour colonies and colonies of exploitation.<sup>13</sup> The first are favourable to the working class and to the development of the productive forces in general. The labour colonies are a 'powerful lever' of human development, even though it must immediately be added that the aborigines are sometimes unjustly treated in them. By labour colonies Kautsky seemed to mean areas of settlement which are favourable and suited for the emigration of white people and which consequently have a chance of developing an industry of their own.<sup>14</sup>

By the end of the last century, all the possible areas open for European settlement had already been taken into use and populated by Europeans. The new colonial policy emerging in the 1880s was of an altogether different type. It was based on the crude exploitation of non-European population and areas of the world, and its total effect on the development of humankind was negative. The new colonial areas were used exclusively to find profitable fields of investment for the surplus capital which could not be profitably invested in the home market.<sup>15</sup>

The new colonial policy thus marked the beginning of an era in which capitalism had become an obstacle to the future development of productive

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12 Kautsky 2002, p. 95 (translation modified BL).

13 In a letter to Kautsky in 1882, Engels (1974–2004j, p. 322) made a similar distinction between colonies populated by European people and colonies occupied by European states but populated mainly by aborigines. According to Engels, the strategy of the socialist parties should take into account the respective differences in the situation of these colonies. Colonies presently populated by Europeans should all become independent, whereas those populated mainly by the natives should be taken over by the European proletariat and only then – albeit as soon as possible – can they look towards their independence.

14 Kautsky 2002, pp. 96–8.

15 Kautsky 2002, pp. 100–1.

forces – Kautsky’s main criterion in evaluating progressive or regressive states of society. It would not be true to say that capitalism has become totally ineffective in developing productive forces, but imperialism does concretely prove that there is another possible way of organising production, in which the development of productive forces would be more effective than in capitalism. Capitalism has become a hindrance to the development of productive forces.<sup>16</sup>

In this new era of capitalism, technical development is no longer a decisive factor in guaranteeing the appropriation of extra profits; on the contrary, extra profits are best achieved by restricting competition, and are made possible by the centralisation and reorganisation of capital, by the formation of trusts, cartels, and so on. The formation of cartels and trusts directly promotes militarism while leading to a policy of high customs tariffs. Only socialism would open up a new era in the development of productive forces. In other words, socialism is the only alternative to imperialism: ‘But the abolition of militarism, like that of the system of cartels and trusts, is today only possible through socialism’.<sup>17</sup>

In the two articles, *Socialism and Colonial Policy* [*Sozialismus und Kolonialpolitik*] and *Socialist Colonial Policy* [*Sozialistische Kolonialpolitik*], Kautsky analysed the economic factors leading to imperialism in a way that was later to become common in Lenin’s theory on imperialism. First, the formation of monopolies is the decisive factor promoting imperialistic policies:

The drive to monopoly, i.e. for the violent trampling of the *consumers*, in order to be able to fleece them at will, was even more of a factor in the state’s colonial policy than was the violent robbery of the *producers*. Those are the true mainsprings of colonial policy.<sup>18</sup>

Second, besides the formation of monopolies and the direct exploitation of consumers, the export of capitals is another important feature of imperialism. There is overproduction of both surplus value and of commodities in the developed capitalist countries due to the increase in productivity in industry and the increasing exploitation of the workers. Exporting commodities is typical of the earlier stages of capitalism whereas exporting capital becomes a dominating developing force in colonialism: ‘In other words, the capitalists do not export their products as commodities for *sale to* the foreign country, but as *capital* for the *exploitation* of the foreign country’.<sup>19</sup> Investments in foreign

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16 Kautsky 2002, pp. 101–2.

17 Kautsky 2002, p. 105.

18 Kautsky 1908–9, p. 38.

19 Kautsky 2002, p. 105.

countries are, on the other hand, risky, and these risks are minimised when the countries to which capital is exported become direct colonies of the country exporting capital. Colonial policy further promotes militarism and increases armaments.<sup>20</sup>

In *Trade Policy and Social Democracy* [*Handelspolitik und Sozialdemokratie*] of 1901,<sup>21</sup> Kautsky for the first time developed his conception of the relation between agrarian and industrial countries – discussed earlier in Chapter 7 – as the decisive cause of imperialism. The uneven development of the different sectors of capitalism is promoted to being the decisive factor creating imperialism and colonialism, and leading to the application of imperialistic methods of government by the developed capitalist countries.

In *Trade Policy and Social Democracy*, Kautsky further concretely identified imperialism with a specific political method of customs policy; economic development leads to the centralisation of capital and the formation of trusts and cartels. High tariffs are in the economic interests of cartels. On the other hand, export and import tariffs are favourable to the formation of trusts and cartels. They are, thus, both the cause and the effect of the centralisation of capital:

Economic development as a whole drives the capitalists to form cartels and trusts. Yet nowhere do these thrive as rapidly and well as under the dominance of protective tariffs; the higher the latter, the more the former can develop and assert their power.<sup>22</sup>

Protective tariffs further promote policies of repression, the annexation of colonies and trade wars. They are all essential companions to the system of protective tariffs.<sup>23</sup> In a way reminiscent of Lenin's and Luxemburg's discussions of imperialism, Kautsky identified policies of violence with the monopolisation of capital and the formation of cartels. Violence is the essence of a cartel system:

Violence is the essence of the cartel system; it seeks to thrash and keep down its opponents with violent means; it does not initially do so with shotguns and cannons, but with the most violent means of the economic

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<sup>20</sup> Kautsky 2002, p. 108.

<sup>21</sup> Kautsky 1911b.

<sup>22</sup> Kautsky 1911b, p. 39.

<sup>23</sup> Kautsky 1911b, p. 17.



struggle. Thus a spirit of violence emerges amongst the industrial bourgeoisie in place of the spirit of free trade.<sup>24</sup>

The prime purpose of the system of protective tariffs is not to promote industrial development at home or to prevent its regression, but to raise the price of industrial products and to sell them on the home market at a higher price than abroad.<sup>25</sup> The export of capital is another immediate result of this system. When the customs barrier in the countries to which commodities are exported becomes high enough and exporting of commodities becomes more difficult, it is more profitable to establish industry and invest capital in foreign countries direct. As a consequence, the development of productive forces in foreign countries is promoted while home industry degenerates.<sup>26</sup> Kautsky summarised the result of his analysis as follows: 'Development of industry abroad at the cost of home industry. That is the signature of the new protective tariffs as against those of the mercantile period'.<sup>27</sup>

As a result of his analysis of imperialism and its causes, Kautsky could state that the working class is the only social class which represents the general interest of the nation, an interest interpreted as the most effective development of productive forces; at the present stage of capitalism, capitalists only represent their own specific interests as a small fraction of society.<sup>28</sup> This result also proves that the system of protective tariffs cannot be opposed as such; a change in imperialist policy presupposes a general struggle against any form of capitalist exploitation. Increasing exploitation and the system of protective tariffs go hand in hand. The whole system of capitalism has to be opposed in order to improve the living conditions of wage workers.<sup>29</sup>

In the various articles and pamphlets written shortly before and during the First World War, Kautsky explicated and developed his conception of imperialism. Now, contrary to his earlier analysis, imperialism was seen to be the result of only one possible line of development of capitalism which can – at least in principle – be followed by another kind of development of capitalism. In the article *Imperialism* of 1913–14, the alternative to imperialism is called ultra-imperialism – reached via the extrapolation of the economic tendencies of capitalism and the centralisation of capital in particular. In the writings *The Inter-*

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24 Kautsky 191b, pp. 40–1.

25 Kautsky 191b, p. 43.

26 Kautsky 191b, p. 48.

27 Ibid.

28 Kautsky 191b, p. 55.

29 Kautsky 191b, p. 78.

*national and the War* [*Die Internationalität und der Krieg*],<sup>30</sup> and *National State, Imperialist State and Confederation*,<sup>31</sup> Kautsky's position had already changed. The alternative to imperialism was now the democratic union of states based on free trade and just trade treaties.<sup>32</sup> Whereas the first alternative is characteristically only a continuation of the negative tendencies and features of imperialism – a kind of extrapolation of the economic tendencies inherent in modern capitalism, and as such to be opposed by the proletariat and its organisations – the second alternative, characterised by Kautsky as a democratic union of states, is favourable both from the point of view of the proletariat and also of vast sectors of the population including industrial capitalists. Thus by introducing the idea of the union of democratic states, Kautsky proposed a critique of modern imperialism which did not necessarily have as its counterpoint a socialist society – as was the case in the earlier articles. There is also another alternative open to capitalism, and in principle it would be possible to win the support of various groups in society for a programme aiming at the realisation of this alternative. The idea of a positive alternative to imperialism thus also has a direct impact on the strategic alternatives of Social Democracy as, in principle, it would seem to be possible to organise a 'democratic front' against imperialism.

The concept of ultra-imperialism is extrapolated from the analysis of the economic development of capitalism. The analysis of the different possibilities or different methods of enlarging production and the accumulation of capital also formed the basis for the analysis of ultra-imperialism. In this respect, the article *Imperialism* only repeated Kautsky's earlier statements. As already pointed out, in his analysis there were natural limits to the development of agrarian production. Due to the different rates of increasing production in agriculture and industry, there is a further problem of the permanent overproduction or oversupply of industrial products which can be solved only by continuously expanding the market for industrial products.

The export of industrial products to agrarian areas is, however, faced with the immediate problem of competition from other industrial countries. Imperialism is thus a necessary consequence of international competition on industrial markets: the only means of guaranteeing the further realisation of a country's industrial products on the international market is to conquer and annex colonies.

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30 Kautsky 1915b.

31 Kautsky 2011d.

32 This alternative was already mentioned in the *Erfurt Programme* (Kautsky 1910, p. 104), but Kautsky did not refer to it any more in his early writings on colonial policy.

So far, Kautsky's reasoning in *Imperialism* merely seemed to repeat an argumentation already presented in other writings. Kautsky did not, however, stop his argumentation at this stage. The question of possible alternatives to imperialism was actualised:

Does it represent the last possible phenomenal form of capitalist world policy, or is another still possible? In other words, does imperialism offer the only possible remaining form of expanding the exchange between industry and agriculture within capitalism? That is the question.<sup>33</sup>

The outbreak of world war has since become an established fact. It is only a logical consequence of the tendencies present in imperialism. It cannot, however, be claimed that the only alternative open to imperialism, once peace has been restored, is the continuation of the present methods of economic development; at least in principle, there is another solution open to the future development of capitalism:

There is no economic necessity for continuing the arms-race after the world war, even from the standpoint of the capitalist class itself, with the exception of, at most, certain armaments-interests.<sup>34</sup>

Because the whole capitalist system is, in fact, threatened by the sharpening of the present contradictions in imperialism, it is in the interests of the very capitalists to prevent the collapse of capitalism:

On the contrary, the capitalist economy is seriously threatened precisely by the contradictions between its states. Every far-sighted capitalist today must call on his fellows: Capitalists of all countries, unite!<sup>35</sup>

A continuation of the present policy of imperialism would obviously lead to early bankruptcy of the whole capitalist economy. Kautsky's main thesis was that this bankruptcy can in principle be prevented, and there are in fact such tendencies already present in modern capitalism which make its prevention possible; imperialism is basically the result of the centralisation of capital, the formation of cartels and trusts, and immense groupings of finance capital.

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33 Kautsky 2011d, p. 771.

34 Kautsky 2011d, p. 772.

35 Ibid.

This very same centralisation of capital, on the other hand, makes it possible for imperialism to overcome its economic contradictions as the concentration of capital enters a completely new stage as soon as it reaches the whole international market. International cartels take the place of competing national capitalists. Most of the devastating results of international competition can then be overcome, and a new stage of imperialism, ultra-imperialism, is reached:

The frantic competition of giant firms, giant banks and billionaires forced the great financial groups, who absorbed the small ones, to come up with the notion of the cartel. In the same way, the world war between the great imperialist powers can result in a federation of the strongest among them, who would thus renounce their arms-race.<sup>36</sup>

Considering the economic tendencies of capitalism, it is thus possible to think that imperialism will reach a new stage; it should, however, be recognised that ultra-imperialism is only an economic possibility; it is possible that increasing political opposition to imperialism will overthrow capitalism even earlier, and that the working class will be able to establish a socialist society even before the stage of ultra-imperialism has been reached.

The concept of ultra-imperialism is an extrapolation of the economic tendencies of capitalism and of the centralisation of capital. It is at least possible to think that the formation of cartels, now taking place so rapidly exclusively at the national level, will in the near future also take place on the international market, and as a consequence international competition, which is at present leading to increasing contradictions between individual imperialistic states, will come to an end. It will be just as necessary for the working class to oppose ultra-imperialism as it is to fight the present imperialism, but ultra-imperialism would, in one respect, be more favourable to the majority of the people: it would not endanger world peace:

Hence from a purely economic standpoint, it is not impossible that capitalism may still live through yet another phase, the transfer of cartel-policy into foreign policy: a phase of ultra-imperialism, against which, of course, we must struggle as energetically as we do against imperialism, but whose perils would lie in another direction, not in that of the arms-race and the threat to world peace.<sup>37</sup>

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36 Kautsky 2011b, p. 773.

37 Kautsky 2011b, p. 774.

In any case, there would be a natural limit to the development of ultra-imperialism too, because industrial production can be increased only insofar as the supply of raw materials and the demand for its products increase, in other words, insofar as agrarian markets also expand. In the end, even ultra-imperialism would thus be faced with the problem of the natural limits of agrarian production and agrarian markets. Even though a general, international cartel would solve some of the main economic problems of imperialism and prolong its survival, it would not eternalise capitalism in general; neither would it make the perspective of socialism obsolete.

The idea of ultra-imperialism developed by Kautsky shortly after the outbreak of war is especially interesting because of its connection with the wider debate on the future destiny of capitalism at the beginning of the century. In his *Finance-Capital*, Rudolf Hilferding<sup>38</sup> introduced – as discussed earlier – the concept of a general cartel, which he reached by extrapolating the economic tendencies of capital. According to Hilferding, the formation of a general cartel would definitely transform the economic laws of capitalism. The only remaining problem or contradiction would be the conflict over the distribution of the national product. A general cartel would thus assume the role of the regulator of market relations in capitalism. This idea of a general cartel or ultra-imperialism was also widely discussed by Lenin, who principally accepted the future perspective of the development of a general cartel, though with some important reservations (according to him, a general cartel is abstractly thinking a logical consequence of the economic tendencies in capitalism, but still it would be both economically and politically impossible for capitalist economy to develop into one single general cartel).

It is not, however, altogether clear whether ultra-imperialism really would, even in Kautsky's opinion, be a realistic alternative to imperialism. Earlier, in another context, Kautsky seemed to deny quite explicitly the possibility of the emergence of an international cartel which would abolish competition.<sup>39</sup> In criticising Bernstein, Kautsky had, on the other hand, long before the pub-

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38 Hilferding 1981.

39 'The regulation of production by large syndicates or trusts presupposes above all that they control all branches of industry and the organization of these upon an international basis in all countries over which the capitalist system of production extends' (Kautsky 1910b, p. 80). The next two sentences are not in the English translation: 'As of yet there is not a single international cartel in any branch of industry that is decisive for economic life as a whole ... More than fifty years ago, Marx made the point that monopoly not only comes about through competition, but that it also creates competition' (Kautsky 1906a, p. 95, translation BL).

lication of Hilferding's *Finance-Capital*, already acknowledged the theoretical possibility of the further development of the centralisation of capital into a cartel economy.<sup>40</sup>

It is, however, more important to note that the idea of an international general cartel is, in a sense, a logical conclusion of Kautsky's understanding of the historical development of capitalism: such an ultra-imperialism would be economically totally possible; politically it would, however, be faced with such contradictions that the future development of capitalism in the direction of ultra-imperialism is actually highly improbable. Ultra-imperialism and imperialism are forms or methods of realising the interests of finance capital (or big capital magnates). Ultra-imperialism and the establishment of a nationwide general cartel too would reveal the exploitative nature of capitalism in such a direct, crude form that people would not endure it for a moment.

In point of fact, a state of things such as here outlined would be as preposterous as it would be impossible. It will not, and cannot, come to that. The mere approach to such conditions would increase to such an extent the sufferings, antagonisms and contradictions in society, that they would become unbearable and society would fall to pieces, even if a different turn were not previously given to the development. But although such a condition of things will never be completely reached, we are rapidly steering in that direction.<sup>41</sup>

The concept of ultra-imperialism is probably Kautsky's best-known formulation of the future destiny of capitalism. It was, however, only presented in the article *Imperialism* [*Der Imperialismus*]. *Imperialism* was, in fact, only Kautsky's first attempt to reformulate the strategy of Social Democracy after the outbreak of war. The outbreak of war concretely proved that the strategy aimed at preventing world war was ineffective and obsolete. In his writings published during the war, Kautsky still tried to defend the strategy of the International before the war, and revised it to meet the new demands and changing conditions. In his later writings, he seems to have abandoned the idea of ultra-imperialism, its place as a positive alternative to imperialism being taken by the conception of a union of democratic states.

In the booklet *National State, Imperialist State and Confederation*, Kautsky presented a new solution, a reorganisation of post-war international economic

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40 Kautsky 1899b, p. 1.

41 Kautsky 1910b, p. 69.

relations, which would prevent the development of any future contradictions and hostilities and would guarantee the further development of capitalism, a development more favourable to the working class as well. The alternative to imperialism as proposed by him was a democratic union of states based on a common trade treaty and free trade. This new proposition respected the criteria of democracy of nations and their right to self-determination.<sup>42</sup> Even though the solution was new, Kautsky's analysis of the causes of imperialism followed the arguments mainly presented earlier: The decisive cause of imperialism is the opposition between agrarian and industrial regions. The agrarian regions which industrial states are trying to annex are primitive and underdeveloped. Moreover, they have not reached the stage of democracy, because the material conditions of democracy have not yet been developed.<sup>43</sup> There is, in fact, thus a civilising influence in imperialism, vis-à-vis the development of the productive forces in colonies; ensuring the material conditions for democracy is the historical task of imperialism. Thus imperialism is by nature not altogether reactionary.

The most important explanation of imperialism presented in *National State, Imperialist State and Confederation* is the thought that even though imperialism is a consequence of the economic tendencies of capitalism, it is by no means a necessary result of these tendencies – a thought also presented in other writings:

[O]ne will no longer conclude offhand, from the fact that imperialism finds its powerful economic driving forces in capitalism, that imperialism is inevitable as long as the capitalist mode of production exists or that it is absurd to want to oppose it within the framework of that mode of production.<sup>44</sup>

The increasing export of means of production instead of industrial products in general is a tendency of great importance. The new maxim of capital is to try to sell as much as possible and to buy as little as possible, and when every state favours this kind of policy, the conflicts are ready at hand. The centralisation of capital, the combination of finance with industrial capital and the changing patterns of foreign trade are, in fact, tendencies that will remain intact as long as capitalism prevails. On the other hand, the methods used by the state to

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42 Kautsky 2011d, p. 802.

43 Kautsky 2011d, p. 804.

44 Kautsky 2011d, p. 810.

promote these tendencies – colonialism and imperialistic expansion – are not as such unavoidable.<sup>45</sup> Even at present, there are modern examples of another approach to these problems. There already exist unions of states of another kind (the United States of America and South Africa or the ‘Burenrepublik’), which concretely prove that there is at hand another method that is both effective and possible:

Imperialist needs [have] certainly played a role in its formation, but the acquisitions of territory on which it was built, with the exception of the Boer republic, were made a century before the era of imperialism, and the close connection of this confederation was not imposed upon the English possessions with the imperialist method of violence. On the contrary, it became a necessity for all parties concerned due to the force of attraction of democracy and, as we have already remarked, the free trade of the motherland.<sup>46</sup>

The imperialistic methods of expansion are by no means the most effective ones, and industrial capital in particular can profit more from other methods. Its commodities can be more effectively exported under the conditions of free trade not restricted by imperialistic customs policy.<sup>47</sup> The best method for guaranteeing the export of commodities and the import of raw materials would be an effective treaty between all industrial states, as a result of which their mutual trade would all but resemble free trade.<sup>48</sup> Such treaties, according to Kautsky, would be the most effective guarantee of peace and economic development in the future:

The federation of states rather than the multinational state or the colonial state: that is the form for the great empires required by capitalism to reach its final, highest form in which the proletariat will seize power.<sup>49</sup>

Kautsky’s favourite thought of the two possible ways of developing capitalism was repeated intact in this writing as well. The first method is based on the most rapid development of the productivity of labour and productive forces.

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45 Kautsky 2011d, p. 811.

46 Kautsky 2011d, pp. 827–8.

47 Kautsky 2011d, pp. 840–1.

48 See Kautsky 1915a, p. 73.

49 Kautsky 2011d, pp. 842–3.



The second method is based on the increasing direct and violent exploitation of labour. The first method is to be preferred, because it promotes the cause of socialism and the interests of the working class in general:

The possibility lies in the fact that there are different ways of furthering capitalist development ... To the first way belongs the introduction of new machines, better organisational forms of production and distribution, replacement of lower by higher operational forms, such as small-scale cultivation by large-scale cultivation, construction or improvement of means of transportation, better education and physical invigoration of the workers, and scientific structuring of the production-process.<sup>50</sup>

The first method could also lead to greater suffering among the working class, but it still creates better potential for its emancipation.

It is, however, impossible simply to choose between the two methods according to the preference of the working class. The actual choice between the methods is made by power. As long as finance capital and its allies and representatives are in power, the second method will prevail and the development of capitalism will be limited. The task of the working class is to fight for the adoption of the first method and to win the support of other sections of the population for this common cause through propaganda and agitation. It should be remembered that this 'people's front' is potentially a very conclusive one. Even the industrial capitalists can, at least in principle, be included in it. And because the adoption of imperialistic policy is purely a question of power, it can at any time be replaced by more democratic and peaceful methods of foreign trade. Nothing would, in Kautsky's opinion, be a greater mistake than to think that the materialist conception of history makes it impossible to fight against imperialism. To oppose imperialism is, on the contrary, the most important and immediate task of the whole working class today.<sup>51</sup>

The strategy of the Social Democrats in opposing imperialism could be compared with their attitude towards technical progress in capitalism. The motive force of capitalism is profit, but there are always different methods of promoting this goal. The Social Democrats should not, for instance, oppose technical progress as such – the introduction of new machines, the centralisation of capital, the scientific organisation of work, and so on – even though it is in

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50 Kautsky 2011d, p. 846.

51 Kautsky 2011d, p. 848.

the interests of capital accumulation. While increasing the rate of exploitation and surplus value, technical progress due to the accumulation of capital is also beneficial to the working class. Technological progress improves both the conditions of revolutionary socialism and the material position of the wage workers. It is the task of the Social Democrats to guarantee that the workers get their share of the benefits of capital accumulation: 'In this way, Social Democracy solves the apparent contradiction of its historical tasks, simultaneously struggling against and also promoting capitalism'.<sup>52</sup>

The result of Kautsky's analysis of imperialism could be summarised as follows: There are two methods for promoting the economic expansion of modern capitalism. One is imperialism; the other is the expansion of free trade and the establishment of varying degrees of international political and economic association. Both methods fulfil the functions of capital expansion and aim at solving the problems of permanent overproduction. The first method, based on restrictive tariffs and colonial policy, will sharpen the contradictions between nations and further militarism and militant policy. It is also undemocratic because it is based on the repression of both the colonial people and the working class at home. Hence it does not promote the struggle for socialism. The second method is that of international economic associations. It is both democratic and, furthermore, more advantageous for the rapid economic and technological development of capitalism. This method is also antimilitaristic and the only possibility of avoiding devastating world war in the future.

There seems to be an interesting paradox in Kautsky's thinking. Even though imperialism is caused by the economic development of capitalism, imperialism is at the same time disadvantageous to its further development even from the point of view of capital accumulation. Why, then, is it the prevalent form of capitalist expansion? Kautsky's answer was simple: imperialism is a pure question of will and political power. To understand imperialism we must, consequently, analyse the power relations in modern capitalism and the economic interests of the different power groups. Theoretically, the analysis is relatively clear. Imperialism is supported by and is exclusively in the interests of the big capital magnates, finance capital. The rest of the nation – with the exclusion of the big land owners – does not have any direct economic interests in the future of imperialism; all the people are – at least potentially – opponents of imperialism. The role of power in Kautsky's analysis becomes even more accentuated because imperialism is not actually even in the economic interests of the

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52 Kautsky 2011d, p. 847.

industrial capitalists; in the last instance, it does not even effectively promote the industrial development and technological progress of the nation and the accumulation of capital.

In adopting the idea of the central role of finance capital in modern capitalism, Kautsky was able to determine the only genuine supporters of imperialism, the representatives of finance capital. There is a major difference between the economic interests of industrial and finance capital as such. Industrial capital is a supporter of peace and democracy. From a historical perspective, it was interested in restricting the economic power of the absolutist state – and its political goal was to save in fiscal policy and state expenditure. Industrial capital is not interested in restrictive tariffs on raw materials and foodstuffs because they are apt to raise the costs of production. Industrial tariffs are accepted only in cases of industrial backwardness.<sup>53</sup>

The political and economic orientation of finance capital is totally different:

By contrast, finance-capital, the class of great money-lenders and bankers, tends to support absolute state-power and the violent assertion of its claims domestically and externally. It has an interest in great state-expenditures and public debts as long as they are not so large as to bring about the bankruptcy of the state. It is on good terms with large landed proprietors, and it has no objections to their preferential treatment through agrarian tariffs.<sup>54</sup>

Economic development has brought finance capital into power. With the introduction of the joint stock companies, the biggest industrial capitalists have been united with finance capital. The close relation between industrial and money capital is a characteristic feature of imperialism:

In that way, the largest and strongest part of industrial capital united with money-capital while, at the same time, initiating its rapprochement with large-scale landed property. Trusts and centralisation of the great banks carried this development to extremes.<sup>55</sup>

Because of the union of industrial and money capital, the political interests of finance capital become the general interests of the ruling class:

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53 Kautsky 2011d, p. 812.

54 Ibid.

55 Ibid.

The statist tendencies of finance-capital now became the general tendencies of the entire ruling economic classes in the most developed capitalist states. That is one of the distinguishing features of the current period, which people have called the imperialist period.<sup>56</sup>

Thus, Kautsky concluded that the united industrial and finance capital is the new power bloc supporting imperialism, which lends further support to the thesis that imperialism is really only a question of power; it is the result of the economic and political domination of finance capital, domination not only in relation to the 'people' but also within the capitalist class as such. Finance capital has forced the industrialists to adopt imperialist policy even though it is not even beneficial to future industrial developments.

In his last article on imperialism *The Imperialist War* [*Der imperialistische Krieg*],<sup>57</sup> written during the war, Kautsky again repeated many of the arguments presented in most of his earlier writings. According to him, it is important to understand that even though the war was in fact of an imperialistic nature, it could not be explained exclusively by the economic factors of imperialism. And even more importantly, imperialism would not be at all necessary for the future development of capitalism. And Kautsky repeated his former arguments about imperialism being only one possible method of appropriating extra profit – the motive force of every single capital – and even though the appropriation of extra profits is the decisive motive force of capitalism which will remain in power as long as capitalism prevails, there are also other ways of guaranteeing the effective appropriation of profits and accumulation of capital.<sup>58</sup> Imperialism is only a question of power, in the very same sense as the determination of the length of the normal work-day.

Kautsky did not tire of repeating that imperialism is purely a question of power, and that the future of imperialism is accordingly decided by the respective power of its opponents and adherents. Imperialism does not, furthermore, characterise the policy of all the capitalist countries. It is only characteristic of the big capitalist states. Imperialism thus is, and in this respect Kautsky is consistent in all his writings, only a specific economic policy of capitalism which – by all means – is influenced by the economic development of capitalism (the centralisation of capital, the domination of finance over industrial capital, the problem of industrial and raw material markets, and the problem of

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56 Kautsky 2011d, p. 813.

57 Kautsky 1916–17a.

58 Kautsky 1916–17a, p. 475.

overproduction and underconsumption). It is not, however, totally determined by these economic tendencies or factors. Both the problem of markets and of the appropriation of extra profits can be solved through means and methods other than imperialism.

The main strategic conclusion drawn by Kautsky from his analysis is that it is both rational and possible to oppose the use of imperialistic methods in capitalism. The only possible alternatives open to capitalism are not simply socialism or war (or socialism or barbarism); there is also another alternative open for further development, an alternative that would be democratic by its nature and more effective in promoting the development of productive forces.

There is an interesting shift in emphasis in Kautsky's thinking on modern capitalism revealed in comparing the *Erfurt Programme* and the writings on imperialism in the beginning of the century with the studies written during the war. In the earlier writings, the formation of cartels is connected with the problem of the decreasing rate of profit, and the introduction of tariffs and colonial policy is explained by overproduction and the realisation problems of cartels. The general contradiction between industrial and agrarian production was further emphasised by Kautsky as an explanation of imperialism. These explanations were preserved intact in the later writings too, but now the political power of finance capital was understood to be the basic factor promoting imperialism. In Kautsky's later writings, colonial policy and imperialism were explained as being adopted mainly because they are in the central interests of the cartels, or rather finance capital. However, both explanations are easy to combine. In the earlier discussion, the explanation of the source of extra profit was essentially a political one as well; cartels are able to appropriate high profits due to the economic policy of the bourgeois state including annexation of colonies and high import tariffs. The state is a political instrument in the hands of big cartels and finance capital.

Kautsky always thought and wanted to emphasise that imperialism is only one of the several possible alternatives or methods of the economic policy of the state – a method guaranteeing the profits of centralised capital or high finance. In Kautsky's analysis, imperialism then is more of an exception in the development of capitalism caused by a rather specific and historically exceptional constellation of political and economic forces in the developed capitalist countries during the last decades of the nineteenth century. It is by no means the necessary outcome of the economic development of capitalism in Europe.

## Imperialism as the Last Stage of Capitalism

Ever since the publication of Kautsky's main writings on imperialism, he has been criticised for his characterisation of imperialism as only one possible alternative to the future development of capitalism. An early and perhaps the best-known critique came from Lenin, who criticised Kautsky for his exclusively political definition of imperialism. In this respect, one can agree with John H. Kautsky's interpretation of Karl Kautsky's theory of imperialism as presented in his article on Schumpeter and Kautsky:

Whether Kautsky inclined to the Schumpeterian 'pre-industrial' or the Hilferdingian 'industrial' explanation of imperialism certain elements of his thought remained constant; it was banking capital rather than industrial capital in its pure form that was a driving force, if not the driving force, of imperialism ... and finally, imperialism was merely one possible form of the general and inevitable phenomenon of industrial expansionism into agrarian areas and hence was not necessary to capitalism.<sup>1</sup>

The same argument was presented even more forcefully by Rainer Kraus:

Since the 1880s, the essential feature of Kautsky's theory of imperialism consisted in attempting to demonstrate the groundlessness of virtually all arguments in favour of colonial expansion, in as far as these arguments were prejudiced by the view that colonies were necessary for the survival of capitalist society.<sup>2</sup>

Even though Kautsky did not simply think of imperialism as being an atavism in capitalism caused by pre-capitalist remnants in society, and even though Kautsky's theory is not in this respect identical to that of J.A. Hobson, Joseph Schumpeter and Emil Lederer, as claimed by Gottschalch,<sup>3</sup> it is true that Kautsky understood imperialism as being more of an exception in the normal development of capitalism. Or rather, imperialism is both a permanent problem

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1 John H. Kautsky 1961, p. 118.

2 Kraus 1978, p. 171.

3 Gottschalch 1962, p. 89.

caused by the unequal development of industrial and agrarian production and a politically avoidable problem to be eliminated as soon as the power of finance capital could be eliminated.

As stated earlier, Kautsky's conception of imperialism resembled that of Lenin's in many respects. To both of them, imperialism is a consequence of the centralisation and monopolisation of capital and the formation of cartels and trusts. Furthermore, the centralisation of capital is a necessary feature of capitalism. Another characteristic feature of imperialism is the power and domination of finance capital over industrial capital, and the importance of the export of capital compared with the export of commodities. Kautsky's emphasis on the role of protective tariffs did not, on the other hand, figure in Lenin's analysis – a fact already indicating that Kautsky, more so than Lenin, analysed imperialism as a concrete historical form of the economic policy of the state. Neither did the idea of the difference and conflict between agrarian and industrial countries and production explain the annexation of colonies and their economic importance to Lenin – even though it was also mentioned by Lenin. For Kautsky, this difference was the most important single cause of imperialistic policy. The main and decisive difference, however, is that whilst Kautsky understood imperialism as a specific political method of guaranteeing the profits of capital, Lenin also considered imperialism as being a specific and necessary stage in the economic development of capitalism.

To Lenin, the future of capitalism was by nature necessarily violent; it represented the repression of the people and led to the stagnation of productive forces and repressive methods of government. In the analysis of imperialism of both Kautsky and Lenin, there was, however, one more important common characteristic: power is the new decisive factor in imperialism, and relations of power and dominance replace relations of a purely economic character in imperialism.

In defining imperialism as the monopolistic phase of capitalism, Lenin did not yet differ essentially from Kautsky's analysis. Neither Kautsky nor Lenin discussed in any great detail the nature of the transformation of free competition into monopolistic competition. They simply stated that monopolistic competition – to a certain extent – takes the place of free competition and that this transformation is made possible by the centralisation of capital – at least in the internal market. It must nevertheless be admitted that Lenin discussed the relation between free competition and monopolistic competition in more detail than Kautsky. To Kautsky, the monopolistic organisations were simply the most influential power organisations in a society realising their interests in state policy. Kautsky did not formulate any explicit conception of competition in capitalism.

According to Lenin, monopoly is the economic essence of imperialism. However, this definition must be complemented by a list of other defining characteristics of imperialism:

And so ... we must give a definition of imperialism that will include the following five of its basic features: 1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; 2) the merging of bank capital with industrial capital, and the creation, on the basis of this 'finance capital', of a financial oligarchy; 3) the export of capital as distinguished from the export of commodities acquires exceptional importance; 4) the formation of international monopolist capitalist associations which share the world among themselves; and 5) the territorial division of the whole world among the biggest capitalist powers is completed.<sup>4</sup>

Having presented the above list, Lenin was ready to formulate a 'more complete' definition of imperialism:

Imperialism is capitalism at the stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalists has been completed.<sup>5</sup>

Immediately after presenting his own 'definition' of imperialism, Lenin criticised Kautsky's conception. According to Lenin, Kautsky made two grave mistakes in his analysis of imperialism. To begin with, Kautsky's conception of imperialism was restricted to a certain specific political method of capitalist states. The second mistake was that Kautsky emphasised imperialism as being equivalent to the method of annexation of colonies. Kautsky's definition of imperialism as a specific political form or method of capitalist states was as such correct but, in Lenin's opinion, incomplete. Kautsky forgot that imperialism is essentially reactionary and violent by nature. At least in this respect Lenin's critique of Kautsky was, however, misdirected. On several occasions, Kautsky stated explicitly that imperialism is reactionary and violent in char-

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4 Lenin 1967d, pp. 745–6.

5 Lenin 1967d, p. 746.



acter. Lenin's critique of the economic causes of imperialism as formulated by Kautsky was, however, more adequate. According to Lenin, Kautsky was mistaken in indentifying the causes of imperialism with the complex and problematic relation between industrial and agrarian capital. Imperialism cannot be adequately characterised as representing the interests of industrial capital in enlarging the market for its products; the dominating form of capital in imperialism is finance capital. Furthermore, the annexation of agrarian areas or countries as colonies of industrial states is not as such typical only of imperialism. Imperialism is, on the contrary, characterised by the struggle for hegemony over industrial countries as well.<sup>6</sup>

Kautsky's main failure in analysing imperialism, however, was that in distinguishing between political and economic factors in imperialism, he claimed that there is possibly another kind of policy in modern capitalism which would satisfy the interests of industrial capital, as well as imperialism, and which would not be violent and reactionary in character.<sup>7</sup> Lenin's conclusion in his critical analysis of Kautsky's conception of imperialism was that Kautsky had become a reformist and an enemy of Marxism:

The result is a slurring over and a blunting of the most profound contradictions of the latest stage of capitalism, instead of an exposure of their depth; the result is bourgeois reformism instead of Marxism.<sup>8</sup>

The main target of Lenin's critique was Kautsky's concept of ultra-imperialism. Lenin admitted in principle that the economic development of capitalism would lead to the formation of a single worldwide trust. On one occasion, Lenin even referred to the possible formation of a super-monopoly.<sup>9</sup> But such a prophecy would be totally devoid of any interest.<sup>10</sup> Compared with the actual development of the world economy at the beginning of the century, the conception of ultra-imperialism could be shown to contradict the actual state of affairs. Kautsky's conception was, after all, dangerous. It lent support to the legitimisation of imperialism in emphasising the possibility of a non-contradictory development of capitalism. According to Kautsky, capitalism can develop without crises; in reality, imperialism sharpens these contradictions and increases the occurrence of crises in capitalism:

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6 Lenin 1967d, pp. 746–8.

7 Lenin 1967d, p. 748.

8 Lenin 1967d, pp. 748–9.

9 Lenin 1967d, p. 728.

10 Lenin 1967d, p. 750.

Are not the international cartels which Kautsky imagines are the embryos of 'ultra-imperialism' ... an example of the division and the redivision of the world, the transition from peaceful division to non-peaceful division and vice versa?<sup>11</sup>

And further:

Finance capital and the trusts do not diminish but increase the differences in the rate of growth of the various parts of the world economy. Once the relation of forces is changed, what other solution of the contradictions can be found under capitalism than that of force?<sup>12</sup>

As Lenin stated, it is exactly the characterisation of imperialism as only one specific and possible form of the politics of a capitalist state that does not pay any attention to the fact that imperialism is a necessary consequence of the development of capitalism which marks the main difference between their conceptions.<sup>13</sup> Lenin did not approve of Kautsky's 'deduction' of imperialism from the different conditions of industrial and agrarian production. On the other hand, he did not pay attention to the fact that Kautsky repeatedly mentioned both monopolisation and the dominance of finance capital as the main causes of imperialism too. The main target of his critique was quite obviously and repeatedly not so much the fact that Kautsky did not understand the economic 'essence' of imperialism (imperialism as monopolistic capitalism). Kautsky was to be criticised mainly because his analysis led to the dangerous conclusion that imperialism can develop into a new stage of peaceful and non-aggressive capitalism. It is exactly this conclusion that made Kautsky's conception essentially a reformist one, to be criticised as such.<sup>14</sup>

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11 Lenin 1967d, pp. 751–2.

12 Lenin 1967d, p. 752.

13 This major difference in the interpretations of the essential nature of imperialism was already explicitly formulated by Karl Radek in the article 'Our Struggle Against Imperialism' ['Zum unseren Kampf gegen den Imperialismus']: 'The foundation of all the differences in our relationship to imperialism is the question of its character. What is imperialism, and what is its relationship to capitalist development in general and to world-economic expansion in particular? Is it the foreign policy of crashing capitalism, or simply one of the forms still possible for capitalist display of power?' (Radek 2011, p. 543). Radek's own answer to the question is obvious: 'Imperialism is the only possible world policy of the present capitalist era' (Radek 2011, p. 549).

14 For a modern Marxist-Leninist evaluation of the elements of both genuine Marxism

On the other hand, there is, in fact, not such a big difference between Lenin and Kautsky in their evaluations of the consequences of imperialism for the future of capitalism. According to both of them, imperialism leads to the application of violent methods in politics and militarism at home and in foreign relations. In Lenin's opinion: 'domination, and the violence that is associated with it, such are the relationships that are typical of the "latest phase of capitalist development"'.<sup>15</sup> Democratic methods of government are displaced by repressive and reactionary ones; economic competition as the regulatory principle of capitalism is displaced by the power and dominance of finance capital. Imperialism further leads to the stagnation of productive forces and the sharpening of crisis development both internationally and nationally. Lenin's conception of the consequences of imperialism for the economic progress of capitalism did not markedly differ from Kautsky's corresponding formulations. Kautsky would accept all the conclusions drawn by Lenin too:

As we have seen, the deepest economic foundation of imperialism is monopoly. This is capitalist monopoly, i.e. monopoly which has grown out of capitalism and which exists in the general environment of capitalism, commodity production and competition, in permanent and insoluble contradiction to this general environment. Nevertheless, like all monopoly, it inevitably engenders a tendency of stagnation and decay. Since monopoly prices are established, even temporarily, the motive cause of technical and, consequently, of all other progress disappears to a certain extent and, further, the economic possibility arises of deliberately retarding technical progress.<sup>16</sup>

However, Kautsky's most serious mistake – according to Lenin – was in imagining that capitalism would develop more rapidly and more effectively if free competition were re-established and it were not restricted by monopolies or finance capital. Lenin claimed that even though it might be presupposed that capitalism would develop more rapidly under the conditions of free competition, this presupposition is completely abstract. Kautsky forgot that the very development of capitalism necessarily gives rise to the permanent monopolisation and centralisation of capital:

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(read: Marxism-Leninism) and revisionism in Kautsky's thinking about imperialism, see Braionovich 1982, pp. 181–8; see also Braionovich 1979, pp. 208–19.

15 Lenin 1967d, p. 694.

16 Lenin 1967d, p. 754.

And monopolies have *already* arisen – precisely out of free competition! Even if monopolies have now begun to retard progress, it is not an argument in favour of free competition, which has become impossible after it has given rise to monopoly.<sup>17</sup>

In other words, Kautsky did not understand that the process of monopolisation is an unavoidable result of capitalist development and as such an irreversible process. And because of this mistake, Kautsky became a reactionary and a reformist.<sup>18</sup>

In Lenin's analysis, imperialism was not only the necessary consequence of capitalist development, it was also the immediate predecessor of socialism. There is no other alternative to imperialism but socialism, and on the other hand, the preconditions for socialism practically ripen in imperialism. These conclusions are already included in the very definition of imperialism as monopoly capitalism:

This in itself determines its place in history, for monopoly that grows out of the soil of free competition, and precisely out of free competition, is the transition from the capitalist system to a higher socio-economic order.<sup>19</sup>

Imperialism is thus the immediate transitory stage from capitalism to socialism which determines its place in human history:

From all that has been said in this book on the economic essence of imperialism, it follows that we must define it as capitalism in transition, or, more precisely, as moribund capitalism.<sup>20</sup>

The development of capitalism into imperialism was thus argued by Lenin to be an inevitable and irreversible consequence of the economic development of capitalism. The contradictions of capitalism are furthermore accentuated in imperialism. According to Lenin, the relations of private property which are preserved intact even in imperialism no longer correspond to its relations of production: 'Production becomes social, but appropriation remains private'.<sup>21</sup>

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17 Lenin 1967d, p. 765.

18 Ibid.

19 Lenin 1967d, pp. 772–3.

20 Lenin 1967d, pp. 775–6.

21 Lenin 1967d, p. 693.

Thus Lenin seemed to round off his argumentation of the consequences of imperialism following Engels's formulation of the basic contradiction of capitalism, which Kautsky had also taken as his own. But in Lenin's analysis, this basic contradiction took a new form and was even accentuated in imperialism. Due to the monopolisation of production, 'the social means of production remain the private property of a few'<sup>22</sup> (even fewer than before). And in imperialism, the contradiction between private appropriation and the socialisation of production becomes even more accentuated as the contradiction between 'formally recognised free competition' and factual 'monopolistic competition'. As a consequence, 'the yoke of a few monopolists on the rest of the population becomes a hundred times heavier, more burdensome and intolerable'.<sup>23</sup> In imperialism, the basic contradiction of capitalism is developed to its utmost form, and consequently, the relations of private property must give way to a socialisation of the means of production which recognises that the means of production are, in fact, already in capitalism, social means of production.

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22 Ibid.

23 Ibid.

## Theoretical Sources of Kautsky's and Lenin's Studies on Imperialism

Lenin formulated his conception of imperialism as a specific stage of capitalism for the first time in *The War and Russian Social-Democracy* of 1914.<sup>1</sup> Before this, at the end of the nineteenth century and in the beginning of the twentieth century, Lenin had already studied the concentration of capital and the production and influence of monopolies in capitalism. The problem of transformation of crisis development was also the subject of study in these writings. According to Lenin, it is continuously claimed that monopolies can change the development of crises, but it is forgotten that they cannot totally eliminate them. The same question figures in many of Lenin's later writings. He also published articles on finance capital, worldwide syndicates and the mutual links between monopolies and state.<sup>2</sup>

In 1915, Lenin published *Socialism and War*, which already included a formulation of all the basic characteristics of imperialism mentioned in *Imperialism as the Highest Stage of Capitalism*: imperialism is the highest stage of capitalism, which became the dominating form of capitalism at the end of the last century; the concentration of capital led to the increasing power of syndicates and cartels in various fields of industry; organised capitalists divided almost the entire globe among themselves and subsumed it under finance control and exploitation; free trade and competition were transformed into a monopoly; the export of capital became important in international trade; from a former liberator of nations, capitalism was transformed into their oppressor.<sup>3</sup> In writing his work on imperialism, Lenin set out to reveal the 'economic essence' of imperialism – and this economic essence was shown to be the monopoly.

Lenin's study of imperialism was a part of a large and wide interest in the emerging new phenomena of capitalism studied and analysed by Marxist and non-Marxist scholars and theoreticians. There are, however, four works on imperialism which influenced Lenin's own conception more than others: Rudolf Hilferding's *Finance Capital*, Rosa Luxemburg's *The Accumulation of*

1 Lenin 1967c, pp. 657–63; see also Valisyevskii 1969, p. 89.

2 Leontev 1969.

3 Lenin 1963–74b, p. 301; see also Rozental 1973, pp. 141–3.

*Capital*, Karl Kautsky's *National State, Imperialist State and Confederation* (and other writings by Kautsky, for example, *Imperialism*), and J. Hobson's *Imperialism*. These studies influenced Lenin's theoretical conceptions more or less directly.<sup>4</sup> The idea of the importance of the export of capital and of rentier states stems from Hobson. Luxemburg and Kautsky figured more as negative examples for Lenin, to be criticised for their mistakes. Lenin's relation with them was highly polemical. Luxemburg's analysis of imperialism, which was well-known among Marxists in the beginning of the twentieth century, was not referred to in Lenin's study, but it is known from other sources (such as his notebooks on imperialism) that Lenin regarded Luxemburg's theory as false and that he planned to write a separate analysis to prove it.<sup>5</sup>

The importance of capital export exceeded the importance of the export of commodities in both Lenin's and Kautsky's respective analyses of imperialism. To Lenin, the role of capital export was even more important than it was to Kautsky; the fact that capitalist states become rentier states and live on the rents received from profitable investments in colonies is one of the main characteristics of imperialism. As already pointed out, Lenin relied heavily on Hilferding's *Finance Capital* in his analysis of imperialism; Hilferding excessively discussed both the problem of foreign markets and export of capital. However, he paid more attention than Lenin to the emergence of new protectionism in international economic relations.<sup>6</sup> Lenin's idea of the rentier state stemmed – as readily acknowledged by him – from another main work on imperialism of the time, namely, Hobson's *Imperialism*, published for the first time in 1902.<sup>7</sup> It is not known whether Kautsky was acquainted with Hobson's theory, but his emphasis on the role of capital export in imperialist relations is an indicator of the fact that the main ideas of imperialism were shared by many of the theoreticians.

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4 In the beginning of *Imperialism as the Highest Stage of Capitalism*, Lenin referred to Hobson and Hilferding as the main inspirations for his theory of imperialism (see Lenin 1967a, p. 684).

5 Leontev 1969, p. 87.

6 Hilferding 1981, pp. 301–10; see also Hilferding 1902–3.

7 Hobson 1948. The factors mentioned by Lenin leading to the increase and necessity of export of capital are, in fact, a combination of both Hobson's and Kautsky's theories of imperialism. Despite his critique of Kautsky's analysis of the relation between the industrial and agrarian areas and production, Lenin, in fact, mentioned the slow increase of agrarian production as one of the factors leading to imperialism via overproduction: 'if capitalism could develop agriculture, which today is everywhere lagging terribly behind industry, if it could raise the living standards of the masses, who in spite of the amazing technical progress are everywhere still half-starved and poverty-stricken, there could be no question of a surplus of capital' (Lenin 1967d, p. 723).

cians of the time. The export of capital is in various theories of imperialism also an important factor explaining the stagnation of productive forces and economic development in general. When capital is exported, it is not invested in domestic industry and thus industrial development degenerates.

According to Hobson, the basic facts about modern capitalism are the following:

Whatever figures we take, two facts are evident. First, that the income derived as interest upon foreign investments enormously exceeded that derived as profits upon ordinary export and import trade. Secondly, that while our foreign and colonial trade, and presumably the income from it, were growing but slowly, the share of our import values representing income from foreign investments was growing very rapidly.<sup>8</sup>

On Hobson's account, the only people to benefit from the new colonial markets are the finance capitalists, or as he prefers to call them, the investors. The manufacturers and trading classes do not benefit from 'aggressive imperialism':

Aggressive Imperialism, which costs the taxpayer so dear, which is of so little value to the manufacturer and trader, which is fought with such grave incalculable peril to the citizen, is a source of great pain to the investor who cannot find at home the profitable use he needs for his capital, and insists that his government should help him to profitable and secure investment.<sup>9</sup>

The main cause of imperialism and of the export of capital was that 'the power of production far outstripped the actual rate of consumption'.<sup>10</sup> During free competition, an increase in production leads to the lowering of prices, whereas monopolies and trusts are able to maintain high prices and both limit consumption and collect high profits. This is a cause of action which 'at once limits the quantity of capital which can be effectively employed and increases the share of profits out of which fresh savings and fresh capital will spring'.<sup>11</sup> Trusts and combinations of capital cannot invest their profits inside the trusted-

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8 Hobson 1948, p. 53.

9 Hobson 1948, p. 51.

10 Hobson 1948, p. 75.

11 Hobson 1948, p. 76.



industry: 'Everywhere appear excessive powers of production, excessive capital in search of investment ... It is this economic condition of affairs that forms the taproot of Imperialism'.<sup>12</sup>

It is thus not industrial progress as such which causes the export of capital and imperialism, but the maldistribution of consuming power. The general overproduction is caused by saving, which is explained by a distribution of income that does not follow according to needs. Profits and interests from imperialism are excessive elements of income which have no 'legitimate *raison d'être*' and no proper place in the normal economy of production and consumption. Thus there is a remedy for imperialism ready at hand: if all the classes could convert their needs into an effective demand for commodities, there would not be any excessive capital, nor would there be any fight for foreign markets. And consequently, there would not be any need for imperialism either.<sup>13</sup> If the power of consumption of the population could be increased, the export of capital would become unnecessary, as would the fight for foreign markets.

Unless the power exercised by trusts and cartels over foreign policy is made ineffective, capitalism will necessarily become parasitic, militaristic and undemocratic – all features of imperialism also analysed by Lenin and Kautsky. According to Hobson, 'the whole struggle of so-called Imperialism upon its economic side is towards a growing parasitism'.<sup>14</sup> Imperialism also leads to increasing military expenditure and endangers the maintenance of peace.<sup>15</sup> Imperialism has a tendency from democracy to reaction because representative institutions do not function in an empire: 'The antagonism with democracy drives to the very roots of Imperialism as a political principle'.<sup>16</sup>

Even according to Hobson, imperialism is repressive by nature, and its repressiveness stems from its very economic nature:

Finally, the spirit, the policy, and the methods of Imperialism are hostile to the institutions of popular self-government, favouring forms of political tyranny and social authority which are the deadly enemies of effective liberty and equality.<sup>17</sup>

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12 Hobson 1948, p. 81.

13 Hobson 1948, pp. 82–7.

14 Hobson 1948, p. 107.

15 Hobson 1948, p. 138.

16 Hobson 1948, p. 145.

17 Hobson 1948, p. 152.

Hobson's final verdict on imperialism was a moral one: 'It is the besetting sin of all successful states, and its penalty is unalterable in the order of nature'.<sup>18</sup> Imperialism is an expression of the lower instincts of man, of the animal struggle for existence which prevents the cultivation of higher inner qualities of both man and nation.

The relation between Lenin's conception of imperialism and Hobson's was very similar to the relation between Lenin and Kautsky. Lenin adopted practically all the results of the analysis but did not approve of its consequences. Lenin even directly compared Hobson with Kautsky: neither accepted the economic necessity of imperialism and referred to democratic methods of government as a remedy. But in one respect, Hobson was more honest than Kautsky. Hobson was a democratic liberal and did not pretend to be anything else. He was consistent in recommending a liberal policy against imperialism. Kautsky pretended to be a real Marxist, but in fact committed the sin of revisionism. And an honest liberal is always better than a false Marxist, at least one knows where everybody stands.<sup>19</sup>

According to Lenin, Hobson's analysis of imperialism as basically being caused by a redistribution of income by trusts and combinations of capital was thus in principle correct, but the conclusions drawn from it were wrong. Eliminating imperialist politics by increasing the power of consumption of the population is only a liberal's dream, and doomed to failure. The 'iron law' of imperialism, of which monopoly is the economic essence, does not permit any alternatives to imperialism and its consequences, war and barbarism, apart from socialism – an alternative also formulated by Kautsky at an earlier stage of the development of his conception of imperialism. Whereas Kautsky's theory of imperialism remained essentially the same in practically all his writings on the subject, the strategic conclusions drawn from it varied and it is the strategic conclusions that were the main target of Lenin's critique.

Most important and, at the same time, most problematic is Lenin's relation to Hilferding's *Finance Capital*, which was perhaps the most influential Marxist study on modern capitalism published before the First World War. It gave rise to wide debate. It is not known in detail to what extent *Finance Capital* influenced Kautsky's ideas on imperialism.<sup>20</sup> Kautsky's article devoted to the

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18 Hobson 1948, p. 368.

19 Lenin 1967d, pp. 763–5.

20 The theoretical influence of Kautsky and Hilferding on one another has been evaluated differently by different authors. John H. Kautsky stated that 'Hilferding owed a significant debt to Kautsky's influence' (1961, p. 114). Steenson claimed that Kautsky was influenced by Hilferding's study (1978, p. 174). Kraus seemed to agree with John H. Kautsky in claiming

presentation and critique of *Finance Capital* published in *Die Neue Zeit* in 1910 did not discuss Hilferding's study in any detail. It is true that Kautsky<sup>21</sup> criticised Hilferding's conception of money (in a similar way to Lenin in his notebooks on imperialism),<sup>22</sup> but otherwise he presented Hilferding's ideas more or less uncritically, and devoted the major part of the review to a presentation of his own ideas about the development and explanation of crises in modern capitalism. It is, anyhow, quite certain that Lenin adopted the concept of finance capital and the merger of industrial with finance capital from Hilferding's work, and it is also rather probable that Kautsky's discussion of the role of finance capital in imperialism was influenced by Hilferding's work. It is further quite probable that Kautsky's idea of ultra-imperialism was an extrapolation of Hilferding's discussion about the general cartel, which Kautsky reformulated concerning international relations (an idea also discussed in detail by Lenin). Thus, it could perhaps be claimed that *Finance Capital* was the most important theoretical work discussing the development of modern capitalism during the Second International, a fact explicitly acknowledged by Kautsky. Kautsky characterised *Finance Capital* as the fourth volume of *Capital*.<sup>23</sup>

Hilferding had become an acknowledged Marxist even before the publication of *Finance Capital* by taking part in the theoretical discussion concerning the transformation problem or the relation between values and prices in Marx's *Capital*, actualised by the publication of the third volume of *Capital* in 1894.<sup>24</sup> The essential elements of the idea of a 'Generalkartell' or of an organised capitalism were first formulated by Hilferding in an article 'The Functional Change in Protective Tariffs' [*Der Funktionswechsel des Schutzzölles*] as early as 1903:

in its hunger for profit, capital can no longer achieve what it originally did by exploiting the workers of a factory ... so it seeks to do so in another way: by subjecting the entire population to the *organised* power of capital. The organisation of the working class confronts the organisation of the capitalist class in a unified manner.<sup>25</sup>

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that it is true that Karl Kautsky influenced and even initiated many of the thoughts later formulated by Hilferding (see Kraus 1978, p. 68). The problem may be fairly safely solved by assuming influences in both directions and by assuming that the general ideas expressed by both Kautsky and Hilferding were shared by many Marxists of the period.

21 Kautsky 1910–11, p. 771.

22 Lenin 1963–74d, p. 334.

23 Kautsky 1910–11, p. 883.

24 Hilferding 1973b [1904].

25 Hilferding 1902–3, p. 275.

The organised capitalist class – organised in cartels and trusts – transforms the state into a tool of exploitation. This new form of exploitation is readily recognised as such by every single member of the proletariat, and the proletariat is forced to make an end to this exploitation by occupying the state power.<sup>26</sup> This new organisation of capitalism is an immediate predecessor of socialism. The socialisation of production has been completed, not in the interests of the social totality, but in order to increase exploitation of this totality to the utmost:

It is the immediate predecessor of socialist society because it is its absolute negation: the conscious socialisation of all economic powers available in contemporary society. Yet this is not a centralisation in the interests of the majority of society, but in order to increase the exploitation of this majority to previously unheard of levels.<sup>27</sup>

In this article, Hilferding was still mainly interested in the new features of trade policy explained by the new organisational forms of capital. The most important feature in this respect is the changing function of protective tariffs. From a protection against foreign competition, they are transformed in the hands of the cartels into a method of eliminating competition on both the domestic and the international market in order to obtain higher prices.<sup>28</sup> Increasing contradictions of capitalism are the necessary consequence of the policies of the cartels, and the new colonial policy is a further consequence of this system.<sup>29</sup>

Shortly after the publication of Lenin's *Imperialism*, some of his commentators pointed out that in fact Lenin only presented Hilferding's ideas in a more popular form.<sup>30</sup> Even a superficial study of Lenin's work on imperialism is enough to prove that there are many ideas common to both works. Lenin seemed to adopt some of the main ideas about monopoly, finance capital and cartels rather directly from Hilferding. Lenin's first list of the contents of *Imperialism* follows almost point by point the contents of Hilferding's *Finance Capital*

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26 Hilferding 1902–3, p. 280.

27 Hilferding 1902–3, p. 281.

28 Hilferding 1902–3, pp. 276–7.

29 Hilferding 1902–3, pp. 278–9.

30 Horowitz is a more recent commentator of the same opinion (see Horowitz 1970). Cf. also Gottschalch: 'Among the Marxist theoreticians Lenin is closest to Hilferding' (Gottschalch 1962, p. 142).

(at this stage, he planned exclusively to write a critique of Kautsky).<sup>31</sup> The order of the chapters in the final version of the study was already different as the discussion of banks was preceded by a study of monopolisation and the concentration of capital.

Lenin regarded Hilferding as a Marxist scholar and presented almost no theoretical critique of his ideas. In his notebooks on imperialism, Lenin gave only a short list of the contents and a summary of the book without any further comments.<sup>32</sup> In *Imperialism*, Lenin criticised Hilferding for defining finance capital without taking into account the fact that the formation of finance capital presupposes the existence of monopolies. Shortly after the above comment, however, Lenin admitted that Hilferding did, in fact, analyse the concentration of capital and the formation of cartels before discussing finance capital.<sup>33</sup> Lenin's critique was thus rather formal, dealing with the order of presentation and not the analysis as such.

According to Hilferding, the characteristic features of modern capitalism are those acts of concentration which emerge, on the one hand, as the substitution of free competition by cartels and trusts and, on the other, as the close liaisons between industrial and bank capital. It is this relation between industrial and bank capital which gives the capital 'the form of finance capital, its supreme and most abstract expression'.<sup>34</sup>

According to Hilferding:

An ever-increasing part of the capital of industry does not belong to the industrialists who use it. They are able to dispose over capital only through the banks, which represent the owners. On the other side, the banks have to invest an ever-increasing part of their capital in industry, and in this way they become to a greater extent industrial capitalists. I call bank capital, that is, capital in money form which is actually transformed in this way into industrial capital, finance capital. So far as its owners are concerned, it always retains the money form; it is invested by them in the form of money capital, interest-bearing capital, and can always be withdrawn by them as money capital. But in reality the greater part of the capital so invested with the banks is transformed into industrial, productive capital (means of production and labour power) and is

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31 Lenin 1963–74d, pp. 201–2.

32 Lenin 1963–74d, pp. 333–8.

33 Lenin 1967d, pp. 710–11.

34 Hilferding 1981, p. 21.

invested in the productive process. An ever-increasing proportion of the capital used in industry is finance capital, capital at the disposition of the banks which is used by the industrialists.<sup>35</sup>

Even though banks have always functioned in capitalist production as mediators of money capital, finance capital only comes into being with the foundation of joint stock companies and the coming into being of fictive capital.<sup>36</sup> Lenin accepted Hilferding's definition of finance capital with a slight difference of emphasis: finance capital is monopolised capital and the centralisation of bank capital is also its precondition:

The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry – such is the history of the rise of finance capital and such is the content of that concept.<sup>37</sup>

The foundation of joint stock companies makes it possible to mobilise and centralise capital for the disposal of industrial capital. At the same time, banks become owners and controllers of industrial enterprises. The above analysis was accepted by Kautsky in all its essentials.<sup>38</sup>

In his study, Hilferding stated that, in principle, there are no obstacles or limits to the formation of cartels. Thus the concentration of capital will finally lead to the formation of one single general cartel:

The ultimate outcome of this process would be the formation of a general cartel. The whole of capitalist production would then be consciously regulated by a single body which would determine the volume of all production in all branches of industry. Price determination would become a purely nominal matter, involving only the distribution of the total product between the cartel magnates on one side and all the other members of society on the other ... The cartel would distribute the product.<sup>39</sup>

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35 Hilferding 1981, p. 225.

36 Hilferding 1981, p. 301.

37 Lenin 1967d, p. 711.

38 In a review of Hilferding's *Finanzkapital*, Kautsky approvingly referred to Hilferding's conception of finance capital: 'The capitalist future belongs to finance capital. However, both at home and abroad this represents the most brutal and violent form of capital' (Kautsky 1910–11, p. 769).

39 Hilferding 1981, p. 234.

The regulation and distribution of production by finance capital will finally substitute the specific role and nature of value as the regulator of production and distribution in capitalism. A society governed by a general cartel would be a consciously regulated society, which would, however, still retain its antagonistic nature. The formation of a general cartel would, in fact, be economically, if not politically, possible:

In itself, a general cartel which carries on the whole of production, and thus eliminates crises, is economically conceivable, but in social and political terms such an arrangement is impossible, because it would inevitably come to grief on the conflict of interests which it would intensify to an extreme point. But to expect the abolition of crises from individual cartels simply shows a lack of insight into the causes of crises and the structure of the capitalist system.<sup>40</sup>

It is not difficult to find formulations in Lenin's work on imperialism to support the interpretation that he accepted Hilferding's theoretical conceptions and even the idea of an all-powerful cartel. In particular, Lenin seemed to trust the capacity of the banks to direct and govern the production and distribution of products:

These single figures show perhaps better than lengthy disquisitions how the concentration of capital and the growth of bank turnover are radically changing the significance of the banks. Scattered capitalists are transformed into a single collective capitalist. When carrying the current accounts of a few capitalists, a bank, as it were, transacts a purely technical and exclusively auxiliary operation. When, however, this operation grows to enormous dimensions we find that a handful of monopolists subordinate to their will all the operations, both commercial and industrial, of the whole of capitalist society; for they are enabled ... first, to *ascertain exactly* the financial position of the various capitalists, then to *control* them, to influence them by restricting or enlarging, facilitating or hindering credits, and finally to *entirely determine* their fate, determine their income, deprive them of capital, or permit them to increase their capital rapidly and to enormous dimensions, etc.<sup>41</sup>

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40 Hilferding 1981, p. 297.

41 Lenin 1967d, pp. 700–1.

In the foreword to Buharin's *Imperialism and the World Economy*, Lenin presented most explicitly his own conception of the possibility of the formation of an international general cartel or ultra-imperialism. His conception seemed to follow Hilferding's formulation of the question:

Can it be denied, however, that a new phase of capitalism is 'imaginable' in the abstract *after* imperialism, namely, ultra-imperialism? No, it cannot. Such a phase can be imagined. But in practice this means becoming an opportunist, turning away from the acute problems of the day to dream of the unacute problems of the future ... There is no doubt that the trend of development is *towards* a single world trust absorbing all enterprises without exception and all states without exception. But this development proceeds in such circumstances, at such a pace, through such contradictions, conflicts and upheavals – not only economic but political, national, etc. – that inevitably imperialism will burst and capitalism will be transformed into its opposite *long before* one world trust materialises, before the 'ultra-imperialist', world-wide amalgamation of national finance capitals takes place.<sup>42</sup>

In the above characterisation of the possibility of the formation of a general trust, there is, however, one important difference from Hilferding's conception. For Lenin emphasised that not only are there political contradictions, as claimed by both Hilferding and Kautsky, which prevent the establishment of a general worldwide trust and transform capitalism into its opposite (socialism) before the stage of ultra-imperialism is reached, but there are even economic contradictions. Both Hilferding and Kautsky seemed to think that such a development would – at least in principle – be economically possible. According to Lenin, such thinking is abstract. On the other hand, even the context of Kautsky's argumentation should be kept in mind. He was arguing against the idea of the realisation of socialism as a result of purely economic collapse. Actually, Lenin's critique of the conception of ultra-imperialism was not all that different from Kautsky's own ideas. Even to Kautsky – one could claim – the idea of ultra-imperialism was an abstract possibility arrived at through an extrapolation of the economic tendencies present in capitalism which would thus actually be prevented by many possible intervening counterfactors.

The main difference between Lenin's and Hilferding's respective conceptions of monopolist or finance capital sprang from the differences in their

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42 Lenin 1963–74c, p. 107.



analysis of the nature of competition between capitals and the transformation of free competition into monopolistic competition. Kautsky did not explicitly discuss the problem of the nature of competition and of changes in competition caused by the monopolisation of capital. To him, monopolies, or more concretely, cartels and trusts made possible by the centralisation of capital, seem to function simply as powerful groups of influence dictating the direction of the state's economic policy. Monopolistic extra profits are furthermore appropriated through the utilisation of the favourable position guaranteed by the economic policy of the state through tariffs or colonial annexations. In this respect, both Lenin's and Hilferding's analyses in particular were more detailed and interesting. According to Hilferding, cartels are born out of certain limitations of competition due to the centralisation of capital and the changing composition of industrial capital.

Hilferding's conception of the changing form of competition can be summarised as follows.<sup>43</sup> The motive force of every single capital is to acquire extra profit higher than the average. During the reign of free competition, extra profit is made possible only by higher productivity and technical innovations. The competition of capitals results in an objective tendency, the formation of a general or average rate of profit. The realisation of this tendency, however, presupposes that there are no obstacles to competition restricting the free flow of capital from one field of industry to another. But because such obstacles are, in fact, a necessary outcome of the development of capitalism, capitalism based on free competition is transformed into monopolist capitalism. An increase in the productivity of labour necessarily leads to an increase in the share of fixed capital. Consequently, the amount of capital needed to start new production in a specific field also increases. However, this last factor does not, according to Hilferding, prevent as such competition between capitals and the inflow of new capital into fields with high productivity and high profits. Associations of capital and joint stock companies come into being at the same time as individual production units grow, thus making it possible to mobilise capital in even larger quantities. The inflow of new capital is thus not the main problem facing capital due to the increase of the organic composition of capital. It is, on the contrary, the outflow of capital which becomes difficult and all but impossible from those fields in which the share of fixed capital is especially high. Consequently, the rate of profit becomes low in these fields. It is relatively easy to mobilise new capital into these fields, but it is difficult to withdraw old capital from them. Thus if there were no counteracting factors in operation, the biggest

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43 Hilferding 1981, pp. 183–238.

capitals would paradoxically show the lowest rate of profit. Once invested, capital can, according to Hilferding, only stop functioning when it loses its value completely in bankruptcy and the closing down of factories.

New obstacles to capital mobility thus lead to a diminishing rate of profit at both ends of the production scale. Both in big industry, in which the share of fixed capital is high, and in the technically backward small-scale industry, profits tend to be lower than average. The formation of cartels is the immediate result of the low rate of profit in industries with a high rate of fixed capital. Because of the increasing competition, all such capitals are threatened by devaluation, and thus the formation of cartels controlling the whole industry is in the interests of all the capitals functioning in that field. In abolishing competition, cartels make it possible for firms to acquire a higher profit than average. Furthermore, cartels are especially in the interests of the big banks which have invested capital in various firms operating in certain industries. They are in danger of losing their capital if free competition is allowed to continue.

Hilferding's argumentation about the reasons and causes favouring cartel formation is especially interesting because he was almost the only one among the Second International Marxists to discuss theoretically and to explicate the reasons leading to the transformation of the laws of competition in modern capitalism. Neither Lenin nor Kautsky developed any detailed conception of their own about the causes and effects of the formation of cartels and monopolies. They were merely content to state that the formation of monopolies is the immediate result of the concentration of capital. It is true that Lenin did discuss, more specifically, the problem of the transformation of the laws of competition due to the formation of monopolies – a problem almost totally neglected by Kautsky. But not even Lenin developed his argumentation any further. He merely stated that monopolies partially displace free competition and introduce the factor of power into economic relations. And the reason why free competition is subsumed is that monopolies are able to appropriate higher profits than average. Hilferding's argumentation located the factors abolishing free competition in the technical properties of invested capital in production. According to Hilferding's analyses, capital becomes immobilised because it is concretely 'fixed' in the immobile means of production. In this sense, there is a resemblance between both Hilferding's and Kautsky's reasoning: Kautsky found that the decisive factor giving rise to imperialism is the natural limits of agricultural production which make it impossible to enlarge production in agriculture as rapidly as in industry.

Further interpretation of Lenin's concept of imperialism and monopoly capitalism is hindered by the fact that Lenin was ambiguous in discussing the

transformation of free competition into monopolistic competition. He seemed to think that monopolies are born out of the concentration of capital, and due to the small number of firms operating in a certain field of production they are able to share the markets among themselves. The strengthening of finance capital is a further consequence of the concentration of both banking and industrial capital.<sup>44</sup> Lenin tended to think that, in imperialism, monopolistic competition does not function as an objective and coercive law in relation to the individual capitals in the same sense as free competition does; monopolistic competition is a result of conscious acts on behalf of the individual capitalists or cartels. In other words, the anarchy of production is substituted for a conscious regulation of production.<sup>45</sup> Despite the ambiguous nature of Lenin's conception of competition, it can be argued that he obviously did not understand the role of competition in capitalism in the same sense as Marx. According to Marx, competition realises the inner laws of capital. More specifically, competition realises the inner laws of capital as outer laws of coercion in relation to individual capitals.<sup>46</sup> Furthermore, free competition is in a specific sense the adequate form of realisation of the productive process of capital.<sup>47</sup> In the third volume of *Capital*, Marx discussed more concretely the way in which free competition realises both a production price and an average rate of profit in every field of production. Thus every single capital is but an aliquent part of the total social capital. Marx's presentation and analysis of competition does not, on the other hand, include any analysis of the concrete modes of competition or 'price competition', the determination of market prices, and the fluctuation of prices due to demand and supply.

The difficulty in interpreting Lenin's theory of imperialism stems from the fact that, on the one hand, he seemed to think that somehow monopolies displace free competition but still do not abolish competition altogether. They only substitute it for another kind of competition. On the other hand, monopolistic competition takes place alongside free competition; monopolies operate 'under formally recognised free competition'.<sup>48</sup> There are consequently two possibilities in interpreting Lenin's theory: Either monopolistic competition takes place alongside free competition and is not changing the role of competition as an objective regulatory principle in capitalism functioning behind the

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44 Kraus 1978, p. 128.

45 For a discussion of the relation between competition and monopoly in Lenin's theory of imperialism, see Jordan 1974b, pp. 220–31.

46 Marx 1974–2004, p. 276; see also Marx 1973, pp. 650–1.

47 Marx 1973, pp. 650–1; see also Jordan 1974a, p. 139.

48 Lenin 1967d, p. 693; see also Jordan 1974b, pp. 220–31.

backs of its actors. In this case, monopolistic competition would be a historically specific and concrete form of competition influencing the determination of market prices and profits only in certain fields of production. There would not necessarily be any continuous monopolisation of production, and monopoly would not be the single decisive feature of modern capitalism. Or if monopolistic competition, in fact, transforms the functional laws of capitalism, and even if not abolishing competition altogether (a possibility suggested by Hilferding and Kautsky, but, by contrast, denied by Lenin) introduces power and dominance as the decisive new determiners of the mutual relations of producers, then capitalism really is transformed into a new stage of monopoly capitalism. The conception of monopoly capitalism would then characterise a capitalism fundamentally different from the old 'capitalism of free competition'. Lenin's emphasis on monopoly capitalism as the highest and last stage of capitalism, and his analysis of the transformation of relations of free competition into relations of power and dominance, seem to lend support to the thesis that the second interpretation corresponds better to the core of Lenin's theory of imperialism.

Hilferding's *Finance Capital* can be criticised for the same ambiguity as Lenin's theory of imperialism. According to Schimkowsky, instead of regarding monopolistic competition as only a specific concrete and historical form of competition, Hilferding was led to absolutise the obstacles in the way of mobilising capital and also to overemphasise the influence of the formation of cartels. Consequently, Hilferding's finance capital is no longer capitalism. And in Hilferding's analysis, above all, relations of dominance take the place of competition between capitals.<sup>49</sup> Schimkowski's interpretation of Hilferding's *Finance Capital* is interesting but somewhat restricted; it could be claimed not only that Hilferding failed to understand the role of competition in the same sense as did Marx in *Capital*, but also that he failed to analyse competition in any serious sense.

Hilferding, in fact, only analysed the sphere of circulation in capitalism – as pointed out by Kautsky and other later critics. Kautsky does not, however, draw any further conclusions from his critical comment. In Hilferding, circulation comes first; production comes second.<sup>50</sup> As Cora Stephan has noted, Hilferding tended to comprehend the production process as a technical work process, and hence, in his analysis, the capital relation only exists as a relation within

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49 Schimkowsky 1974b.

50 Kautsky 1910–11, p. 767; see also Gottschalch 1962, p. 103 and Leontev 1969, pp. 80–1.

circulation.<sup>51</sup> This restriction becomes very apparent in Hilferding's analysis of competition. Hilferding did not actually analyse the competition between capitals producing commodities; competition is restricted to the competition between money or loan capitals.

Competition predominantly consists of money capital being transferred from one field of industry into another, and the obstacles preventing the mobilisation of capital are due to the technical composition of capital invested. Moreover, there did not exist in Hilferding's analysis any market value or cost price which would be the result of competition between different capitals and industries, and it is not the production price which realises an average rate of profit in every industry. The amount of capital disposable at a certain period is simply mobilised according to the rentability or the amount of profits in different fields of industry. Profits are then – under free competition – simply divided between the capitals according to their size. The following statement by Hilferding about the role of joint stock companies is characteristic of this conception:

The mobilization of capital, of course, has no effect upon the process of production. It affects only property, only creates the form for the transfer of property which functions in a capitalist way, the transfer of capital as capital, as a sum of money which breeds profit. Since it leaves production unaffected this transfer is in effect a transfer of property titles to profit. The capitalist is concerned only with profit, and is quite indifferent to its source. He does not make a commodity, but what is in a commodity, namely profit ... The mobilization of capital does not affect the real tendency of capital to equalize the rate of profit.<sup>52</sup>

Karl Kautsky would in all probability undersign many of Lenin's reservations about the possibility of the total regulation of production and distribution in capitalism. Kautsky emphasised in many contexts that monopolies do not by any means lead to the abolition of crises and the uneven development of capitalism.<sup>53</sup> Even though there is a moment of regulation inherent in monopoly capitalism and imperialism – and in this sense they do, in fact, anticipate socialism – monopolies do not abolish the market forces in operation. Lenin's accusation of Kautsky as a renegade seems to be unjustified, as Kautsky was

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51 Stephan 1974, p. 140.

52 Hilferding 1981, pp. 187–8.

53 According to Kautsky, it is a 'ridiculous hope' to assume that the cartels and trusts could 'regulate production and thus deal with the crises' (see Kautsky 1907–08a, p. 114).

consistent in his theoretical positions, and it is impossible to find any crucial changes in his theoretical position. His conception of the democratic union of states as a realistic alternative to imperialism is quite understandable. It is a direct continuation of his conception of parliamentary democracy as the ideal struggling ground for socialism during a transformation period of the society. According to Kautsky, the conditions for socialism do, indeed, ripen in capitalism, but the subjective and objective conditions for socialism, interpreted as the growth of productive forces and the development and organisation of the proletariat, respectively, develop most effectively during democratic and not imperialist rule. A socialist revolution is unavoidable, and it will take place as soon as its conditions are ripe – and the best indicator of these conditions is the balance of power in a parliament.

To Kautsky, imperialism was not the necessary last stage of capitalism immediately preceding socialism, even though the centralisation of capital and the elements of the regulation of production introduced by monopolies are immediate preconditions for socialism already developing inside capitalism. According to Lenin, on the other hand, imperialism is the immediate predecessor of socialism, from which there is no return either to any previous or to any future stage of capitalism. The centralisation and socialisation of production in the form of monopolies concretely prove that the private mode of appropriation of capital has become obsolete. It must give way to a 'higher mode' of production. This, then, is the main difference between the 'renegade' Kautsky and the 'revolutionary' Lenin – a difference that lies not so much in the evaluation of the causes and effects of imperialism as in the evaluation of the historical role of imperialism as such.

## Imperialism as the Truth about Capitalism

In Kautsky's analysis of imperialism, the economic relations of capitalism are transformed into pure relations of power. Monopolistic profits are made possible either by artificially high prices of commodities or interests on investments exported to foreign colonies or dependent countries. The state is a political instrument in the hands of finance capital, and its economic policy favours cartels and trusts, and finance capital. In Kautsky's reasoning, imperialism is, furthermore, a pure question of power. The accentuated role of power in Kautsky's thinking about imperialism resulted from the seemingly paradoxical thesis that imperialism is a product of the economic development of capitalism and yet it is not an economic necessity in developed capitalism (in fact, imperialism is disadvantageous even from the point of view of capital accumulation). Once imperialism is understood to be a result of a relation of power, the thesis becomes theoretically non-contradictory. There are different methods for coping with the problems facing the accumulation of capital, of which imperialism is only one possible alternative, and the choice between different methods is made by the factual power constellation in society.

Kautsky's analysis of imperialism has been shown to be two-sided: On the one hand, imperialism is found to be determined by the natural qualities of the different sectors of production. The relations between industrial and agrarian countries are determined by the natural obstacles of the development of agrarian production; industrial overproduction is a result of natural – and not of any specific social – limits of agrarian production. As such, the contradiction causing imperialism would not seem to be resolvable at all. There are only different methods for coping with it, of which imperialism is only one possible (although historically prevalent) method. And the different methods of coping with overproduction are shown to be dependent on the power relations in society. On the other hand, in Kautsky's analysis, imperialism is a result of the centralisation of capital, of the formation of trusts and cartels, and of finance capital, which increase the problems of overproduction of commodities and capital, and are able to regulate production. Being especially powerful groups of capital, big, centralised capitalists also force the capitalist state to apply imperialistic methods in its politics.

In analysing Kautsky's conception of the law of capitalist appropriation, it was argued that he understood the capital-wage labour relation essentially as a relation of direct exploitation. To him, freedom and equality were essentially

characteristics of an earlier mode of production, simple commodity production, in which the appropriation of commodities and private property were consequently based on the labour of every producer, whereas in capitalism the right to property is based on the appropriation of alien labour and its products. Consequently, Kautsky comprehended the capital relation not as a specific socially mediated relation of exploitation recognising the (formal) freedom and equality of commodity producers, but as a relation of unequal exchange based on direct dominance and power.

It could thus be claimed that Kautsky's theory of imperialism was a logical result of his concept of capital; as a matter of fact, it is in imperialism that the true nature of capitalism is revealed and becomes visible to everyone. In imperialism, the relations of production are in fact replaced by relations of power and dominance. Finance capital is understood to exploit not only wage workers, but all consumers and even other producers by artificially increasing the prices of products and lowering the prices of raw materials. This new method of appropriation of profits is based on political power exercised through the state by finance capital; it is furthermore based on direct repression and violence both at home and abroad. Imperialism reveals the exploitative nature of capitalism at its clearest. Instead of from the capital-labour relation, monopolistic profits predominantly result from the unequal exchange of commodities or from the distribution of the whole national product in the interests of cartels and finance capital. As a result, there cannot be any talk of even the illusions of freedom and equality between the exploiters and the exploited.

As already pointed out, there are important similarities and differences between Lenin's concept of imperialism and that of Kautsky. Lenin did not emphasise the relation between agrarian and industrial countries in his analysis, even though he referred to it as one of the reasons for overproduction. While emphasising monopoly as the economic essence of imperialism, he understood imperialism mainly as a result of the centralisation of capital and the formation of finance capital transforming the functioning of the laws of competition in capitalism. There are not, therefore, any natural or technical conditions for production influencing the rise of imperialism – unless one understands the increasing amount of capital necessary for production to be such a condition. There is an interesting ambivalence in Lenin's thinking which becomes explicit in his critique of Bucharin: On the one hand, imperialism does not transform the functioning of capitalist laws from bottom to top and consequently does not represent a totally different mode of production. There is more concrete evidence of this in Lenin's analysis of the monopolistic competition taking place side by side with free competition; free competition is not totally abolished by monopolies. The denial of the possibility of the develop-



ment of capitalism into a general cartel or into ultra-imperialism is a further indicator of this fact. On the other hand, these reservations did not seem to have much influence on Lenin's general analysis of the functioning and consequences of imperialism. Even Lenin constantly referred to the economic power and dominance of monopolies as the source of their extra-profits. Monopolies maintain artificially high prices and exploit the whole nation. Their foreign investments bring them a highly profitable interest and through them other nations are exploited too. Monopolies further lead to the stagnation of the productive forces. They also represent repression and violence in their own country and in international relations, and are undemocratic by their very nature. Even to Lenin, then, imperialism became practically synonymous with an economic system violating the rules of commodity exchange, the equality and freedom of the commodity owners; imperialism is essentially based on a forced distribution of the surplus product of the whole hemisphere determined by the power of the big capital magnates.

Moishe Postone and Barbara Brick, in a totally different context discussing Pollock's theory of 'state capitalism', highlighted a general characteristic of what they understood to be the essence of traditional Marxism. In the conceptions of traditional Marxism, the relations of production are basically identified with the relations of distribution: 'The ultimate concern of this theory, then, is the historical critique of the mode of distribution.'<sup>1</sup>

Socialism is simply understood to be a mode of distribution more appropriate to the industrial mode of production – the centralisation and concentration of production has given rise to new possibilities for centralised planning and for overcoming private property. This interpretation of Marxism further takes in an understanding of industrial production essentially as a technical process, a labour process that is not intrinsically socially determined.<sup>2</sup>

Postone's and Brick's characterisation of traditional Marxism seems to be especially fitting to the theories of imperialism of the Second International. Capitalism is fundamentally analysed as a process of distribution – monopolistic profits basically have their source in the sphere of circulation, and not in production. Hilferding states this explicitly: the remaining antagonism of the new capitalism is an antagonism of distribution. The characterisation of traditional Marxism as understanding the production process as a technical labour process is also an adequate one; one could even claim that the technical prerequisites for the production process play an even more important role in these

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1 Postone and Brick 1982, p. 631; see also Linder 1973, p. 74.

2 Postone and Brick 1982, pp. 630–1.

theories as the technical or even natural properties of production are understood to be the main cause of monopolisation and imperialism. This is most clearly the case in Kautsky's and Hilferding's theories of modern capitalism, but even to Lenin the new technical conditions of production were among the reasons behind the formation or coming into being of trusts and cartels.<sup>3</sup>

The conception of capitalism inherent in the theories of imperialism has serious consequences for the strategic conclusions drawn from it and especially for the understanding of the role of democracy in capitalism. The most obvious consequence is connected with the analysis of the formation of revolutionary consciousness and a revolutionary subject. Once again, Kautsky presented the problem in a most consistent manner. Since his theory excluded a categorical mediation between the exploitation of surplus value and the exchange of commodities as equivalents on the market, he was forced to adopt a dual conception of consciousness. On the one hand, the exploitative nature should be obvious to the proletariat – and, in imperialism, to the rest of the population as well – and the economic development of capitalism is expected to lead automatically to the formation of a revolutionary subject, a revolutionary working class. On the other hand, the economic interests of the wage workers are not immediately identical with the wider socialist perspective. There is thus a major difference between the economic, or – to use Lenin's expression – trade-unionistic consciousness and the socialist consciousness of the proletariat. The socialist intellectuals, representing scientific socialism, and the socialist party are a necessary link connecting socialism with the labour movement. The Social Democratic Party is the representative of scientific socialism possessing the right knowledge about the socialist goal of social development. As will be seen in more detail later on, Lenin followed Kautsky's formation of the problem in practically all of its essential elements.

One would expect the analysis of imperialism to have led Kautsky and Lenin to problematise their conceptions about the formation of revolutionary consciousness and of a revolutionary subject – if not otherwise, then at least as a problem of the relation between the theory and programme of the party and the political reality of modern capitalism. As a theoretical question, however, the problem no longer existed for them. When analysis of the capital relation was substituted by analysis of exploitation by finance capital mediated through the state, the antagonism between workers and capitalists was substituted by the antagonism between the rest of the people and a finance oligarchy. As a consequence, exploitation should become obvious and visible to everyone, as

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3 Cf. Linder 1973, p. 74.

proved most obviously by the case of a general cartel – which, in a sense, is a logical conclusion of Kautsky's and Lenin's reasoning: capitalism, in the form of a general cartel or a handful of big capitalists, could not possibly survive, because its exploitative nature would be developed to absurdity. Hence, it really is surprising how anyone could expect imperialism to survive while it is only in the interest of a negligible fraction of the population, namely, the tiny fraction of finance capitalists. The realisation of socialism should self-evidently be in the interests of all the people.

As in the case of his earlier analysis, Kautsky referred to auxiliary explanations in order to save his conception of the people as the potential opponent of imperialism. From the point of view of their economic interests, it is relatively easy to show that the various middle-class groups – intellectuals, farmers, the old petit bourgeoisie – have no direct economic interests in supporting imperialism. The case of the proletariat should be even more obvious. Its interests are clearly and directly opposed to those of finance capital. However, Kautsky claimed that the situation is complicated because the supporters of imperialism have a strong instrument of power at their disposal and therefore are able to influence large segments of the population both economically and ideologically.<sup>4</sup> In Lenin's work on imperialism, the rise of a labour aristocracy similarly explained the reformist tendencies in the labour movement; certain groups of workers have been bought out by the imperialists. (In Lenin's earlier thinking, the problem was tackled with the dual theory of consciousness.)

A second important problem of the theories of imperialism and the conception of capitalism in general is the question of democracy, both in its role within the strategy of the Social Democratic Party and in its relation to capitalism and socialism. In this respect, it becomes even more obvious that imperialism reveals the truth about capitalism. Since imperialism is essentially determined by the relations of power and dominance, democracy and imperialism are mutually exclusive. Imperialism does not just prove that the bourgeoisie has betrayed its former ideals of democracy and freedom, but imperialism is undemocratic by its very nature. A form of exploitation mediated more or less directly by the capitalist state could not possibly persist within a democratic state. The realisation of a parliamentary democracy and the guarantee of the political rights of all the people would automatically result in the establishment of the power of the proletariat. The fight for democracy thus factually becomes identical with the fight for socialism.

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4 Kautsky 2011d, p. 810.

In Kautsky's conception of political democracy and its role in the struggle for socialism, this standpoint is formulated most explicitly. But one could also claim that despite Lenin's vehement critique of Kautsky's conceptions of democracy and the dictatorship of the proletariat, his own analysis of democracy did not differ all that markedly from that of Kautsky. In Lenin's analysis, democracy is something totally external to bourgeois society.

## Parliamentary Democracy and Revolutionary Tactics

In his book *Negative Integration and Revolutionary Attentisme* [*Negative Integration und revolutionäre Attentismus*], Dieter Groh<sup>1</sup> characterised the politics of German Social Democracy before the First World War as a combination of revolutionary wait-and-see strategy and negative integration. The Social Democrats continuously spoke of revolution and understood their politics as inherently revolutionary, but in practical politics they concentrated on parliamentary politics and reformist tactics. However, the revolutionary spirit did have an important function. It satisfied the revolutionary aspirations and hopes of the supporters and members of the party and, at the same time, remained harmless in its practical consequences, or contributed to the integration of the Social Democratic Party into the Wilhelminian German *Reich*. The propaganda of revolution also distinguished the party from other political forces and thus emphasised the specific role of the party in German politics. At the same time, the results of the parliamentary elections were interpreted by the leaders of the party to prove that the Social Democrats would, in the very near future, gain a majority in parliament and become a dominating and decisive force in German politics.

Revolutionary attentisme had as its precondition an evolutionist conception of social development and history, a conception of the law-like development of bourgeois society towards the pending downfall of capitalism and the introduction of socialism. Socialism was regarded as a necessary outcome of the economic development of capitalism, and thus the socialist revolution was expected to be an unavoidable and almost automatic outcome of this development. All the Social Democrats had to do was to wait and be ready for the moment to take over political power in the state.

Karl Kautsky was the main theoretical representative of this ‘centrist’ conception of the ripening of the revolutionary conditions within capitalism, and August Bebel was his counterpart in practical politics and in the leadership of the party. The expectation of the coming revolution had as its counterpart an orientation towards reformist politics in all practical issues – long before

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<sup>1</sup> Groh 1973.

this revisionism was to become an acknowledged force inside the party and an independent faction within it. One could even claim that the socialist law introduced by Bismarck in 1876 forced the Social Democrats to concentrate on parliamentary politics by depriving them of other means of political activity, and it was thus an important precondition for the centrist conception of a revolutionary strategy:

In comparison to the Marxist conception of revolution, German social democracy's conception, which underlay its revolutionary attentism, was reduced to the objective moment from the outset – this did not only come about under the influence of revisionism. Marx did not prevent this and Engels even encouraged this conception. In contrast to Lassalle, who had inculcated his supporters with the idea that, when he spoke of general suffrage they should understand this to mean revolution, German social democracy had spoken of revolution since the 1870s, but it actually only meant the 'inevitable' ('with the necessity of a natural force') or 'nomological' progress towards socialism guaranteed by economic development and indicated by the growing number of party members and votes.<sup>2</sup>

The revolution was expected to be almost a natural-like event that was to be realised more or less regardless of the aspirations of an acting subject:

A development which could be promoted through agitation and organisation, because a revolutionary climax could be attained by the 'collapse' of the bourgeois state and society in line with historical and economic laws, something that was to a large extent unaffected by the will of active [*handelnd*] individuals. Because it increasingly lost a historical subject, the revolution appeared in the form of a natural phenomenon.<sup>3</sup>

Dieter Groh's interpretation of the political role of the German Social Democratic Party and its concept of revolution was closely related to an earlier interpretation by Erich Mathias. In his article *Kautsky and Kautskyanism* [*Kautsky und der Kautskyanismus*], published in 1957, Mathias analysed the function of the German Social Democratic Party before the First World War and Kautsky's theoretical contribution to the self-understanding of the party in particular. In his analyses, Kautsky's concept of Marxism was seen to be a logical con-

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2 Groh 1973, p. 57.

3 Ibid.

tinuation of the traditional understanding of socialism by Marxists functioning under the socialist law in Germany. This conception was a consequence of a strict respect for legality and legal procedures in society: 'Our enemies will perish as a result of our legalism' was a typical slogan of the party leadership during the socialist laws.<sup>4</sup> One of the reasons explaining this self-understanding of the Marxism of the Second International was Engels's and even Marx's own evaluation of the role of the emerging mass parties in Europe and specifically in Germany since the 1860s. Kautsky developed his own interpretation of Marxism in close collaboration with Engels, who never criticised the understanding of Marxism by Kautsky and Bernstein, his close friends and collaborators in the late 1880s and early 1890s:

Engels was not aware of the limits of his pupils' ability to absorb his ideas. These pupils had drawn closer to Marxism along the path of *Anti-Dühring*, which had acted as a filter, but which only recalled the particles of the original system which appeared to seamlessly fit into the new generation's natural-scientific world view.<sup>5</sup>

In his introduction to Marx's *Class Struggles in France*, written in 1895 and regarded as his testament, Engels declared that 'the mode of struggle of 1848 is today obsolete in every respect'.<sup>6</sup> This statement was interpreted by both Bernstein and Kautsky as proving that the period of revolutionary upheavals was over; revolutions by small minorities were definitely outdated.<sup>7</sup> There was, however, an important difference in the interpretations of Kautsky and Bernstein. Whereas Bernstein was eager to interpret Engels's text as confirming that revolutions were unnecessary in general and only damaging to the cause of Social Democracy, Kautsky did not draw the corresponding conclusions. In his understanding, the new ideas in Engels's preface only legitimated the parliamentary tactics of the party. The coming revolution was to be committed by a parliamentary majority, but still the introduction of socialism was a question of a revolutionary takeover. Socialism could not be realised through a gradual growth into a democratic and righteous society.

According to Engels, the parliamentary democracy already established in England and America opened up new possibilities for the workers' movement; it opened up an era of peaceful transition to socialism. Even in Germany, the old

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4 Mathias 1957, p. 156.

5 Mathias 1957, p. 157.

6 Engels 1974–2004f, p. 510.

7 Mathias 1957, p. 158.

style of revolution had become obsolete and the conditions for its realisation had changed: 'For here, too, the conditions of [the] struggle had changed fundamentally. Rebellion in the old style, street fighting with barricades, which decided the issue everywhere up to 1848, had become largely outdated'.<sup>8</sup>

The German workers were to be given the merit for two important achievements: first, they had organised a disciplined and strong party; and second, they had made effective use of general franchise:

But, besides, the German workers rendered a second great service to their cause in addition to the first, a service performed by their mere existence as the strongest, most disciplined and most rapidly growing socialist party. They supplied their comrades in all countries with a new weapon, and one of the most potent, when they showed them how to make use of universal suffrage.<sup>9</sup>

General franchise had become an effective new method in the struggle for socialism and it was expected to become all the more important. In this struggle, the German Social Democrats had proved to be of special importance, having become the avant-garde of international Social Democracy:

But whatever may happen in other countries, the German Social Democrats occupy a special position and thus, at least in the immediate future, have a special task. The two million voters whom they send to the ballot box, together with the young men and women who stand behind them as non-voters, form the most numerous, most compact mass, the decisive 'shock force' of the international proletarian army ... Its growth proceeds as spontaneously, as steadily, as irresistibly, and at the same time as tranquilly as a natural process ... To keep this growth going without interruption until it gets beyond the control of the prevailing governmental system of itself ... that is our main task.<sup>10</sup>

The impressive increase in social-democratic votes in Germany had made a strong impression on Engels. Only a few years earlier, he had expressed strong doubts about a possible democratic development in Germany. In his critique of the first draft of the Erfurt Programme in 1891, Engels had written:

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8 Engels 1974–2004f, p. 519.

9 Engels 1974–2004f, p. 518.

10 Engels 1974–2004f, p. 524.



One can conceive that the old society may develop peacefully into the new one in countries where the representatives of the people concentrate all power in their hands, where, if one has the support of the majority of the people, one can do as one sees fit in a constitutional way: in democratic republics such as France and the USA, in monarchies such as Britain, where the imminent abdication of the dynasty in return for financial compensation is discussed in the press daily and where this dynasty is powerless against the people. But in Germany where the government is almost omnipotent and the Reichstag and all other representative bodies have no real power, to advocate such a thing in Germany, when, moreover, there is no need to do so, means removing the fig-leaf from absolutism and becoming oneself a screen for its nakedness.<sup>11</sup>

It is no surprise that Kautsky was even more enthusiastic about the increasing support for the party in the elections than Engels – and from this it was but a short way to Bernstein's absolutisation of parliamentary politics. The Erfurt Programme adopted by the party in 1891 was widely regarded as genuinely revolutionary and Marxist. Engels, whose critique was cautiously published for the first time in *Die Neue Zeit* in 1901, seems to have accepted the draft of the programme in general and only criticised certain details.<sup>12</sup> According to Mathias, the Erfurt Programme should be understood as a programme of an inherently reformist party, rather than as a revolutionary manifesto. The revolutionary expectations were mainly reduced to the natural and necessary development of capitalism and were supported – it may be added – by the expectation of the parliamentary majority shortly to be achieved. Once the majority of the seats in parliament were in the hands of the socialists, revolution would be easy. At the same time, the increase in the number of supporters for the party gave reason for the party to operate more cautiously. Bebel expressed this idea in the very meeting that approved the new Erfurt Programme in the following words: a party which has millions of supporters must operate more carefully than a sect which is without importance and without responsibility.<sup>13</sup> Increasing support and membership also brought with it the danger of an increasing segmentation of the party.<sup>14</sup>

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11 Engels 1974–2004e, p. 226.

12 Engels 1974–2004e, pp. 225–40.

13 Bebel 1891–2, p. 57.

14 Mathias 1957, pp. 160–2.

According to Mathias, Kautsky's evolutionary conception of Marxism and its practical conclusions were well in accordance with the official party ideology of its time, as was already shown by Kautsky's theoretical foundation of the Erfurt Programme. Kautsky's leading position can already be deduced from *Social Democratic Catechism* [*Ein sozialdemokratischer Katechismus*] published in *Die Neue Zeit* in 1893.<sup>15</sup> The legend about the revolutionary Kautsky and his turning into a revisionist after the First World War can thus be seriously doubted. In the *Social Democratic Catechism*, the Social Democratic Party is characterised as a revolutionary party that does not, however, prepare a revolution.<sup>16</sup> The revolutionary goal principally accepted by the party in its programmes seems to be of no practical importance:

We know that our goal can be attained only through a revolution. We also know that it is just as little in our power to create this revolution as it is in the power of our opponents to prevent it. It is no part of our work to instigate a revolution or to prepare the way for it. And since the revolution cannot be arbitrarily created by us, we cannot say anything whatever about when, under what conditions, or what forms it will come.<sup>17</sup>

According to Kautsky, it is impossible to predict the nature of the future 'decisive' struggles: 'whether they will be bloody or not, whether physical force will play a decisive part [significant role], or whether they will be fought exclusively by means of economic, legislative and moral pressure.'<sup>18</sup> All we can say is that, in the last instance, the final goal is guaranteed by the objective economic development of capitalism. Despite this uncertainty, it is, however, more probable that the peaceful means of struggle will be dominant in the future revolutionary upheavals of the proletariat. The probability of the application of peaceful methods is increasing all the time because both the importance of the democratic institutions and the knowledge about economic and political development are increasing.<sup>19</sup> In conclusion, the Social Democrats have to do everything in their power to prevent all kinds of provocation:

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15 Kautsky 1893–4.

16 Kautsky 1909a, p. 50.

17 Ibid; see also Mathias 1957, p. 163.

18 Kautsky 1909a, p. 50.

19 Kautsky 1909a, pp. 45–6.

The Socialists must, therefore, avoid, and indeed actively oppose, any purposeless provocation of the ruling class that might give their statesmen an opportunity to rouse a mad rage against the Socialists.<sup>20</sup>

Revolutionary enthusiasm is at present, however, even more important than ever. Revolutionary enthusiasm is the great moving force of a socialist movement. But there is a danger connected with the increasing strength and importance of the party: it becomes difficult to balance immediate tasks with the more important and decisive ones. It becomes difficult not to lose the future perspective, and to maintain the consciousness about the Social Democrats as a party of revolutionary struggle, as a party waging war against the bourgeois social order. The conclusion drawn by Kautsky from the above discussion is somewhat amazing: 'We can endanger the course of evolution only by being too peaceful'.<sup>21</sup> In other words, one must continuously speak of revolution in order not to have to make one.

According to Mathias, the main question in the discussion about the role of different methods of revolution did not concern actual parliamentary or reform politics. Kautsky's main problem was to integrate the different factions inside the party and to unify them into one organisation despite their practical and tactical differences. Thus the official ideology of the party made it possible to maintain the fiction of the revolutionary character of a unified party. The fiction of the revolutionary nature of the party was an essential element of the politics of integration. As a consequence, revolutionary Marxism is transformed into an undialectical theory of evolution, which trusts the objective relations and forces of development to realise socialism:

Fundamentally, even during the period of passionate struggles between them, both are nothing but aspects of the very same process of revision [*Revisionsbewegung*] which began with the early reception of Marxism and which proceeded from the crypto-revisionism of the Erfurt Programme to the outspoken revisionism which broke out in official party ideology, and in Kautsky's thought for the first time too, in the Weimar Republic.<sup>22</sup>

The real controversy (between Kautsky and Bernstein, or between revolutionary and revisionist Marxism) did not after all concern the right interpretation

<sup>20</sup> Kautsky 1909a, p. 55.

<sup>21</sup> Kautsky 1909a, p. 60 (translation modified BL); see also Kautsky 1909a, p. 167.

<sup>22</sup> Mathias 1957, p. 168.

of Marxism. The real reason why Kautsky and Bebel opposed revisionism inside the party was that it seemed to contradict the revolutionary aspirations and hopes of the masses, and not that it contradicted the practical political and tactical aims of the party. A revolutionary programme was important for the party because it guaranteed the integrity and unity of the party. As Kautsky had formulated it: 'Party unity is based on the uniformity of its tactics. If the latter is lost, then the former will soon break down'.<sup>23</sup>

According to Kautsky, revolutionary Marxism as presented by the party had proved victorious against Bernstein's revisionism – Bernstein's critique had brought about practically no changes in the party tactics or programme. Kautsky was convinced of the inadequacy of Bernstein's attempts to revise the programme and defended the revolutionary nature of Social Democracy, which did not, in any case, have any consequences in practical politics. In Kautsky's opinion, revolution was to be understood not as a forthcoming great social upheaval, but rather as a goal that must be postulated and proved theoretically. Having made the concept of revolution rather devoid of meaning – it was only a question of tactics – Kautsky was ready to conclude: 'In fact, precisely because of its theoretical basis, nothing is more flexible than the tactics of social democracy'.<sup>24</sup>

Kautsky was even willing to admit that there was not actually any great divergence of opinion among the disputants. Both were, in fact, aiming at social and democratic reforms. It is, however, important to discuss the final goal because it is closely connected with the question of the organisation and propaganda of a modern political party.<sup>25</sup> Bernstein's main mistake was not that he defended a reformist turn in practical politics. His mistake was that he totally abandoned the thought of revolution.<sup>26</sup>

According to Mathias's interpretation, Kautsky never abandoned the idea of a socialist revolution and the dictatorship of the proletariat as the final goal of the Social Democratic Party, but he interpreted the idea in a way that, in fact, transformed revolution into a peaceful development of capitalism into socialism and excised its dangerous connotations.<sup>27</sup> According to Mathias, the position was typical of the parties of the Second International:

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23 Kautsky 1899a, p. 3.

24 Kautsky 1899a, p. 166.

25 Kautsky 1899a, p. 184.

26 See Kautsky 1914, p. 39.

27 Mathias 1957, p. 171.

This attitude was typical for the parties of the Second International, who looked after the specific interests of the workers but, incidentally, were in full agreement with the liberal bourgeois democracy on the big questions of practical politics. Carried by the genuine and robust class consciousness of the European workers of this period, they did not however see any need to emphasise the special position of the socialist party *vis-à-vis* all other parties.<sup>28</sup>

The politics of careful balance characterised as centrist, which was presented in practice by the leadership of the party and in theory by Kautsky, became more obvious after 1910. But it did not at this stage lead to a formation of clear factions of right, left and centrist wings inside the party. This centrist politics satisfied both the needs of the party as a democratic and reformist party of opposition and the aspirations of the radical section of its membership.<sup>29</sup> One of the consequences of the centrist strategy was an emphasis on the organisation as the connecting link between the everyday practice of the party and the final goal of socialism.<sup>30</sup> The organisation was to be preserved intact and strengthened by all means, and every increase in the strength of the organisation was interpreted as a real increase in its power. The passive waiting for revolution was legitimated either by the argument that the workers' organisation was not yet strong enough, or by the opposite argument that the organisation, being already strong, should not be endangered by any revolutionary adventures, the possible risks of which could not be calculated in advance.<sup>31</sup>

Kautsky's position in the lively discussion about the role of a mass strike was typical of this cautious and passive expectation of the outbreak of revolution. Kautsky could proudly state that as early as 1891 he was the only Marxist in Germany to defend the use of a political mass strike as a means of achieving important political goals; on the other hand, he immediately hurried to add that 'as long as current conditions in Germany do not change, a political mass strike is impossible'.<sup>32</sup> In the same context, Kautsky both defended the electoral struggle as the greatest possible mass action of the proletariat, and considered the elections an effective safety valve which could prevent a dangerous explosion.<sup>33</sup>

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28 Mathias 1957, p. 173.

29 Mathias 1957, p. 180.

30 Mathias 1957, p. 184.

31 Mathias 1957, p. 183.

32 Kautsky 1914, p. 298.

33 Kautsky 1914, p. 276.

In Kautsky's opinion, then, both radical demands and mass actions could in a similar way endanger the development of the organisation and the achievement of the final goal. The final struggle for power should thus be postponed until a non-predictable future. It would in any case take place of necessity. Kautsky's position – shared by the party leadership – was summarised by Mathias as follows:

For the party authorities, the solution to the most pressing problems of the time was resolved in the unimpaired, passive process of increasing the mesmerising number of votes – not in realising the power that the party represented.<sup>34</sup>

The combination of the ideology of integration and seemingly revolutionary vigour outlined by Mathias could be documented in more detail even in Kautsky's *The Road to Power [Der Weg zur Macht]*.<sup>35</sup> Constant worry about the revolutionary adventures endangering the future of the party and socialism are expressed throughout Kautsky's booklet. The transformation of capitalism into socialism was supposed to be guaranteed by the objective processes of development, the growing into socialism:

We are growing into socialism from two directions. One of these is through the development of capitalism, and the concentration of capital ... Today we have reached the point where banks and employers' organisations control and direct the greater part of capitalist enterprise in the most diverse countries. In this way the road is being prepared for the social organization of production.<sup>36</sup>

The centralisation of capital and property is, however, only one aspect of the growing into socialism. Kautsky was quite well aware of the dangers of objectivism, and he never got tired of emphasising the role of the subjective factor as the other side of development. Fortunately, there was another side to the same process, namely, a continuous increase in the proletariat and the increasing power of the workers' organisations:

This preparation for Socialism by the concentration of capital is however only one side of the process of gradual growth into the future state ... With

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34 Mathias 1957, p. 192.

35 Kautsky 1909a.

36 Kautsky 1909a, p. 27 (translation modified BL).

the growth of capital the number of proletarians within society increases too. They become society's most numerous class. Simultaneously their organisations grow too.<sup>37</sup>

According to Kautsky, reformists acknowledge the objective process of transformation of capitalism into socialism. They do not, however, acknowledge the other component of this process: 'The growth that it describes is not the growth of a *single* element, but of *two* elements, and, moreover, of two very *antagonistic* elements – capital and labour'.<sup>38</sup>

Kautsky was eager to point out that this transformation does not take place without the conscious action of the proletariat. Human will is an essential element in social change and history; the growing into socialism cannot be an unconscious process. Class struggle results from the antagonistic will of the representatives of the social classes.<sup>39</sup> Will is thus, in the last instance, the basic motive force of the whole social process. Consciousness played an important role in Kautsky's thinking in another sense too. Increasing consciousness of the nature of economic processes also makes it possible for the proletariat to use its power more economically and effectively, and to save its resources:

Only through a *recognition* of the social process, its tendencies or aims, can this waste be ended, the strength of the proletariat concentrated, the workers brought together into great organizations united upon a common aim, with all personalities and momentary actions subordinated to the permanent class interests, and those interests, in turn, placed at the service of the collective social evolution. In other words, the theory is the factor that raises to the highest degree the strength which it is possible for the proletariat to develop. The theory does this by teaching the workers how to use the powers arising at any given stage of economic development in the most effective manner and by preventing the waste of those powers.<sup>40</sup>

While the conditions for socialism are ripening inside capitalism, the future destiny of the society is simultaneously determined by the relations of power between capital and wage labour. In Kautsky's opinion, in a developed capitalist state – as in England or Germany – the proletariat already has the power

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37 Kautsky 1909a, p. 28.

38 Kautsky 1909a, p. 29.

39 Kautsky 1909a, pp. 43–4.

40 Kautsky 1909a, p. 44.

necessary to take over the government of the state, and the economic conditions already exist for the transformation from the private to the socialist ownership of property. Only one problem remains: the proletariat is in principle powerful, but it does not yet recognise its own social power, the consciousness of the working class is not sufficiently developed: 'But what the proletariat lacks is a consciousness of its own strength.'<sup>41</sup>

The task of the party is to assist the proletariat in becoming conscious of its real power. This can be done through theoretical schooling, but it can be done even more effectively through exemplary actions:

It is through its victories in the struggle against its opponents that the Socialist party most clearly demonstrates the strength of the proletariat and thereby most effectively creates a feeling of strength.<sup>42</sup>

Thus, the consciousness and theoretical knowledge of the proletariat is a decisive precondition for a successful socialist revolution, and it is the task of the party both to assist in the development of this consciousness and to decide when the consciousness and the feeling of power are sufficiently developed to accomplish the great historical mission.

Even though nothing definite can be said about the nature of the coming struggles, it can be predicted that peaceful methods will be more important than violent ones. In the future, the proletariat will have better opportunities for making use of economic, political and moral means of resistance than of directly violent ones.<sup>43</sup> Kautsky admitted that it is also true that sometimes democratic institutions have a tendency to pacify the social struggle in a bourgeois society. Sometimes they are even said to pacify the class struggle completely. This, however, is not true. But the new methods available do make it possible for the proletariat to economise its efforts:

Democracy cannot do away with the class antagonisms of capitalist society. Neither can it avoid the final outcome of these antagonisms – the overthrow of present society. One thing it can do. It cannot abolish the revolution, but it can avert many premature, hopeless revolutionary attempts, and render superfluous many revolutionary uprisings. It creates clearness regarding the relative strength of the different parties and

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41 Kautsky 1909a, p. 45.

42 Kautsky 1909a, p. 46 (translation modified BL).

43 Kautsky 1909a, p. 51.



classes. It does not abolish their antagonisms, nor postpone their ultimate object, but it does operate to hinder the rising class from sometimes attempting the accomplishment of tasks of which it is not yet capable, and to keep the governing class from refusing concessions that it no longer possesses the strength to maintain. The direction of development is not thereby changed, but its course becomes steadier and more peaceful.<sup>44</sup>

It is rather characteristic that in the same context Kautsky proposed to name the Paris Commune, generally regarded as the great heroic revolutionary upheaval of the proletariat, as a warning example of a struggle in which the proletariat clearly was not yet ready to take power into its hands.<sup>45</sup> Kautsky warned the workers' movement that its enemy, the ruling class, was all but waiting for a confrontation in which it could destroy the whole proletarian organisation. The proletariat was, according to Kautsky, already conscious enough of these dangers, and it could postpone the decisive struggle until it really was strong enough to win it.<sup>46</sup> There is a danger in Kautsky's cautious strategy, which he was ready to admit, namely, that it might seem that the Social Democrats are no longer a party of revolution at all. This loss of revolutionary enthusiasm could endanger the achievement of its future goals. It may further sound paradoxical that even though Kautsky was continuously eager to warn the working-class movement of revolutionary adventures of all kinds, he nevertheless believed that the time was actually already ripe for a revolution.

In his book *Karl Kautsky and the Marxism of the Second International* [*Karl Kautsky und der Marxismus der II. Internationale*], Reinhold Hühnlich<sup>47</sup> defended Kautsky and his pamphlet *The Road to Power* as representing genuine revolutionary Marxism and criticised Mathias's earlier interpretation of the ideological role of Kautskyanism. According to Hühnlich, *The Road to Power* is not restricted to a specific theory of revolution and can consequently be read as a representative document of Second International Marxism. It also includes elements of a theory of imperialism and a description of the latest developments in capitalism. The alternative of war or socialism as presented at the end of the booklet is a final proof that Kautsky is not a reformist.<sup>48</sup> There is, furthermore, a new contribution to the discussion of the subjective conditions of Social Democratic action in Kautsky's book, one of its main theses

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44 Kautsky 1909a, p. 52.

45 Ibid.

46 Kautsky 1909a, pp. 53–4.

47 Hühnlich 1981.

48 Hühnlich 1981, p. 157.

being the convergence of economic and political struggle under imperialism.<sup>49</sup> Hühnlich, however, admits that Kautsky did not in fact analyse the subjective conditions of revolution in detail; neither did he analyse the role of the different factions inside the working class and their corresponding interests. The only explanation given for the emerging reformist movement inside the party is the petit-bourgeois origins of the workers and changing economic conjunctures.<sup>50</sup>

According to Hühnlich, Kautsky's position definitely cannot be characterised as a reformist one – with an overtone of verbal radicalism – because he emphasised parliamentary action not only as aiming at reforms, but also as an important factor in the development of a revolutionary consciousness. Neither did he neglect the importance of action by the proletariat taking place outside parliament:

Especially when it came to so-called political issues of the day, social democracy therefore retained the perspective of the ultimate aim of socialism, which marked out the party's revolutionary character.<sup>51</sup>

Hühnlich did not accept Mathias's interpretation of *The Road to Power*, especially because in his opinion Mathias did not pay any attention to the wider contexts of the book. Kautsky's slogan 'we are a revolutionary party but not making a revolution' [wir sind revolutionäre, nicht aber eine Revolutionen machende Partei] cannot be interpreted as exemplifying Kautsky's verbal radicalism. In the chapter under discussion, Kautsky was essentially criticising on the one hand fatalistic, and on the other hand voluntaristic, conceptions of socialism, and no conclusions can be drawn about either Kautsky's attentisme or reformism.<sup>52</sup>

*The Road to Power* argued not only that the general conditions for revolution and socialism are present at the moment, but also for the immediate actuality of revolution.<sup>53</sup> Thus there cannot be any talk of a premature revolution, as proved by the political situation since the 1890s. Furthermore, the possible outbreak of war would only function as a catalyser of revolution. This thesis should be enough to prove that Kautsky was a representative of the genuine left wing

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49 Hühnlich 1981, p. 159.

50 Hühnlich 1981, p. 161.

51 Hühnlich 1981, p. 162.

52 Hühnlich 1981, p. 163.

53 Hühnlich 1981, p. 165.

of Social Democracy and not a reformist after all. According to Hühnlich, Kautsky cannot be accused of attentisme either, because he was not satisfied with expecting a revolution to start; he also formulated a consequent democratic programme of action. The democratisation of the German Reich was supposed to lead to a transformation stage of the society, and even more important, Kautsky emphasised the role of non-parliamentary action (mass strikes, May Day demonstrations, and so on) as important forms of struggle. Kautsky's position was consequently not defensive but offensive. It proposed offensive methods of struggle and did not just emphasise the role of organisation and enlightenment. Hence, Kautsky's position cannot be characterised as representing negative integration.<sup>54</sup>

Hühnlich does, however, admit that there is one weak point in Kautsky's argumentation concerning the future society and state: Kautsky understood the dictatorship of the proletariat in purely political terms and his defence of the revolutionary process remained mainly negative. Kautsky did not recognise the task of crushing the bourgeois state machinery; nor did he discuss in which way the state machinery could be transformed from an organ of capitalists into one of the propertyless, from an organ of repression into one of emancipation. This weakness was, however, shared by all the other representatives of the Second International, and Kautsky should not be criticised for it alone.<sup>55</sup> In Hühnlich's analysis, Kautsky thus genuinely represented the left wing within the Social Democratic theoretical spectrum, and he cannot be identified as an ideologist of integration and attentisme.

Hühnlich's defence of Kautsky and Kautskyanism is justified to the extent that the context of argumentation in *The Road to Power* should really be taken into account. If Kautsky had only presented his idea of the revolutionary nature of the Social Democratic Party in this context, Hühnlich's defence of Kautsky would be well grounded. The conception presented in *The Road to Power* can, however, be discussed in the wider context of Kautsky's thinking, and in this context Mathias's argumentation is more convincing: no one is actually denying that Kautsky continuously spoke of the ripening conditions for revolution and fundamentally identified himself as a revolutionary Marxist. Nor will anyone deny that at least in principle Kautsky defended non-parliamentary methods of struggle and understood the role of parliament as an organ making the revolutionary transformation possible. It is more the strange combination of revolutionary vigour and cautiousness in practical politics that caused Math-

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54 Hühnlich 1981, pp. 165–7.

55 Hühnlich 1981, p. 168.

ias and Groh to interpret Kautsky's position in terms of negative integration and revolutionary attentisme.<sup>56</sup> Hühnlich is, of course, right in emphasising that Kautsky did present some kind of a democratic action programme that stressed both parliamentary reforms and the role of demonstrations which were supposed to support the demands for reforms. Reforms were, furthermore, supposed to increase the strength of the proletarian organisations and function as a measure of this very same strength. And, of course, Kautsky considered socialism as the final goal of the workers' movement and studied its conditions. A revolutionary period was opening up; the workers should, on the other hand, be careful not to take the initiative into their own hands under the pretext of endangering their organisation and present achievements. The organisation is both an indicator and an instrument of the power of the workers' movement, the strength of which is not, however, realised in practical politics. The democratic action programme is evaluated by the criterion of strengthening the organisation, and all the demands and achievements are measured by this criterion. Kautsky certainly was a revolutionary in demanding the socialist revolution, but the only connection between the immediate tasks of the movement and its final goal is provided by the organisation; once the organisation is sufficiently developed the socialist revolution will be realised. Until then, all political demands and achievements must serve this very purpose. It is this idea which Mathias called organisational patriotism.<sup>57</sup>

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56 Salvadori recalled that there were other more influential historical factors contributing to the integration of Social Democracy into bourgeois society than the theoretical position represented by Kautsky, but even Salvadori does not deny Mathias's general interpretation: 'We have seen that a cautious conclusion was typical of Kautsky, who theorized the inevitability of escalating social conflict in general historical terms, yet constantly retreated to a passive attentisme when it came to the concrete conjuncture in Germany' (Salvadori 1979, p. 90). It may be that Mathias had a tendency to interpret Kautsky's work as a direct factor leading to the integration of Social Democracy into the bourgeois state. It seems more reasonable, however, to read Mathias as claiming that Kautsky's scientific socialism was only an expression and perhaps the most prominent expression of the dilemma facing a growing revolutionary mass party at the turn of the century.

57 It is not difficult to find enthusiastic statements about the role of organisation in Kautsky's writings: 'The proletarian does not find happiness in the greatness and power of his own personality, but in that of the organisation to which he belongs ... With the development of his organisation he [the worker] strides successfully forward. Yet organisation means nothing other than the subordination of the individual worker to the whole, the restriction of his personal freedom' (Kautsky 1904-5, p. 345).

Kautsky's discussion of parliamentary democracy and struggle in other contexts can be used to give further support to Mathias's thesis – despite the fact that Mathias did not especially analyse Kautsky's conception of democracy and parliament and its role in Kautsky's theory of revolution.

Parliamentary democracy was understood by Kautsky as having a twofold role in the socialist strategy. On the one hand, it formed the ideal training ground for the development of the proletarian organisation and party, it was essential for the development of consciousness too. On the other hand, parliament functioned as an indicator of the strength of political parties in society; it showed when the time was ready for a socialist revolution or, in other words, when the proletariat formed the majority of society. Even though Kautsky by no means denied the importance of mass action or demonstrations and their propagation for agitational purposes, he warned against their premature use; their use could lead to provocation – before the Social Democrats could be sure of winning the final struggle which, once again, was best shown by their success in elections. While Kautsky did not at this stage regard parliamentary politics as the exclusive form of proletarian political activity, he did regard it as its principal form of activity. Parliamentary democracy was not yet synonymous with proletarian rule in general – as it was practically to become after the Russian Revolution in 1917 – but it constituted the institution within which the final struggle was to be fought. It was also the institution through which the working class was to exercise its political power.

Mathias was not the first to point out Kautsky's position as representing attentisme and leading to integration – even though the terms were not used. In a discussion of the role of the general strike – a discussion which was very vivid after the first Russian Revolution in 1905 – Anton Pannekoek characterised Kautsky's position in very similar terms. Pannekoek claimed that Kautsky neglected the importance of mass actions as promoters of revolution. And Kautsky's answer to the critique was also characteristic of his position. In a series of articles published in *Die Neue Zeit* in 1912–13, Pannekoek analysed the basic difference of opinions as follows:

The question as to *how the proletariat gains the fundamental democratic rights* which, once its socialist class consciousness is sufficiently developed, endow it with political hegemony, is the *basic issue underlying our tactics*. We take the view that they can only be won from the ruling class in the course of engagements in which the latter's whole might takes the field against the proletariat and in which, consequently, this whole might is overcome. Another conception would be that the ruling class

surrenders these rights voluntarily under the influence of universal democratic or ethical ideals and without recourse to the means of coercion at its disposal – this would be the peaceful evolution towards the state of the future envisaged by the Revisionists.<sup>58</sup>

Kautsky's mistake was that he did not represent either of these conceptions. In Pannekoek's opinion, Kautsky seemed to think, on the contrary, that the final takeover of political power was something altogether different from the practical politics of the Social Democrats:<sup>59</sup>

We inferred from his statements that he conceived the conquest of power as the destruction of the enemy's strength once and for all, a single act qualitatively different from all the proletariat's previous activity in preparation for this revolution.<sup>60</sup>

Further, Pannekoek accused Kautsky of restricting the activity and initiative of the masses on the pretext of strengthening the organisation and the potential power of the party. Pannekoek's accusation thus closely resembled that of Mathias. According to Pannekoek, Kautsky's reasoning was faulty and led to unbearable conclusions. The masses do not transfer part of their energy and their revolutionary willpower to an organisation, the proletarian party, in order to diminish it. On the contrary, the party should represent the general will and

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58 Pannekoek 1978, p. 62.

59 Rosa Luxemburg's discussion of a mass strike can also be understood as a critique of the party leadership, Kautsky included: 'The mass strike, as shown to us in the Russian Revolution, is not a crafty method discovered by subtle reasoning for the purpose of making the proletarian struggle more effective, *but the method of motion of the proletarian mass*, the phenomenal form of the proletarian struggle in the revolution ... The mass strike is rather the common denomination, of a whole period of the class struggle lasting for years, perhaps for decades' (Luxemburg 1970 [1906], pp. 168–9). And further: 'In the case of the enlightened German worker the class consciousness implanted by the social democrats is *theoretical and latent*: in the period ruled by bourgeois parliamentarism it cannot, as a rule, actively participate in a direct mass action; it is the ideal sum of the four hundred parallel actions of the electoral sphere during the election struggle, of the many partial economic strikes and the like. In the revolution when the masses themselves appear upon the political battlefield this class consciousness becomes *practical and active* ... Six months of a revolutionary period will complete the work of the training of these as yet unorganised masses which ten years of public demonstrations and distribution of leaflets would be unable to do' (Luxemburg 1970, pp. 194–5).

60 Pannekoek 1978, p. 62.

power of the proletariat, and as such, it should strengthen and not diminish the total power of the proletarian movement:

*The initiative and potential for action which the masses surrender by doing so is not in fact lost, but re-appears elsewhere and in another form as the party's initiative and potential for spontaneous action: a transformation of energy takes place, as it were.*<sup>61</sup>

Kautsky misunderstood the relation between the party and the masses. He wanted to restrict the power and activity of the masses in order to strengthen the power and activity of the party. The result could only be the opposite:

If the party saw its function as restraining the masses from action for as long as it could do so, then party discipline would mean a loss to the masses of their initiative and potential for spontaneous action, a *real* loss, and not a transformation of energy. *The existence of the party would then reduce the revolutionary capacity of the proletariat rather than increase it.*<sup>62</sup>

Kautsky's answer to Pannekoek's critique was typical. On the one hand, he wanted to defend himself as being a radical revolutionary. He agreed with Pannekoek on the importance of actual struggle in increasing the activity and power of the revolutionary organisation: 'That is to say, we both are also agreed that proletarian organs of power are organisations of struggle which grow, flourish and prove themselves in struggle'.<sup>63</sup> The only serious difference between the disputants as understood by Kautsky was that whereas Pannekoek was ready to endanger the organisation even in struggles without the guarantee of success, Kautsky was willing to risk the organisation only insofar as success was certain:

But Pannekoek understands struggle to mean struggle in general and not, like me, victorious struggle. For him, the main thing is the spirit that animates the organisation, and for him this spirit is spurred on by every struggle, whether victorious or not.<sup>64</sup>

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61 Pannekoek 1978, pp. 72–1.

62 Pannekoek 1978, p. 73.

63 Kautsky 1912–13, p. 438.

64 Kautsky 1912–13, pp. 438–9.

Even though Kautsky did not explicitly state it, the logical conclusion was that since one never can be sure of the results of a struggle in advance – at least not until the proletariat forms the majority of the population and proves its power in parliamentary elections – one should restrain from any struggle that might endanger the integrity and organisation of the party. Participation in political struggles and the presentation of one's own demands to other political forces is only justifiable insofar as it supports the organisational growth of the workers' party.

Kautsky's position in the discussion about the use of mass strike as a weapon was also typical. He warned the party not to use this weapon recklessly – as he thought Pannekoek was suggesting: 'Our party has unequivocally made it known that it is not willing to turn to the mass strike at every possible opportunity'.<sup>65</sup> Kautsky did not in principle deny the use of mass strike or other mass actions as a weapon. But he trivialised the whole question and stated that it was self-evident that mass actions belong to the arsenal of the party: 'To demand mass actions from our party today is simply to demand that it does the obvious, to demand that it moves'.<sup>66</sup>

The debate between Kautsky and Pannekoek on the general strike showed Kautsky's twofold position rather clearly: on the one hand, he was all too ready to accept the use of a mass action as a political weapon, but on the other, he made the point harmless by stressing, first, that care should be taken to not use it recklessly, without the certainty of success, and second, that there was not in fact any real disagreement between him and Pannekoek on the subject. Kautsky had, in fact, always approved of the use of mass strike as a political method. Thus, Pannekoek's defence of the use of mass actions did not, in fact, add anything new to the tactics of Social Democracy. They had always been part of the agitation and propaganda of the party. Kautsky was, then, on the one hand revolutionary, while on the other he denied the actuality and possibility of political action aiming at a revolution. There could hardly be a clearer manifestation of revolutionary attentisme.

In his pamphlet *Internationality and the War*,<sup>67</sup> Kautsky explicitly discussed the new situation caused by the World War and its consequences for the International. Kautsky was not willing to admit that the outbreak of war would indicate bankruptcy for the policy of the International. On the contrary, the theory of Social Democracy had, in fact, been verified. Marxists had predicted

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65 Kautsky 1912–13, p. 445.

66 Ibid.

67 Kautsky 1915.



the necessary outcome of the war as a consequence of the imperialist politics of the major powers. If the politics recommended and propagated by the Marxists had been adopted, war could have been avoided. Thus the Social Democrats had been right from the very beginning.<sup>68</sup>

However, Kautsky did not just try to legitimate the strategy and theoretical conclusions of Social Democracy; he even tried to make them more adequate under the present conditions. The most important new idea was included in the proposal that Social Democrats do not necessarily have to condemn war in general; there are just wars, wars that can be defended and supported by the Social Democrats. Everything depends on the motives of the participants in the war:

Things look different, when, in taking sides, we proceed not from the interests of our own state, but from the interests of the entire world proletariat and ask ourselves: whose victory offers better prospects for the advance of our cause, not just in our own state, but around?<sup>69</sup>

Thus one could say that a class standpoint acts as the criterion for just or unjust wars. Kautsky's position in relation to the strategy of the International was very characteristic: On the one hand, the politics of the International were in fact correct even before the war, and they proved to be correct even during the war. On the other hand, the International could not play any active role in opposing the war once it had been declared. The International was basically an instrument of peace, not one of war. Kautsky's position was thus paradoxical: the International was in possession of the right theory and strategy, which, however, proved altogether ineffective:

That means, it [the International] is not an effective instrument in war-time, it is basically an *instrument of peace* – and it is such in a dual sense. It can only unleash its full power in times of peace. And to the extent that it is able to unleash its full power, it constantly works for peace.<sup>70</sup>

Thus there did not seem to be any chance of opposing the war once it had been declared. The International was at its strongest during peace; and indeed, it was the best instrument for maintaining peace, but paradoxically it was not suited

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68 Kautsky 1915, p. 6.

69 Kautsky 1915, p. 8.

70 Kautsky 1915, p. 38.

to opposing war.<sup>71</sup> Because opposing a war seems to be doomed to failure, it should be possible to further differentiate the strategy and to take a stand on questions of war in a differentiated way. According to Kautsky, it was thus justified to defend one's own nation against an alien aggressor that demands the annexation of areas of one's own country. A distinction should thus be made between a defence war and a war of aggression. And he came to the conclusion that a defence war is always justified.

Kautsky, however, claimed that the peace efforts of Social Democracy are not at all futile even if they are unable to prevent or stop a war. They have in any case an immense propagandistic effect:

Yet whatever the immediate practical success a peace programme of the International may have on the establishment of peace conditions as well, its enduring propagandist success will have to be tremendous, and it will be all the more tremendous, the deeper and more general the desire for peace is after the war, and the more clearly the policies of the International appear to be the only ones that can save the world from another war. It is precisely because of our internationality that we will then achieve our greatest successes, and precisely for this reason that each and every one of us will best secure and promote the flourishing of their nation.<sup>72</sup>

Participation in and active support of the war effort by the Social Democrats can, in principle, then be in accordance with a major opposition to any war and a striving for permanent peace. One of the reasons for this is that it is not possible to oppose a war directly – a position already presented by Kautsky earlier – it is first necessary to abolish the economic and political causes of war, and then the war itself becomes unnecessary:

If we do that, then taking sides will not prevent the International from carrying out its historic tasks in a united and unified manner: the struggle for peace and class struggle in times of peace.<sup>73</sup>

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71 Kautsky 1915, p. 39. In discussing Kautsky's attitude to the danger of war and to the possibility of preventing the outbreak of war in general, Pannekoek formulated Kautsky's position as follows: 'Kautsky poses the contradiction: only when we rule is the threat of war abolished; as long as capitalism rules, the war cannot by any means be prevented ... Kautsky overlooks the process of revolution, within which, by the active emergence of the proletariat its own power is gradually built up and the rule of capital crumbles away, bit by bit' (Pannekoek 1911–12, p. 616).

72 Kautsky 1915, p. 40.

73 Ibid.

As the above discussion makes evident, Kautsky's main position and argument concerning the questions of war and peace was in line with his more general strategic position characterised by Mathias as a combination of revolutionary vigour and practical cautiousness, or as a combination of revolutionary attentisme and negative integration by Groh. In principle, Kautsky criticised both the economic and political causes of imperialism and condemned imperialism outright as a policy of war and violence. The only permanent solution to the contradictions of capitalism causing imperialistic policies and increasing armaments was the alternative proposed by the Social Democrats, namely, the realisation of socialism. On the other hand, no practical means were proposed for preventing the outbreak or preparations for war.

The above discussion of Kautsky's position as it came into appearance in different contexts seems thus to support Mathias's thesis. Steenson defended Kautsky against accusations of 'quietism' by claiming that 'Kautsky's position was not quietistic; he urged constant, vigorous participation in various endeavours, was particularly forceful in his demands for political activity, and argued that theoretical work was an integral part of socialist practice'.<sup>74</sup> And further:

His view of the party was that it was revolutionary in its opposition to the state and its aim for the future, but not 'revolution-making' because aggressive action not in accordance with objective conditions (that is, the strength of the German state) would only end in disaster.<sup>75</sup>

Even if one were to agree with Steenson that the objective conditions of revolution were in fact lacking in Germany and that Kautsky's cautiousness was only dictated by his sense of political realism, Steenson's argument does not solve the problem originally posed by Mathias; it was the paradoxical combination of revolutionary vigour and practical cautiousness that was pointed out by Mathias.

In this respect, Lichtheim's empathetic assessment of the role of Kautsky's thinking comes closer to the point. The very starting point of Lichtheim's analysis is the seemingly paradoxical situation in the German Social Democratic movement: at the very moment when the German Social Democratic Party had factually transformed itself into a radical-democratic opposition movement (after the abolition of the anti-socialist legislation in 1890), by adopting the Erfurt Programme in 1891 it proclaimed its undying antagonism to bourgeois

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74 Steenson 1978, p. 153.

75 Steenson 1978, p. 154.

society.<sup>76</sup> Consequently, there was a widening gap between the theoretical analysis and the practical demands facing the party. In Lichtheim's opinion, the great merit of Kautsky's thinking consisted of this very paradox: he provided an essentially reformist party with a revolutionary programme without, however, altering the practice of the party. There is a real paradox in Kautsky's thinking and in the situation facing the movement, but 'the seeming paradox of an essentially pacific and gradualist movement equipped with a revolutionary doctrine loses much of its bewildering aspect when viewed against the background of Bismarckian and Wilheminian Germany'.<sup>77</sup> It was Kautsky's identification of the dictatorship of the proletariat and the socialist revolution with a democratic parliament having a socialist majority that resolved the paradox. In retrospect, one could even agree with Lichtheim's assessment that 'Kautsky was the theorist of the democratic revolution that occurred in Central Europe at the end of the war'.<sup>78</sup>

The most plausible explanation for Kautsky's cautiousness is that in his opinion it was not the objective conditions but rather the subjective element that was lacking in Germany and in Europe in general. The proletariat was unripe to accomplish a socialist revolution. The assumption of the unripe proletariat makes it sensible to emphasise the role of theoretical training and to demand the strengthening of party organisation – both tasks that could not be accomplished without a revolutionary doctrine. The seeming paradox in Kautsky's thinking becomes understandable once the role of the subjective factor is recognised. The socialist party must in principle be a revolutionary party. Otherwise it would not be able to organise a revolutionary proletariat. But it is of equal importance that the party should not try to make an untimely revolution and provoke its opponents; and a revolution is untimely – by definition – insofar as the proletariat is not ready to make it.

As Steenson pointed out, there was in Kautsky's theory of revolution a clear distinction between political and social revolution.<sup>79</sup> By first accomplishing a political revolution, the proletariat will later be able to realise a social one. Kautsky did not, however, problematise the relation between these two types of revolution. The political revolution was largely equal to the establishment of a parliamentary democracy with a Social Democratic majority. In this respect, one can agree with Lichtheim's formulation of Kautsky's position:

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76 Lichtheim 1964, p. 260.

77 Ibid.

78 Lichtheim 1964, p. 270.

79 Steenson 1978, pp. 8–9.

As he saw it, the Socialist movement had in the meantime shed its Blanquist tendencies and become democratic, without for that reason ceasing to be revolutionary. Its rise to power necessarily implied a complete alteration in the class struggle, and this to Kautsky was what 'the revolution' meant ... This accomplished democracy could be relied upon to do the rest.<sup>80</sup>

Kautsky's idea of a socialist revolution and growing into socialism was thus closely connected with his conception of parliamentary democracy and parliamentary politics – a question that is hardly discussed by Mathias or Hühnlich in this context. The question of democracy, however, first made Kautsky's position understandable in a broader context. In *Parlamentarism and Democracy* [*Parlamentarismus und Demokratie*],<sup>81</sup> originally published in 1893, Kautsky criticised different forms of direct democracy and defended parliamentary democracy as the only adequate form of exercise of proletarian power. In this article, Kautsky clearly formulated a position which he defended in various contexts later on in his career. Parliamentary democracy is, according to him, the ideal form of exercising political power and it suits the purposes of the proletariat as well. Parliamentary activity also guarantees the best possible growing ground for a proletarian organisation.

The Social Democrats have, in fact, become the only genuine representative of democracy since liberals have deceived the cause of democracy. In the article *What Now?* [*Was nun?*], Kautsky wrote: 'A revival of liberalism is no longer conceivable, democracy can only be conquered by social democracy.'<sup>82</sup>

Social Democrats are, furthermore, the only real representatives of general social progress: 'We therefore now see that the proletariat's class interests make it the most decisive and, already today, the sole representative of social progress.'<sup>83</sup> The general progress of society is in the interests of the working class, whereas the capitalists only represent their specific interests:

80 Lichtheim 1964, p. 268.

81 Kautsky 1911a.

82 Kautsky 1902–3c, p. 398.

83 Ibid. Cf. Kautsky in *The Agrarian Question*: 'In other words: social development takes precedence over the interests of the proletariat. Social Democracy cannot protect proletarian interests which stand in the way of social development. This is not, of course, generally the case. The theoretical basis of Social Democracy consists in the recognition that the interests of social development and those of the proletariat coincide, and that the proletariat is therefore destined to act as the mainspring of social development' (Kautsky 1988, pp. 325–6). Earlier, capitalists represented the general interests of society; now their role

Instead it is becoming apparent that the interests of the workers and capitalists are increasingly divergent when it comes to trade policy too; at the same time, however, it is apparent that the interests of the workers increasingly coincide with the interests of the economic development of the entire nation, whereas those of the capitalists are increasingly becoming the specific interests of individual cliques who are damaging the further development of society as a whole.<sup>84</sup>

This evaluation of specific versus general interests was based on an analysis of the transformation of the capitalism of free competition into monopolistic capitalism governed by trusts and cartels introducing restrictions on trade and competition.

In 1915, Kautsky issued a warning to the critics of parliamentarism. It was, according to him, easy to criticise but difficult to make use of a parliament:

In that way, modern democracy developed, whose essential traits are parliamentarism, the press, and large party organisations encompassing the entire country. Nothing is easier than to criticise those institutions, and nothing is more impossible than to do without them in a modern democracy.<sup>85</sup>

Even though the Social Democrats are fighting for democracy, they are not simply bourgeois democrats; parliamentary democracy is not their final goal, but neither is it only a means to achieve a certain end. It is true that democracy makes it possible to achieve the final goal, socialism, but it is also an essential element of this very final goal:

As the lowest class in the state, the proletariat cannot assert itself [zu seinem Rechte kommen] otherwise than through democracy. But we do not share the illusions of bourgeois democrats that the proletariat will come into its own simply by attaining democracy. That only constitutes the ground on which the proletariat can struggle for its rights. In a

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was inherited by the proletariat: 'In as far as the class interests of the proletariat represented society's *future*, these interests invariably coincided with those of the general interests of society' (Kautsky 1919b, p. 8).

84 It is interesting to note that, in this respect, Kautsky came to the same conclusion as Adam Smith in stating that a progressive development of society is favourable to workers but not to the capital owners (cf. Kautsky 1911b, p. 71; Smith 1970, pp. 357–8).

85 Kautsky 2011d, p. 797.

democracy, the proletarian emancipation-struggle does not cease, it just assumes different forms.<sup>86</sup>

Democracy is, further, closely connected with the idea of a national state. The ideas of both democracy and national state presuppose that the opinion of the majority of the population is taken into account before any social changes are introduced:

Democracy and the idea of the national state, which is closely related to it, require that the status quo should not be altered without the support of the affected peoples.<sup>87</sup>

The idea of parliamentarism as the basic instrument of proletarian power was not by any means new to Kautsky. A similar argumentation can already be found in the *Erfurt Programme*.<sup>88</sup> In the hands of the bourgeoisie, a parliament is destined to remain an instrument of the bourgeoisie, but as soon as the working class takes part in parliament, its nature is changed. It is no longer exclusively a bourgeois instrument of political power. In *Parliamentarism and Democracy*, the same idea was expressed even more explicitly: a parliament can just as well function as an instrument of the dictatorship of the proletariat as of the bourgeoisie.<sup>89</sup> A democratic state is, furthermore, the ideal field of struggle for the fighting proletariat:

The fighting proletariat has so much confidence in social development, so much confidence in itself that it fears no battles, not even those against superior forces; it merely demands a battlefield on which it can move around freely. This battlefield is provided by the democratic state. The final decisive battle between the bourgeoisie and the proletariat can be most easily fought out there.<sup>90</sup>

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86 Kautsky 2011d, p. 800.

87 Kautsky 2011d, p. 802.

88 'Not only does the proletariat therefore not have any reason to stay away from parliamentarism; on the other hand, it has every reason to exert all its energy to increase the power of parliaments in relation to other government departments and to increase its parliamentary representation as much as possible. Along with the freedom of the press and the right to organise, universal suffrage should be regarded as one of the conditions of a thriving proletariat' (Kautsky 1910b, p. 188).

89 Kautsky 1911a, p. 121.

90 Kautsky 1911a, p. 125.

In order to fight an organised state power, the proletariat must likewise be organised. And organisation is favoured by a parliament to which the proletariat has access. Election campaigns are the best means of organising and uniting the proletariat despite its different occupations and places of residence:

The election campaigns to this parliament, as well as participating in the struggles of this parliament, prove to be powerful methods of bringing together the proletariat of the whole country, without distinction of occupation or residence, for united action, and into a unified body that bestows the working masses the maximum strength that it is able to develop in these conditions.<sup>91</sup>

In conclusion, it could be said that in Kautsky's analysis parliamentary democracy is an important institution for two main reasons: it is the ideal arena for struggle and for developing the organisation of the proletariat, but it is also an essential element of the dictatorship of the proletariat, interpreted as rule by the majority, without violating the rights of the minority.

In an article published in *Vorwärts*,<sup>92</sup> Kautsky criticised the definition of democracy proposed by Bernstein. Bernstein proposed to translate democracy as the nonexistence of any class rule, as a state of society in which no class has a privilege over the others or the whole of society. However, this definition is not adequate. According to Kautsky, even in democratic states there is class rule:

Bernstein identifies the absence of political privileges with the absence of class rule. Do those of us in democratic states not have the same class rule as in non-democratic states, indeed a class rule that is on occasion even greater? What Bernstein wanted to say with the absence of class rule was obviously nothing other than the equal rights of all people in the nation [*Volksgenossen*].<sup>93</sup>

This definition is not complete at all. In Kautsky's opinion, there is another side to democracy that is more important than equality of rights of the people:

If we are to speak of democracy, then in addition to equal rights the *government must be submitted to the will of the people*. Bernstein has com-

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91 Kautsky 1911a, p. 137.

92 Kautsky 1899b, p. 3.

93 Ibid.



pletely disregarded this aspect of democracy, and yet in practice it is becoming more and more important for us.<sup>94</sup>

The development of democracy has in recent years led to the equality of rights of citizens and general franchise, including the working class.<sup>95</sup> This is not, however, enough. The control of the governmental institutions by the people is the decisive question. Without this control, there cannot be any democracy. Even though Kautsky did not say so explicitly, the precondition for the control of the government by the people was the achievement of the majority in parliament – which, on the other hand, presupposed equality in the political rights of the people. Thus there was not after all such a great difference between Kautsky's and Bernstein's respective conceptions of democracy.

Kautsky's conception of parliamentary democracy seemed to undergo a definite change after the First World War and the Russian Revolution. Closer study of his writings during this period does, however, show that the change was not, after all, a crucial one.<sup>96</sup> Now, Kautsky not only claimed that a democratic state is an ideal institution for the purposes of the proletariat to measure and increase its potential power and also to exercise it. A centralised parliament

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94 Ibid.

95 As pointed out by Pannekoek, Kautsky's eagerness to defend parliamentarism as a means of realising socialism was somewhat out of place in Imperial Germany, where the democratic rights were in fact strongly restricted: 'If parliamentarism and democracy are dominant, if parliament commands the whole of state power and the majority of the people command parliament, then the political-parliamentary struggle, i.e. the gradual winning over [*Gewinnung*] of the majority of the people by parliamentary praxis, education and electoral struggles, would represent the straight path to the conquering of state power. Yet these conditions are absent; they cannot be found anywhere – least of all in Germany. They have to first be created through struggles over the constitution: above all by securing the democratic right to vote' (Pannekoek 1911–12, p. 245).

96 After 1918, Kautsky's energies were primarily devoted to an ideological polemic against Bolshevism (see Salvadori 1979, p. 251). According to Salvadori, 'Kautsky could be accused of immobility, but not of having abandoned the fundamental lines of his conception of the revolutionary process, the dictatorship of the proletariat, and the socialist state' (Salvadori 1979, p. 253). In *Die Erhebung der Bolschewiki* of 1917, written shortly after the Russian Revolution, Kautsky was 'reaffirming his classical point of view: defence of universal suffrage and political democracy on the one hand, insistence on the role of socialists in bringing the social weight of the toiling masses to bear within political democracy and representative institutions on the other hand' (Salvadori 1979, p. 224). In other words, 'capitalist development, proletarian strength and democracy together constituted the preconditions for a new socialist regime' (Salvadori 1979, p. 229).

elected by the people in a free election is also the ideal form of proletarian government. The dictatorship of the proletariat established in Soviet Russia, and propagated by Lenin and others as the real democratic state of the proletariat, is in reality only a caricature of democracy. The only real change in Kautsky's conception of democracy was, after all, that whilst he earlier rather unproblematically approved of the dictatorship of the proletariat and characterised the future state as representing it, he now fought the Russian dictatorship with democracy. The difference was not, however, so considerable, because even before this he had identified the dictatorship of the proletariat with parliamentary democracy and democratic methods of government. Dictatorship was equal to rule by a proletarian majority in parliament. In *Terrorism and Communism*, Kautsky made his position quite clear:

At the same time in which Marxism became the dominant social doctrine, democracy had taken root in Western Europe, and had begun, as a result of its struggles there, to form a sound foundation for political life. In consequence of this, not only were the enlightenment and organisation of the proletariat facilitated, but also its insight into economic conditions as well as into the relative power of the classes increased. Hence all fantastic adventures were eliminated, as also was civil war, as a means of class struggle.<sup>97</sup>

Democracy is an ideal form of government because it makes it possible and necessary for different classes and individuals to formulate their own interests as the general interest of society and to evaluate the arguments and propositions presented by every party and member of society:

The best means of education are provided for them in a democracy, in which absolute freedom of discussion and publicity are essential. But this imposes on every party the obligation to strive for the emancipation of the souls of the people; and to put every member of the community in a position to examine the arguments of all sides, so that, by such means, each may arrive at some independent judgment.

Finally, class struggle takes over from democracy its best features; for in democracy each party addresses itself to the whole social community. Each party certainly defends definite class interests; but it is compelled to show every side of these interests, which are intimately connected with the general interest of the whole social community.<sup>98</sup>

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97 Kautsky 1920b, pp. 145–6.

98 Kautsky 1920b, p. 175.

Kautsky acknowledged that even in democracy there is an element of coercion as well, but this coercion represents the will of a majority against a minority. During the transformation of capitalism into socialism, the proletariat, which as the majority has taken over state power, must exercise its power in the form of coercion against the class of capitalists. However, this kind of coercion has nothing in common with the dictatorship of the proletariat as propagated by Lenin in Russia.<sup>99</sup> The democratic exercise of power by the majority also guarantees the rights of the minority – as Kautsky had already stated.

That this form of compulsion is incompatible with democracy Lenin does not attempt to show. He seeks rather to make it compatible, by a sort of conjuror's trick, by attempting to show that, since compulsion must be exercised by the great masses upon individual capitalists in order to bring about Socialism, and since such Socialism is perfectly well compatible with democracy, every form of compulsion which might be applied with a view to introducing Socialism is compatible with democracy, even if it should represent the absolute power of single individuals over the masses.<sup>100</sup>

Lenin had misunderstood the idea of democracy in identifying it with its opposite, the dictatorship of some individuals over the rest of the population.

Kautsky accepted that workers' soviets [*Arbeiterräte*] can play a limited role in exercising proletarian power in a period of transformation. They are not, however, suitable to take the place of parliamentary democracy in socialism.<sup>101</sup> Only a centralised parliament is able to represent the interests of the totality of the wage workers. The soviets, on the contrary, can only represent – at their best – the limited interests of the industrial workers in big industry.<sup>102</sup>

The communists in Russia claim that democracy is exclusively a form of the bourgeois exercise of power. However, this is not true. Democracy, understood

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99 According to Salvadori: 'For Kautsky, the counterposition of councils to parliament masked the design of a dictatorship by a minority, disguised in the formula of a democracy distinct from parliamentary sovereignty, branded as bourgeois' (Salvadori 1979, p. 237).

100 Kautsky 1920b, p. 185.

101 In Kautsky's opinion, the workers' soviets can play a central role during the socialisation of production (see Kautsky 1919b, p. 11). But in the same speech, socialisation is mainly seen to contribute to the unity of the proletarian organisation: 'The most important thing is the unification of the proletariat – socialisation is most suited to unifying the mass of proletarians. For this reason alone it should be prioritised' (Kautsky 1919b, p. 15).

102 Kautsky 1920b, p. 229.

as including general franchise, does not in any way belong to the rule of the bourgeoisie. It was the proletariat who first fought for the general right to take part in elections, and the bourgeoisie was opposed to it.<sup>103</sup>

Democracy is thus the only constitutional form suitable for a higher form of society, a socialist society, and democracy is the form in which higher forms of social life can become a reality: 'Democracy is the only method through which the higher forms of social life, which signify socialism for civilised people [*Kultur Mensch*], can become a reality'.<sup>104</sup>

According to Kautsky, dictatorship belongs (exclusively) to an Asian form of socialism. Such socialism could also be called tartar socialism.<sup>105</sup> The line of argumentation presented by Kautsky in other writings dealing with the Russian Revolution was in general similar to that outlined above.<sup>106</sup> Kautsky claimed that democracy is not by any means compatible with dictatorship, not to speak of a higher form of democracy, socialist democracy. In *The Dictatorship of the Proletariat* [*Die Diktatur des Proletariats*], Kautsky explicitly stated that it is impossible to think of socialism without democracy: 'Without democracy, socialism as a way of liberating the proletariat is inconceivable'.<sup>107</sup>

In this writing, Kautsky formulated in a compact form his central idea of the essential role of democracy both in the struggle for socialism and in socialism too:

Democracy is an indispensable foundation for the construction of a socialist mode of production. And only with democracy can the proletariat attain the maturity it requires in order to carry out socialism. Last of all, democracy provides the most reliable way of gauging that maturity.<sup>108</sup>

Socialism cannot be realised in a country in which the proletariat constitutes only a small minority, as is the case in Russia. One cannot expect such a country to be ripe for the introduction of socialism. And democracy is necessary for the ripening of the subjective conditions for socialism. Only fanatics would deny this basic proposition. The majority of both the German and the international proletariat is, according to Kautsky, ready to accept it.<sup>109</sup>

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103 Kautsky 1920b, p. 231.

104 Ibid.

105 Kautsky 1920b, p. 232.

106 Steenson 1978, p. 207.

107 Kautsky 1918, p. 5.

108 Kautsky 1918, pp. 19–20.

109 Kautsky 1918, p. 63.

It is understandable that Kautsky continuously connected socialism with democracy. He seemed to think that the proletariat already constituted the absolute majority of the population both in Germany and in other developed capitalist countries. In *Terrorism and Communism*, the proletariat is already said to form nine-tenths of the total population.<sup>110</sup> The economic development is supposed to guarantee not only the increase in the absolute number of the proletariat, but also the revolutionary consciousness and the will for socialism. As has already been pointed out, democracy was, however, not only a tactical question for Kautsky. There are more important reasons for him to support democracy: the rights of minorities must be respected in socialism as well.

One would expect Kautsky to discuss more systematically the problem of the development of revolutionary consciousness and to give some explanation as to why a socialist revolution has not yet taken place despite the overwhelming majority of the proletariat in the population. Why is the proletariat not yet ripe enough?

Kautsky's comments on this problem were, however, rather scattered and unsystematic. From time to time, he referred to the petit-bourgeois origins of the proletariat and the formation of a workers' aristocracy as factors preventing the development of revolutionary consciousness. For Kautsky, the problem was always reduced to a question of time: it is only a question of the time when the majority of the population will adopt the cause of socialism as its own.

Despite the great hopes placed in the proletariat, on various occasions Kautsky discussed the relation of the different groups or classes of the population to socialism and the possibility of a 'Bundnispolitik' [politics of alliance]. The possibility of a coalition government was denied in principle by Kautsky; the major contradiction of interests in society makes such a coalition impossible.<sup>111</sup> The problem of winning support from other groups of society for the Social Democratic programme and cause was mainly discussed in connection with the problem of the changing nature of capitalism and imperialism. The foundation of cartels and the introduction of high tariffs had aroused expectations among Social Democrats of the formation of new anti-capitalistic groups. However, Kautsky could already write, in *The Road to Power* of 1909, that these expectations had not been fulfilled:

Many of us expected that the trusts and combines of the capitalists, together with the tariff policy, would lead the middle class, who suffer

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110 Kautsky 1920b, p. 229.

111 Kautsky 1909a, p. 12.

most from these things, into our ranks. The exact reverse has actually been the result. The agrarian tariff and the employers' associations came simultaneously with the trade unions. So it was that the handicraftsmen were simultaneously pressed from all sides.<sup>112</sup>

As a result of the development of trade unions, many former supporters of the proletarian party became its direct opponents. Further development of colonialism even increased the contradictions between the different groups in society:

In the great cities the enmity of the middle classes to the proletariat was increased still more by their antagonistic positions on the questions of imperialism and colonial policy. Whoever rejects the Socialist position has nothing left but despair unless he believes in [the] colonial policy. It is the only prospect before the defenders of capitalism.<sup>113</sup>

It would also be wrong to promise small proprietors a different future from that factually reserved for them due to the iron law of economic development.<sup>114</sup> Their future is to become wage workers too, and the Social Democrats cannot, even for agitational purposes, offer them any other alternative or try to prolong their existence as small proprietors.<sup>115</sup> The small proprietors are thus bound to become the natural enemies of the Social Democrats, even though the alternative offered to them by the Social Democrats is objectively the best possible one, as they are offered the prospect of becoming workers in socialist industry and of being saved from becoming wage workers in capitalism.

The development of imperialism would, however, also seem to offer new possibilities for agitating new groups to join the ranks of social democracy. Petit bourgeoisie, intellectuals and peasants do not objectively have any interests of their own in imperialism. And even industrial capitalists, in principle, favour democracy and oppose the increase in state expenditure caused by imperi-

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112 Kautsky 1909a, pp. 103–4.

113 Kautsky 1909a, p. 106.

114 Kautsky denied principally any support for small proprietors of any kind: 'A social democratic agrarian programme for the capitalist mode of production is an absurdity' (Kautsky 1894–5b, p. 617). According to Salvadori, in Kautsky's opinion 'any reform that conflicted with the laws of capitalist development would remain without real effect' (Salvadori 1979, p. 55).

115 Kautsky 1988, p. 327.

alism.<sup>116</sup> There would seem to be a new opposition emerging against the big magnates of financial capital and agrarian exploiters, among the rest of the people.<sup>117</sup> Despite the acknowledgement of this potential opposition against imperialism, Kautsky was forced to admit that in practice the class of wage workers is the only consistent opponent of capitalism. And the only alternative left to those who do not wish to support Social Democracy is imperialism.

The same position as regards the potential support to be expected from the petit bourgeoisie that characterises Kautsky's later writings can already be found in the Erfurt Programme: Social Democrats have no right to fight for the immediate interests of proprietors, however small and poor they may be, because Social Democrats cannot oppose the general, necessary economic development. Such an attempt would be doomed to failure. They can, however, improve the position of peasants and petit bourgeoisie as consumers. Such an attempt would furthermore favour the general development of society and the cause of socialism:

The better the position of the small farmer or small capitalist as a consumer, the higher his standard of living, the greater his physical or intellectual demands, the sooner will he cease the struggle against big industry by starving himself in order to compete with it. If he is accustomed to a good living he will rebel against the privations incident to a protracted struggle, and will all the more sooner prefer to give up his hopeless fight and prefer to take his place among the proletariat.<sup>118</sup>

One should not, however, expect too much of this support of non-proletarian groups for the cause of socialism. The only secure and sincere recruits of Social Democracy come from the ranks of the proletariat. As stated by Kautsky in the Erfurt Programme, only the proletariat has nothing to lose in the present society:

Thus far the only favorable recruiting ground for the socialist army has been, not the classes which still have something to lose, however little that may be, but the class of those who have nothing to lose but their chains, and a world to gain.<sup>119</sup>

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116 Kautsky 2011d, p. 810.

117 Kautsky 1911b, p. 78.

118 Kautsky 1910b, pp. 214–15.

119 Kautsky 1910b, p. 164.

## The Question of Democracy and Dictatorship: Lenin's Critique of Kautsky the Renegade

Lenin first accused Kautsky of being a renegade of Marxism after the Russian Revolution. Until then, Lenin, like many others, had regarded Kautsky as a real and genuine Marxist. The best-known and most vehement criticism of Kautsky was first introduced by Lenin after Kautsky's direct and unconditional critique of the Russian Revolution and Lenin's conception of the dictatorship of the proletariat. Lenin's critique reached its utmost forcefulness after the publication of Kautsky's *The Dictatorship of the Proletariat* in 1918. Kautsky had become a 'renegade of Marxism'. In *The Proletarian Revolution and the Renegade Kautsky*,<sup>1</sup> Lenin criticised Kautsky's conception of democracy and the dictatorship of the proletariat.

The socialist character of the Russian Revolution and the dictatorship of the proletariat were the main targets in Kautsky's *The Dictatorship of the Proletariat*. The relation between dictatorship and democracy was understood both by Lenin and by Kautsky to be the leading question.<sup>2</sup> The analysis of these two methods of government was the main idea in Kautsky's pamphlet. Kautsky's interpretation of Marx's concept of the dictatorship of the proletariat was, in Lenin's opinion, totally false, even though Kautsky tried to defend his own position as a genuine Marxist interpreter by claiming that Marx understood the dictatorship of the proletariat not as a form of government, but rather as a specific state of affairs or condition, a mediating state between a bourgeois and real proletarian government.<sup>3</sup> Lenin thought that Kautsky's attempt was ridiculous. His main mistake was that he did not make any distinction between democracy in general and bourgeois democracy in particular; he did not even pose the question about the class character of bourgeois democracy. According to Lenin, democracy always functions in favour of one particular class.<sup>4</sup>

In Lenin's view, Kautsky understood only one question correctly: dictatorship means that one class in society is deprived of its political rights, and during proletarian dictatorship this class is the bourgeoisie. Kautsky was, however, at

1 Lenin 1967g; cf. also Trotsky 1921.

2 Lenin 1967g, p. 45.

3 Lenin 1967g, pp. 47–8, 50.

4 Lenin 1967g, p. 46.



the same time mistaken in claiming that proletarian dictatorship is equivalent to a dictatorship exercised by a small group of persons depriving the rest of society of its democratic rights. The dictatorship of the proletariat is, on the contrary, equal to the most perfect democracy of the working class and other poor elements in society. Revolutionary proletarian dictatorship is equal to power which has been won in class struggle and which is maintained and exercised even violently against the bourgeoisie. It is a power not bound by any laws.<sup>5</sup>

According to Lenin, the whole idea of Kautsky's discussion of democracy and dictatorship seemed to rest on an attempt to conceal the essential difference between a violent and a peaceful transition to socialism. Kautsky opposed any use of violence in revolution:

Kautsky has in a most unparalleled manner distorted the concept of dictatorship of the proletariat, and has turned Marx into a common liberal; that is, he himself has sunk to the level of a liberal who utters banal phrases about 'pure democracy', embellishing and glossing over the class content of *bourgeois* democracy, and shrinking, above all, from the use of *revolutionary violence* by the oppressed class. By so 'interpreting' the concept 'revolutionary dictatorship of the proletariat' as to expunge the revolutionary violence of the oppressed class against its oppressors, Kautsky has beaten the world record in the liberal distortion of Marx. The renegade Bernstein has proved to be a mere puppy compared with the renegade Kautsky.<sup>6</sup>

Lenin never tired of repeating the claim that proletarian democracy is a million times more democratic than any form of bourgeois democracy. This essential fact was misunderstood by Kautsky because he never faced the question of the class character of democracy, a question separating a real Marxist from a liberal trying to pose as a Marxist. Soviet Russia is the most democratic country in the world, its workers and proletarian peasants have the right to make use of the freedom of assembly, the freedom of press and the right to elect their own representatives in state institutions, and these rights are not only formal rights – as in a bourgeois democracy. The material conditions for their realisation are present in Soviet Russia.<sup>7</sup> This simple fact should prove that

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5 Lenin 1967g, p. 52.

6 Lenin 1967g, p. 54.

7 Lenin 1967g, pp. 58–9.

a soviet democracy really is a democracy for the poor and in this sense crucially differs from any formal democracy which only makes it possible for the rich to use the democratic institutions in their own interests.

Kautsky did not think it possible for the soviets to become a new representative state institution, even though he accepted their role as organisers and agitators of the working class. In Lenin's opinion, however, Kautsky's position was strange. He acknowledged that the proletariat has a right to wage war against capital which is repressing and subordinating it and the whole nation. On the other hand, he did not approve of the ideal proletarian institutions, the soviets, becoming a real state power. Kautsky's position was thus one of a petit bourgeois afraid of class struggle and its logical conclusion, namely, a socialist state power.<sup>8</sup>

Lenin's critique of Kautsky could be summarised as follows: Kautsky did not understand the nature of the dictatorship of the proletariat in general and its Russian variant in particular. In demanding the maintenance and introduction of democratic institutions in their bourgeois form, Kautsky revealed that he did not understand that democracy is always equivalent to the exercise of the power of one class over another, and that the dictatorship of the proletariat is in reality the most democratic form of exercising state power; it is true that capitalists and the big agrarian proprietors are deprived of their democratic rights. The political rights of workers and poor peasants are in fact more comprehensive than ever. Despite his critique, Lenin did not, in principle, deny the possibility of establishing socialism without depriving the bourgeoisie of their former democratic rights – even though he thought of it more as an exception. In certain developed countries with long traditions of political freedom and democracy, parliamentary democracy could be maintained even during the transitionary period, which, under these circumstances, would be more peaceful.<sup>9</sup>

Lenin's most famous writing concerning the question of the socialist state, *The State and Revolution*, was similar in its argumentation. He defended the 'Marxist' conception of the dictatorship of the proletariat against the liberal ideas of Kautsky:

The theory of the class struggle, applied by Marx to the question of the state and the socialist revolution, leads as a matter of course to the recognition of the *political rule* of the proletariat, of its dictatorship, i.e. of

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8 Lenin 1967g, p. 70.

9 Lenin 1967g, pp. 52, 66.

undivided power directly backed by the armed force of the people. The overthrow of the bourgeoisie can be achieved only by the proletariat becoming the *ruling class*, capable of crushing the inevitable and desperate resistance of the bourgeoisie, and of organising *all* the working and exploited people for the new economic system. The proletariat needs state power, a centralised organisation of force, and organisation of violence, both to crush the resistance of the exploiters and to *lead* the enormous mass of the population – the peasants, the petty bourgeoisie, and semi-proletarians – in the work of organising a socialist economy.<sup>10</sup>

A real Marxist recognises the necessity of the dictatorship of the proletariat. The proletariat has to crush the repressive state machine, a task that is in the interests of both the working class and the peasants:

On the other hand, he [Marx] stated that the ‘smashing’ of the state machine was required by the interests of both the workers and the peasants, that it united them, that it placed before them the common task of removing the ‘parasite’ and of replacing it by something new.<sup>11</sup>

To Marx, the Paris Commune was the primary example of this ‘new organ’, taking the place of the old state machine. Once the state machine is substituted by the new organ, a specific power organisation becomes unnecessary. The people recognise the oppressor and can effectively keep it in control.<sup>12</sup> The process of the withering away of the state can begin. The withering away of the state is also made possible by the simplification of the functions of the state apparatus once its repressive functions become obsolete:

Capitalist culture has *created* large-scale production, factories, railways, the postal service, telephones, etc., and *on this basis* the great majority of the functions of the old ‘state power’ have become so simplified and can be reduced to such exceedingly simple operations of registration, filing and checking that they can be easily performed by every literate person, can quite easily be performed for ordinary ‘workmen’s wages’, and that these functions can (and must) be stripped of every shadow of privilege, of every resemblance of ‘official grandeur’.<sup>13</sup>

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10 Lenin 1967f, p. 285.

11 Lenin 1967f, p. 296.

12 Lenin 1967f, p. 298.

13 Lenin 1967f, p. 299.

The dying away of the state is a theme that was not discussed in Kautsky's writings even though Lenin did not explicitly criticise him for this neglect. There is not, however, such a great difference between Lenin's and Kautsky's respective conceptions of the future socialist state. According to Kautsky, a centralised state is needed even in socialism for the organisation of production. Lenin's conception was rather similar, as revealed by his characterisation of the future state. In *The State and Revolution*, the postal service is mentioned as the ideal example of the future socialist state:

To organise the *whole* economy on the lines of the postal service so that the technicians, foremen and accountants, as well as *all* officials, shall receive salaries no higher than 'a workman's wage', all under the control and leadership of the armed proletariat – this is our immediate aim. This is the state and this is the economic foundation we need. This is what will bring about the abolition of parliamentarism and the preservation of representative institutions. This is what will rid the labouring classes of the bourgeoisie's prostitution of these institutions.<sup>14</sup>

The metaphor of the postal service was not that different from Kautsky's characterisation of the future state; to Kautsky, as to Lenin, it was the modern industrial factory which had already solved the problems of technical efficiency and planning that functioned as the model of the future state.<sup>15</sup>

There was, however, an important difference between the two conceptions. In *The State and Revolution*, Lenin's conception of democracy was almost directly opposed to that of Kautsky. According to Lenin, bourgeois democracy is always equal to government by a minority:

In capitalist society, providing it develops under the most favourable conditions, we have a more or less complete democracy in the democratic republic. But this democracy is always hemmed in by the narrow limits set by capitalist exploitation, and consequently always remains, in effect, a democracy for the minority, only for the propertied classes, only for the rich. Freedom in capitalist society always remains about the same as it was in the ancient Greek republics: freedom for the slave owners. Owing to the conditions of capitalist exploitation, the modern wage slaves are so crushed by want and poverty that 'they cannot be bothered with demo-

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14 Lenin 1967f, p. 304.

15 Kautsky 1910, pp. 112–14.

cracy', 'cannot be bothered with politics'; in the ordinary, peaceful course of events, the majority of the population is debarred from participation in public and political life.<sup>16</sup>

Lenin's understanding of the class character of democracy seemed to be based largely on an analysis of the factual social position of the different classes. Democracy is a formal principle. It does not pay attention to the fact that members of the working class and other poor classes of society are factually deprived of all the means of exercising power, whereas capitalists have all the necessary economic and political means at their disposal; they can even influence the opinions of the people by these means. Kautsky paid scant attention to this fact; to Lenin, democracy is a formal principle, and democratic institutions – a general franchise, free press and freedom of assembly – are really insufficient to guarantee the realisation of the interests of the majority in society. There is, however, one important argument in Kautsky's analysis which was not at all commented on by Lenin: in Kautsky's view, the working class has one important resource of power and influence at its disposal, organisation, and the power represented by an organisation is best increased within democratic institutions. Lenin did not seem to acknowledge that the power of mass organisations would increase in democracy; Kautsky put all his hopes in them. This fact also partly explains Kautsky's 'ultrademocratism'.

Despite the evident differences in their respective analyses, there are in fact some presumptions common to both Lenin and Kautsky. These similar premises are more evident in Lenin's earlier writings about the nature of the future revolution. In 1905, during the first Russian Revolution, Lenin's position was very close to that of Kautsky. The immediate task of the revolution was understood to be the establishment of a democratic state with all the modern democratic institutions. A democratic revolution was thus the immediate task; a socialist one would follow later. In *Two Tactics of Social Democracy in the Democratic Revolution*, Lenin wrote without reservation:

Whoever wants to reach socialism by any other means than that of political democracy, will inevitably arrive at conclusions that are absurd and reactionary both in the economic and political sense.<sup>17</sup>

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16 Lenin 1967f, p. 333.

17 Lenin 1967b, p. 468.

Democracy is also necessary for the organisation and development of the consciousness of the proletariat. Lenin's conception was similar to that of Kautsky in another respect: according to both of them, it is mainly the task of the proletariat to realise a bourgeois revolution, because the bourgeoisie is neither willing nor capable of realising this task. A bourgeois revolution is, then, paradoxically more in the interests of the proletariat: 'From this conclusion, among other things, follows the thesis that *in a certain sense* a bourgeois revolution is more advantageous to the proletariat than to the bourgeoisie'.<sup>18</sup>

The development of democracy is, like the general development of capitalism, favourable to the proletariat in general – a proposition regularly found in Kautsky's writings. Lenin had, then, the right to claim that he had always presented the Social Democratic ideas of Kautsky and Bebel. There was not, in fact, any major difference between Lenin's and Kautsky's conceptions at this stage.<sup>19</sup> Lenin even criticised the idea of 'revolutionary communes' because it did not make any distinction between a democratic and a socialist revolution:

It is, however, precisely for this very reason that the slogan of 'revolutionary communes' is erroneous, because the very mistake made by the communes known to history was that of confusing the democratic revolution with the socialist revolution. On the other hand, our slogan – a revolutionary democratic dictatorship of the proletariat and the peasantry – fully safeguards us against this mistake. While recognising the incontestably bourgeois nature of a revolution incapable of *directly* overstepping the bounds of a mere democratic revolution our slogan *advances* this particular revolution and strives to give it forms most advantageous to the proletariat; consequently, it strives to make the utmost of the democratic revolution in order to attain the greatest success in the proletariat's further struggle for socialism.<sup>20</sup>

There is, however, one important difference between Lenin's and Kautsky's opinion. For Kautsky, the difference between a democratic (or more generally,

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18 Lenin 1967b, p. 486.

19 Lenin's bitter reaction to Kautsky's critique of the Russian Revolution becomes understandable when one keeps in mind that to Lenin, as well as to other Bolsheviks, Kautsky had been the main theoretical authority of Social Democracy. In the preface to *The Development of Capitalism in Russia*, for instance, Lenin referred to Kautsky's *Agrarfrage* as the most noteworthy contribution to recent economic literature since the publication of the third volume of *Capital* (Lenin 1963–74a).

20 Lenin 1967b, p. 519.

a political) and a social revolution was more one of degree. Socialism and social revolution will automatically follow as soon as Social Democrats have a majority in parliament. Lenin, on the other hand, made a sharp distinction between a democratic and a socialist state and revolution. Before the Russian Revolution, Kautsky continuously defended the idea of the dictatorship of the proletariat against revisionists, but his conception of dictatorship remained devoid of content or was merely equal to the majority rule in parliament.<sup>21</sup> According to Lenin, the democratic state has to be followed by the dictatorship of the proletariat representing a totally different form of state, and finally, in communism, the state is supposed to wither away.

Many critics have highlighted the apparent contradiction in Lenin's conceptions of 1905 and 1917–18, respectively. The contradiction is a real one, even though Lenin could claim that his idea of the two phases of revolution had remained intact in 1917; the February Revolution was the expected democratic-bourgeois revolution, and the October Revolution was the following socialist one. According to Lenin, the development of capitalism had been so rapid in Russia that a socialist revolution could follow the democratic one almost immediately. They both took place within one single year:

Beginning with April 1917, however, long before the October Revolution, that is, long before we assumed power, we publicly declared and explained to the people: the revolution cannot now stop at this stage, for the country has marched forward, capitalism has advanced, ruin has reached fantastic dimensions, which (whether one likes it or not) *will demand* steps forward, to *socialism*. For there is *no* other way of advancing, of saving the war-weary country and of *alleviating* the sufferings of the working and exploited people.<sup>22</sup>

And further:

It was the Bolsheviks who strictly differentiated between the bourgeois-democratic revolution and the socialist revolution: by carrying the former through, they opened the door for the transition to the latter. This was the only policy that was revolutionary and Marxist.<sup>23</sup>

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21 Lichtheim 1964, p. 269.

22 Lenin 1967g, p. 104.

23 Lenin 1967g, pp. 114–15.

In 1917, there was no longer such a big difference between the two revolutions; they could only be separated by the criterion of the preparedness and willingness of the proletariat:

The attempt to raise an artificial Chinese wall between the first and second, to separate them by *anything else* than the degree of preparedness of the proletariat and the degree of its unity with the poor peasant, means to distort Marxism dreadfully, to vulgarise it, to substitute liberalism in its place.<sup>24</sup>

In referring to the degree of preparedness of the working class as the decisive criterion for the actuality of revolution, Lenin was arguing along the lines of his previous analysis and following Kautsky's analysis. But it could still be doubted as to whether Lenin had previously meant that the schooling of the proletariat in the class struggle within a democratic state really could be substituted by 'one single revolutionary day' or some months of actual revolutionary struggles.

In addition to the question of democracy and dictatorship, the controversy between Lenin and Kautsky about the Russian Revolution concentrated on the problem of the present stage of development of capitalism – and of Russia in particular. The class structure of different capitalist states was considered to be an essential indicator of the ripening of the conditions for socialism. In the opinion of Kautsky, the majority of the population consisted undoubtedly of the proletariat in all the developed countries, and this fact proved the conditions for socialism to be ripe in those countries. Lenin posed the problem in a similar way. The main question in his analyses, both before and after the Russian Revolution, pertained to the relation of the proletariat to the two other big classes in Russia, the peasants and different factions of the petit bourgeoisie. Even Lenin acknowledged that the proletariat represented only a small minority in Russian society, even though in his early empirical study of the development of capitalism in Russia he had come to the conclusion that the situation of the poor peasant, due to the introduction of capitalistic market relations in the countryside, was starting to resemble more and more the situation of the proletariat.<sup>25</sup> In Lenin's analysis, small peasants and propertyless farm workers were also the main allies of the proletariat in the coming democratic and socialist revolutions. It was in the interests of these classes to oppose the bour-

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24 Lenin 1967g, p. 105.

25 Lenin 1963–74a.



geois state apparatus which was exploiting the vast majority of the population. The future destiny of revolution was essentially linked with the future of the proletariat, small peasants and farm workers.

Kautsky never acknowledged that the interests of the peasants could be similar to those of the real proletariat or wage workers. Soviet Russia was nothing but a peasant republic [*Bauernrepublik*], or a form of tartar socialism. In analysing the future tasks of revolution, even Lenin had to admit that the main problem facing the young socialist state was the reaction of the petit bourgeoisie. In his *The Tasks of the Proletariat in Our Revolution*, written on 10 March 1917, Lenin in fact characterised Russia as the most petit bourgeois country in Europe. The proletariat represented only a negligible part of the population, and both its organisations and socialist consciousness were rather weak.<sup>26</sup>

In '*Left-wing' Communism: An Infantile Disorder*, written in 1920, Lenin finally stated that the immediate task of the revolution was the liquidation of all petit-bourgeois elements in society.<sup>27</sup> The petit bourgeoisie is not mainly dangerous and harmful because of its opposition to socialism. The main danger lies in the fact that it continuously nourishes capitalistic tendencies in society:

Unfortunately, small-scale production is still widespread in the world, and small-scale production *engenders* capitalism and the bourgeoisie continuously, daily, hourly, spontaneously, and on a mass scale. All these reasons make the dictatorship of the proletariat necessary, and victory over the bourgeoisie is impossible without a long, stubborn and desperate life-and-death struggle which calls for tenacity, discipline, and a single and inflexible will.<sup>28</sup>

The final abolition of all classes in society is not yet accomplished by destroying capitalists and landlords; all the small-scale producers (or elements of the petit bourgeoisie) must be abolished simultaneously. They cannot, however, simply be destroyed and expurgated; they must be transformed and educated to become different kinds of people. The existence of a petit bourgeoisie is a constant danger to the proletariat and socialism because it constantly nourishes individualism and destroys the necessary discipline of the proletariat. In order to oppose individualism, a proletarian organisation with iron discipline

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26 Lenin 1967e, p. 27.

27 Lenin 1967h, p. 339.

28 Ibid.

is needed. The necessity for a centralised and disciplined party as the ideal form of proletarian emancipatory organisation is – even after the illegal phase of the struggle was over – thus deduced by Lenin from the minority position of the proletariat in Russian society; a conclusion which, in Kautsky's opinion, proved the undemocratic and unsocialist character of this revolution. Proletarian dictatorship meant, according to Lenin:

a persistent struggle – bloody and bloodless, violent and peaceful, military and economic, educational and administrative – against the forces and traditions of the old society. The force of habit in millions and tens of millions is a most formidable force. Without a party of iron that has been tempered in the struggle, a party enjoying the confidence of all honest people in the class in question, a party capable of watching and influencing the mood of the masses, such a struggle cannot be waged successfully. It is a thousand times easier to vanquish the centralised big bourgeoisie than to 'vanquish' the millions upon millions of petty proprietors; however, through their ordinary, everyday, imperceptible, elusive and demoralising activities, they produce the *very* results which the bourgeoisie need and which tend to restore the bourgeoisie. Whoever brings about even the slightest weakening of the iron discipline of the party of the proletariat (especially during its dictatorship), is actually aiding the bourgeoisie against the proletariat.<sup>29</sup>

In this statement, Lenin actually seemed to be acknowledging Kautsky's critique of the Russian Revolution and proletarian dictatorship. If Soviet Russia actually is a petit-bourgeois country, and if socialism can be victorious only by suppressing millions and millions of peasant and small-scale proprietors, Soviet Russia really is shown to be a case of a peasant state or tartar socialism prophesied by Kautsky. The revolution will triumph only at the cost of the majority of the population, the petit bourgeoisie and the peasants, violating their real interests, as acknowledged by Lenin's idea of the necessity for iron discipline inside the party. The interests of the proletariat will be realised only through a disciplined organisation.

For Lenin, the petit bourgeoisie was not, however, the only problem of the socialist revolution. The very core of the proletariat – the organised workers and their immediate interests – posed a serious threat to the party and the proletarian dictatorship. Lenin claimed that even the most organised part of

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29 Lenin 1967h, p. 357.

the proletariat, represented by the trade unions, had everywhere caused serious splits inside the proletariat and its movement. Trade unions, in fact, only represent specific interests of specific groups of workers, and not the general interest of the proletariat:

The trade unions were a tremendous step forward for the working class in the early days of capitalist development, inasmuch as they marked a transition from the workers' disunity and helplessness to the *rudiments* of class organisation. When the *revolutionary party of the proletariat*, the *highest* form of proletarian class organisation, began to take shape (and the Party will not merit the name until it learns to weld the leaders into one indivisible whole with the class and the masses) the trade unions inevitably began to reveal certain reactionary features, a *certain* craft narrow-mindedness, a certain tendency to be non-political, a certain inertness, etc.<sup>30</sup>

In the more developed European countries, the reactionary features of trade unions are even more developed. In Russia, trade unions have traditionally been the main supporters of Mensheviks as well. In Western countries, Mensheviks (read: revisionists and reformists) have an even more pronounced position in the trade unions. There is a reactionary faction of trade union workers in the West:

there the *craft-union, narrow-minded, selfish, case-hardened, covetous, and pettybourgeois labour-aristocracy, imperialist-minded, and imperialist-corrupted*, has developed into a much stronger section than in our country.<sup>31</sup>

Lenin was paradoxically faced with a twofold opposition: both the petit bourgeoisie and peasants (the vast majority in Russia) and the organised and skilled workers (a small but influential minority) oppose the Bolsheviks and their policy. The only supporters of the Bolshevik Party then are the poor unskilled workers.

The reasons given by Lenin for the revisionistic tendencies inside the working class were rather superfluous and they closely resembled those analysed by Kautsky. Workers organised in trade unions have certain specific economic

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30 Lenin 1967h, p. 362.

31 Lenin 1967h, p. 363.

interests which can be in contradiction with the general political goal of the proletariat as determined by scientific socialism and a proletarian party. The workers' aristocracy, a specific faction of the working class, is able to gain privileges from capitalists, especially during the stage of imperialism: a monopolistic bourgeoisie is able to buy the support of skilled workers and bribe them with economic privileges.

As a conclusion from the above discussion, Lenin stated that it was easier to start a revolution in Russia than in other European countries. On the other hand, in Russia it was much more difficult to complete the revolution.<sup>32</sup>

The threat posed by the *petit bourgeoisie* in socialism was understood by Lenin to be a strategic problem, namely, how to overcome its opposition and prevent the further development of capitalistic tendencies in Russia. The problem of the revisionistic tendencies within the working class is, however, a more important one. If Lenin's analysis of the possible supporter of the party is correct, then the conflict between the specific economic interests and the general political interests of the proletariat remains unresolved. One would almost naturally expect the oldest and most organised sectors of the proletariat to be the most vehement supporters of socialism, not its opponents. The problem is connected with Lenin's general analysis and conception of the development of the socialist consciousness of the workers. In this respect, Lenin's position was very similar to that of Kautsky. According to both Lenin and Kautsky, the consciousness developing spontaneously among wage workers could only be trade-unionistic. A real socialist consciousness must be brought into the workers' movement from outside:

The history of all countries shows that the working class, exclusively by its own effort, is able to develop only trade union consciousness, i.e., the conviction that it is necessary to combine in unions, fight the employers, and strive to compel the government to pass necessary labour legislation, etc.<sup>33</sup>

The principal problem facing Lenin was then the following: if the wage workers can never spontaneously develop a genuine socialist consciousness, and the party is the only representative of a genuine socialist consciousness, where does the socialist idea come from in the last instance? Both Lenin and Kautsky answered the question similarly: the idea and goal of socialism is the result

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32 Lenin 1967h, p. 374.

33 Lenin 1967a, p. 122.

of scientific socialism, a theoretical knowledge represented by intellectuals. Scientific socialism is a theory of socialist revolution, its necessity and the social conditions leading to it, and only insofar as wage workers are willing to accept the conclusions of scientific socialism as an adequate expression of their own interests and aspirations as wage workers are they qualified to represent the general interests of the proletariat and the final goal of socialism.

As has already been pointed out in analysing imperialism, democracy seems to be either a principle incompatible with or alien to capitalism (Kautsky), or a principle which is only contingent to capitalism and does not have any rooting in the social relations of bourgeois society (Lenin). For both Kautsky and Lenin, the proletariat is the only genuine representative of democracy in capitalism. The bourgeoisie – once an adherent of democracy in its fight against feudalism – has become reactionary and more or less directly represses any democratic aspirations in society. A democratic revolution would then be exclusively in the interests of the proletariat, and it would furthermore lead more or less immediately to a socialist revolution too. In the case of Kautsky, this position is quite evident. For Kautsky, the establishment of democracy would in the end inevitably lead to the establishment of a socialist state. Once the proletariat has become the majority in a society and, consequently, in a parliament too, it would accomplish a socialist revolution using the state institutions at its disposal. A capitalist society having a democratic constitution and a proletarian majority would be, in fact, unable to survive for any length of time. Democracy thus has nothing to do with the social relations of a bourgeois society; it is a pure question of power and the ideal constitution for the proletariat to exercise its power in society.<sup>34</sup>

Lenin continuously accused Kautsky of representing a formal conception of democracy and forgetting the class character of bourgeois democracy. Even though he undersigned Kautsky's idea of democracy as the most suitable training ground for the proletarian organisations and as the best means of organising the working class in his earlier writings, in the writings written after the Russian Revolution, democracy is no longer understood to be relevant to the proletarian struggle. Lenin claimed to be taking into account the factual position of classes in society. In capitalism, the bourgeoisie has all the political and economic means of power at its disposal; consequently, only it can effectively make use of the democratic institutions and exercise its power through them. Parliamentary democracy is only a formal principle which does not pay attention to the factual social position of the different classes in a bourgeois society.

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34 Kraus 1978, p. 202.

The proletariat does not possess the factual means to make use of its democratic rights – freedom of the press, general franchise, freedom of assembly – even under a democratic constitution. Only the establishment of a dictatorship of the proletariat would deprive the bourgeoisie of its factual political power and establish the genuine political rights of the proletariat. In this sense, the dictatorship of the proletariat, while realising the power and interests of the majority exploited in capitalism, represented to Lenin real and genuine democracy; it is more democratic than the formal bourgeois parliamentary democracy.

To Lenin, then, a state is always essentially an instrument at the disposal of the ruling class – a class possessing the factual economic and political resources of power in society – and in capitalism the state will always represent the interests of its ruling class, the bourgeoisie, notwithstanding its possible democratic constitution. Democracy as such has nothing to do with the bourgeois society, and parliamentary democracy has nothing to do with real democracy. A bourgeois democracy is bourgeois and a proletarian democracy is proletarian, depending on the factual power position of the classes. To Kautsky, democracy simply meant the exercise of the power of a majority in a society, and once the proletariat has become a majority it will be able to exercise its power through a parliament and transform the society into a socialist one. Democracy is thus in the interests of the proletariat; the bourgeoisie represents violence and reaction in society. Either democracy is thus a principle opposed to bourgeois society (Kautsky), or it is a purely formal principle, the class character of which will depend on the factual power position of the classes (Lenin). The main difference between Lenin and Kautsky is that whereas they both agreed that a bourgeois state is always an instrument of power in the hands of its ruling class, the bourgeoisie, Kautsky thought that socialism could only flourish in a society having a democratic constitution and, furthermore, that parliamentary democracy is the ideal form of the future socialist state. Lenin – even though not principally denying the possibility of a socialist revolution using democratic institutions – thought of it more as an exception.

As pointed out by Steenson<sup>35</sup> and Lichtheim,<sup>36</sup> Kautsky certainly was a radical democrat by conviction. There is, however, one feature in Kautsky's thinking that makes his strong adherence to parliamentary democracy understandable. Kautsky made a clear distinction between political and social revolution. It was the political revolution which first made possible the further social

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35 Steenson 1978, pp. 9–10.

36 Lichtheim 1964, p. 264.

revolution – understood as comprising mainly the socialisation of large-scale production by the state. In analysing the future socialist revolution, Kautsky seemed mainly to be discussing the first political phase of this revolution, which was then often not practically related to the wider social tasks of the ensuing socialist revolution. Furthermore, it was Kautsky's strong reliance on the development of the power of the proletarian organisations which formed the necessary connection between democracy and socialism.

As already noted at the end of the discussion of Kautsky's and Lenin's theories of imperialism, capitalism was understood by the Second International Marxists as being primarily a mode of production based on the exploitation of surplus value and the distribution of the whole national product on behalf of the capitalists. The capital-wage labour relation was basically analysed as a relation of direct exploitation, and the specific character or form of the social relations in a bourgeois society (for example, the relation between equal and free commodity producers, emphasised by Marx) was largely neglected. Similarly, in their analyses, democracy had nothing to do with the specific social relations of commodity producers in capitalism or with the freedom and equality of the commodity exchangers, wage workers included. The conceptions of imperialism represented by these Marxists are a further consequence of this basic understanding of the nature of capitalism. Imperialism was, in fact, understood by both Kautsky and Lenin to be a specific mode of distribution based on the direct appropriation of a part of the national product by big cartel magnates and finance capitalists who are exploiting the rest of the people. Thus freedom and equality are principles which do not even formally belong to an imperialist society. Imperialism, which was explicitly claimed to be violent and reactionary, is based on the appropriation of monopoly profits that do not stem from any relation of production, but rather arise out of a forced distribution of the national – and international – product to the benefit of finance capital. Imperialism is essentially characterised by an accentuating antagonism of distribution.

To the theoreticians of imperialism, capitalism seems to be all but a short historical phase between an earlier mode of production (namely, simple commodity production) and a following mode of production (namely, imperialism). Classical capitalism – capitalism of free competition – was understood as having been transformed into imperialism according to its own economic laws of development, and thus it was only a short interregnum between simple commodity production and imperialism. And if there is any freedom and equality of commodity producers at all, they seem to belong exclusively to the stage of simple commodity production. As soon as the capital relation and wage labourer come into being in society, capitalism inevitably develops towards

increasing centralisation and monopolisation of production and thus leads to the exploitation of all the producers and consumers in society by centralised finance capital. For the bourgeoisie, then, democracy is only a tactical weapon in its fight against feudalism and absolutism; a capitalism standing on its own is by its nature violent, reactionary and undemocratic.



**PART 2**

*Marx's Marxism*





## The Immanent Critique and the Natural Rights Theory

In his contribution to the discussion of Marx's concept of critique and method of presentation, or critique and exposition [*Kritik und Darstellung*], Georg Lohmann<sup>1</sup> explicated different levels or principles of critique in Marx's *Capital* and his critique of political economy in general. According to Lohmann, there is a fundamental difference between two principles of critique in Marx's *Capital* – the immanent and the transcending critique. The first form of critique is called immanent because bourgeois society is criticised with its own normative standards. The equality and freedom of the commodity producers is shown to be a mere appearance [*reiner Schein*] of the surface of that society, the sphere of commodity circulation preventing the exploitation of surplus value and surplus product from becoming visible. The title of property to the products of labour is not, in fact, as thought by classical political economy, based on one's own labour, but rather, on the contrary, is based on the appropriation of alien labour and its products. The right to private property is nevertheless, even in a bourgeois society, legitimated by the right to one's own labour and its products. The second form of critique is based on the experiences and the normative standards of those living under capitalism. Its standards and norms are those of the participants, actual social movements and forces of resistance. It takes its standards and principles from the arguments and declarations of the actual movement of emancipation under capitalism.

Only the immanent critique can be presented systematically and conceptually [*begrifflich*]; the transcending critique presupposes a form of presentation that is fragmentary and narrative-based. Marx's combination of presentation and critique in *Capital* follows the principle of immanent critique, whereas the elements of transcending critique are embedded as fragments in the presentation and in the so-called historiographic narrative parts of *Capital*.

Basically, the immanent critique is a critique of the fundamental suppositions of the modern natural rights theory as presented especially by John Locke and classical political economy with Adam Smith and David Ricardo as its leading representatives. Lohmann did not notice that even the transcending

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<sup>1</sup> Lohmann 1980.

critique does, in a specific manner, criticise the basic legitimacy argument of the scientific self-understanding of the bourgeois society, vis-à-vis the possibility of human existence and the general well-being of the individual, including the wage worker, as a product of the accumulation of capital. It can be argued that Marx was thus implicitly criticising the fundamental legitimacy argument of classical political economy, according to which the economic laws, while functioning 'invisibly', behind the backs of private subjects, guarantee 'the greatest happiness of the greatest number'. Marx's critique, as presented most systematically in the chapter in *Capital* on the general law of capitalist accumulation, was later to become an essential and important part of the theory of capitalism of the Second International Marxism, which emphasised the growing misery of the working class in capitalism as an essential element of its theory of revolution.

In the beginning of his article, Lohmann presented two 'programmatic theses' about the systematic structure of *Capital*:

The systematisation of the *critique* of political economy can only be identified by the specific relationship between both types of critique. Accordingly, this critique of political economy means thorough-going criticism, that is to say, any interpretations that seek to extract a 'positive theory' from it, or understand it in that manner as a whole [sie als ganz so versteht], will go astray.<sup>2</sup>

One of the problems in interpreting the conceptual or theoretical structure of Marx's presentation in *Capital* is the methodological demand of uniting presentation and critique.<sup>3</sup> Marx's presentation in this respect followed Hegel's well-known dictum, according to which the presentation includes the critique of the object presented. When something is conceptually comprehended, it is related to its very idea or concept [*Idee oder Begriff*]. The critical presentation is identical to bringing something to its concept of essence [*wesenmässiger Begriff*]. Comprehending thus includes critique, or rather it means judging the perfection of something or its correspondence to its concept.<sup>4</sup>

The main problem in Hegel's *Logic*, according to Lohmann, is that Hegel had to affirm in the presentation that which is negated in the critique.<sup>5</sup> Following

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2 Lohmann 1980, p. 237.

3 Ibid; cf. Marx 1974–2004n, p. 270.

4 Lohmann 1980, p. 240.

5 In this respect, Lohmann followed Theunissen's interpretation: 'Insofar as it is critique, Hegel's logic must affirm in its presentation what it actually negates' (Theunissen 1978, p. 88).

Theunissen in his interpretation of Hegel's *Wissenschaft der Logik*, Lohmann made the following distinction between presentation and critique in Hegel's *Logic*: the presentation aims at the truth explicated as communicative freedom, the critique has falsehood as its object; the falsehood is understood, first, as not yet truth, and second, as totally false, as appearance [*Schein*].<sup>6</sup> Such a combination of presentation and critique is only possible when the standard of critique is included in the object of presentation. Such a critique is, therefore, characterised as immanent.

The object of Marx's presentation was the inner relation of bourgeois society. It had to be presented in such a manner that it included its necessary form of appearance [*Schein*] without being reduced to a mere appearance-likeness [*Scheinhaftigkeit*] – the fate of the vulgar economy as criticised by Marx. According to Lohmann, the constitution of this inner relation or order of bourgeois society is the classical theme of the modern natural rights theory (Hobbes, Locke, Rousseau). The systematic starting point for all of these modern conceptions is the concept of self-preservation or survival.<sup>7</sup>

The starting point for Locke's conception of the state of nature is the self-preservation of the individual. Every individual has a right to self-preservation by using the necessary means of support. However, she or he is entitled to these products only so long as her or his own self-preservation does not endanger the self-preservation of others. The appropriation of the products of nature is mediated by labour. Just as every person is the sole owner of their own body, so they are the owner of the labour of their body and of the work of their hands. The products are freed from the state of nature by mixing labour with them so that something of the worker's own is added to them. From this thesis two further conclusions are drawn. These main axioms of Locke's natural rights doctrine are: (1) only labour can create a title to property; and (2) the different values of objects are based on labour used in appropriating them from the original state of nature.

Both the freedom and the self-preservation of the individual are thought to be secured by the natural right to private property. It furthermore secures the autonomy and independence of the individual. Under such circumstances, the property of another individual can only be appropriated by mutual consent through exchange of goods. The original rules and conditions prevailing in the original state of nature are, however, endangered by the introduction of durable goods (gold and silver). Once common consent has been reached, money

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6 Lohmann 1980, p. 240; cf. Theunissen 1978, p. 87.

7 Lohmann 1980, pp. 242–3.

may be used as a means of exchanging goods. In the original state of nature, nobody is allowed to own more than they or their dependants can dispose of privately. Thus, the tacit consent of the participants to introduce money into relations of barter threatens to unbalance the relation in the first state of nature characterised by the non-existence of money by encouraging a desire to appropriate more than is privately consumed. The accumulation of money capital and landed property made possible by the introduction of money presented by durable goods endangers everybody's natural right to private property and self-preservation, and the corresponding rights of freedom and equality. To guarantee these rights, Locke postulated a social contract constituting a state power.<sup>8</sup>

According to Lohmann, the reinterpretation of the state of nature by the post-Lockean political economy further harmonised the Lockean concept by introducing the conception of a commercial or bourgeois society, the functioning of which is governed by immanent economic laws (invisibly) guaranteeing the realisation of the common interest of commodity producers. At the same time, the principles of Locke's state of nature remain valid even for this 'natural society' (freedom of the individual, the rightful appropriation of property by means of one's own labour and mutual exchange, and the equality of every individual as private property owner).<sup>9</sup>

Marx characterised the 'exchange of exchange values' (commodities) as the 'productive, real basis of all freedom and equality'.<sup>10</sup> For Marx, the relation of exchange did not, however, constitute the inner relation of bourgeois society. Very generally speaking, Marx's critique of natural rights theory and political economy, according to Lohmann, was concentrated on the following idea: the real inner relation has to be sought in the relation of appropriation, i.e. production. In classical political economy, this inner relation is analysed as the determination of value by labour time; the value of commodities, which makes the exchange of commodities possible and is the integrative aspect of the constitution of society, is reduced to its immanent genesis, labour time. However, this reduction is valid and possible only under the conditions postulated by the natural rights theory. At the same time, the relations of exchange prevent the relations of production from appearing as the 'truly general' inner relation of society; value appears in a specific value form.<sup>11</sup>

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8 Lohmann 1980, p. 244.

9 Lohmann 1980, pp. 244–5.

10 Marx 1973, p. 245.

11 Lohmann 1980, p. 246.

According to Lohmann, in his critique of political economy Marx was interested in this very difference between the integrative and genetic aspects of the constitution of bourgeois society. He found the classical political economy praiseworthy because of its analysis of the constitution of bourgeois society (hence, its classicity), but criticised it for its lack of comprehension of the relation between the integrative and genetic aspects of society:

In this way it [classical political economy] conforms with the Lockean conception of the self-understanding of bourgeois society; the integrative aspect of the constitution of bourgeois society [the exchange of commodities] appears to be the only one that produces social cohesion [*Zusammenhang*] whereas the genetic aspect [appropriation of one's own labour] merely appears as a precondition of this, which belongs to the domain of the private sphere.<sup>12</sup>

Marx's presentation was by nature immanent while understanding its object from the perspective of the appearing and appeared relation, and it consequently followed the process of the constitution of its object. The immanent presentation was systematic in structure. It begins with the abstract and conceptual image of the whole and develops this image during the course of presentation into a concrete and differentiated thought totality [*konkreter und differenzierter Gedankentotalität*]. While doing this, the presentation presupposes nothing more than the bourgeois self-understanding does: the whole is only a realisation of the principles of the Lockean state of nature. Thus, the normative demands of freedom and equality are simultaneously presupposed, the demands which are claimed to be realised by society. In following this process of constitution, the realisation of the promise of freedom and equality is criticised.<sup>13</sup>

The immanent critique thus finds the standards of its critique in the very object of its study. It can formally 'take over' the normative standards of bourgeois society as explicated in the classical manifestation of its self-understanding, namely, classical political economy. These normative standards are formal principles of freedom and equality, and the right to private property based on one's own labour. In classical political economy, these standards are supposed to be universally valid, that is, they are meant to exist for all members of society. The task of the immanent critique is, first, to prove the inadequacy and

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12 Ibid.

13 Lohmann 1980, p. 247.

formal character of these normative standards, and second, to reveal the self-contradictory nature of the system, through which the system is shown to be determined as a negative totality; in other words, it does not fulfil its own principles, which is equivalent to it being untrue. The immanent critique has now reached the point where it no longer 'understands' its object. It becomes evident that the whole object is in contradiction to its own normative standards and consequently it can no longer be measured with these standards.<sup>14</sup> Only when it is possible to show that the standard of the immanent critique is a necessary standard of the exchange of commodities realised as the formal freedom and equality of every individual in bourgeois society can the inadequacy of the standard be proved.

In *Theory and Practice* [*Theorie und Praxis*], published in 1967, Jürgen Habermas pointed out the close affinity between Marx's critique and the natural rights theory. As the legitimate heir to natural law theory, political economy proved that the economic laws of society guarantee the realisation of the natural rights of humanity. In classical political economy, the natural laws of society are supposed to fulfil the common interests of human beings. In proving that the free intercourse of the private property owners, in fact, excluded the mutual enjoyment of personal autonomy by all individuals, Marx also proved that the general laws of bourgeois society were devoid of the supposed economic righteousness: 'The interests of the bourgeois can then no longer be identified with those of all citizens in bourgeois society'.<sup>15</sup>

All Marx had to do was confront the liberal construction of the natural rights theory with the development of the same society in order to argue with the bourgeois revolution. In philosophically producing a concept of itself, the bourgeois revolution could be criticised economically and taken at face value. Consequently, Marx understood the bourgeois revolution as the emancipation solely of the bourgeoisie, and not that of humanity. People are recognised by law as free and equal persons but, at the same time, they are under the natural-born [*naturwüchsig*] relations of an exchange society:

The political revolution resolves civil life into its component parts, without revolutionizing these components themselves or subjecting them to criticism. It regards civil society, the world of needs, labor, private interests, civil law, as the basis of its existence, as a precondition not requiring further substantiation and therefore as its *natural* basis.<sup>16</sup>

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14 Lohmann 1980, p. 248.

15 Habermas 1979, p. 111.

16 Marx 1974–2004a, p. 167; cf. Habermas 1979, pp. 112–22.



By analogy, Lohmann's analysis of the immanent critique in Marx's *Capital* was based on the idea of the formal nature of the principles of freedom and equality, which does not take into account the real basis of the constitution of the bourgeois society:

It is this dominance of mediating property that specifically restricts the integrative norms of freedom and equality. These are, in terms of their validity [*ihrer Geltung nach*] formal and generic, however are in fact tied to the substantive condition [*inhaltliche Bedingung*] of private property. They are therefore abstract norms of freedom and equality that are only valid because they are detached from one's own concrete individuality and that of others.<sup>17</sup>

Thus, freedom and equality are formal principles having validity only in the sphere of commodity circulation. The production process as the genetic constitutive process of society is based on the appropriation of surplus value, which is in contradiction with the constituting principles of bourgeois society as postulated by natural law.

The structure of the first book of Marx's *Capital* can now be interpreted in light of the distinction between the immanent and transcending critique; the immanent presentation ends with chapter 22, after which there are two more chapters (even though there are elements of transcending critique in earlier chapters too). At the end of the immanent presentation, the object is presented in its totality, as the process of reproduction of capital. On the one hand, capital is shown to be reproducing its own preconditions; the relation between capital and wage labour is continuously reproduced. Capital no longer needs any external historical conditions. On the other hand, the natural rights theory, supposing that a right to property must be based exclusively on the appropriation of the products of one's own labour and the exchange of equals, is challenged to defend its legitimacy basis; the only possibility to legitimate capital would be to prove that capital is, at least originally or historically, the result of capitalists' own labour. At this point, in order to legitimate itself capital must refer to its historical origins and, consequently, a historical presentation of the coming into being of capital is required. And historical analysis must also enter Marx's critique of capital:

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17 Lohmann 1980, pp. 273–4.

*Capital* is forced by the systematisation of its own legitimisation to overstep its own highly particular circles; it has to present its historical genesis. At the point in the system of *Capital* where all history has seemingly come to an end, it re-emerges in relation to the *entire* system ... Now the immanent critique effectively has its object where it wants it. It must present itself as an object that has developed historically [*historisch gewordener Objekt*] – and must do so under justificatory points of view [*Rechtfertigungsgesichtspunkten*] – after its normative self-contradictoriness has already *indicated* that it is a self-sublating [*selbstaufhebend*] object.<sup>18</sup>

Lohmann's conception of immanent and transcending critique was inspired by Karl Korsch's discussion of the different modes of critique in Marx's political economy.<sup>19</sup> Of the three different modes of critique formulated by Korsch – transcendent, immanent and transcendental [*transzendent, immanent und transzendente Kritik*] – the transcendent mode of critique most resembles Lohmann's concept of transcending critique:

Marx's critique is transcendent, really going beyond the boundaries of economics in those numerous passages – less prominent in scope yet important in content – where Marx, after pursuing political economy from the propositions postulated in its classical period through to their ultimate theoretical consequences, eventually bursts [through] the framework of economic theory itself and proceeds to a directly historical and social presentation of the development of the bourgeois mode of production and of the real contradictions concealed behind the two economic categories of 'capital' and 'labour' and of the struggle of the social classes.<sup>20</sup>

In Korsch's conception, there was, however, supposed to be a strong parallelism between the development of Marxist theory and proletarian class movement: 'The emergence of Marxist theory is, in Hegelian-Marxist terms, only the "other side" of the emergence of the real proletarian movement'.<sup>21</sup> As a phenomenon parallel to a social movement, Marxism is not only a critical theory of bourgeois society, but at the same time a theory of the proletarian revolution, in a rather

18 Lohmann 1980, pp. 280–1.

19 Lohmann 1980, p. 289, n. 6.

20 Korsch 1967, p. 220.

21 Korsch 1970, p. 42.

straightforward way.<sup>22</sup> Marx's critique of the bourgeois economy is based on the standpoint of the proletariat [*Standpunkt des Proletariats*] as the only class that is not interested in the preservation and legitimation of the bourgeois conceptions.<sup>23</sup>

The transcending critique as explicated by Lohmann can be interpreted as being concerned with the consequences of development of capitalist society for the participants or individuals concerned. The transcending critique has to do with the normative standards of the participants. It introduces into the discussion the fate of labouring people (or the lot of the working class); the standard of the transcending critique has something to do with the experiences and also the opposition and actual resistance of the participants. The elements of transcending critique can be found in the historiographic paragraphs in Marx's *Capital*:

In their general form the passages show the historically recordable effects of the development of capital on the 'fate' of the people, especially the working class. They show the formal subsumption of pre-capitalist ways of working and living to the dominance of capital, the workers' acts of resistance and struggles for a life that is appropriate to their demands, but also the formation of their living processes and conditions. The immediate object of the presentation is, generally speaking, the historical contexts of people's lives [*Lebenszusammenhänge der Menschen*] under capitalism.<sup>24</sup>

These passages characterise a horizon of universal history in the light of which the historical nature and limits of the capitalist mode of production become visible – and in them the object of immanent critique is transcended. The function of the transcending critique, according to Lohmann, is to justify the standard of immanent critique from a 'broader horizon':

The task of the critical aspect of the transcending critique is to prune the universal claims of the natural-rights (Lockean) self-understanding of bourgeois society. For this the transcending critique requires a benchmark, the strongest version of which is, for me, implied in the historiographical passages of *Capital*.<sup>25</sup>

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22 Korsch 1967, p. 56; Korsch 1970, p. 82; see also Schanz 1974, pp. 39–42.

23 Korsch 1971, p. 138.

24 Lohmann 1980, p. 259.

25 Lohmann 1980, pp. 254–5.

In the transcending critique, the relation between presentation and critique [*Darstellung und Kritik*] is different from that of immanent critique; the critical moment is the dominating one. A more important problem, however, is the fact that transcending critique cannot be embedded in the systematic, conceptual presentation in the same way that immanent critique necessarily is. Out of necessity, it is of a fragmentary and narrativistic character. In this sense, it can be compared with the positive philosophy of Schelling.<sup>26</sup>

The comparison with Schelling, however, should be taken cautiously. In his dissertation, Marx had explicitly criticised such a 'positive philosophy of reality'. The 'true immediacy' [*Wahre Unmittelbarkeit*] had been used as a critical point by all the 'young' Hegelians; the reality beyond reason is set against the infinite power of reason. The narrative form of Marx's transcending critique and its standards can be explicated too:

What cannot be theoretically appropriated with the immanent conceptuality of the capitalist-bourgeois self-understanding, i.e. what cannot be immanently presented systematically, is given over to a narrative manner of representation, which however is also accessible to a sensible explication.<sup>27</sup>

Lohmann's explication of Marx's two forms of critique is convincing in itself. However, there are at least three problematic questions connected with Lohmann's interpretation of Marx's critique of political economy. Some problems arise from the fact that his interpretation was influenced by Habermas's dual conception of 'system' and 'lifeworld' [*Lebenswelt*], even though Lohmann was at the same time explicitly criticising Habermas's conception of the normative standards valid in the lifeworld.<sup>28</sup>

First, Lohmann can be criticised for forgetting Marx's presentation of capitalist society as a negative totality in another sense. Fulda emphasised that Marx's critique of political economy is a theory of a catastrophe in a specific sense.<sup>29</sup> Capital is understood by Marx to be a self-contradictory principle; the reproduction of capital is continuously faced by the limits set by the very process of value expansion. While increasing the productivity of labour and

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26 Lohmann 1980, p. 260; cf. Theunissen 1976.

27 Lohmann 1980, p. 261.

28 Habermas 1981.

29 Fulda 1978, pp. 194–5.

relative surplus value, capital is all the more getting rid of its own basis of value expansion, namely, living labour power. This conception finds its clearest expression in Marx's analysis of the development of crises in capitalism and his law of the falling rate of profit:

But the main thing about their horror of the falling rate of profit is the feeling that capitalist production meets in the development of its productive forces a barrier which has nothing to do with the production of wealth as such; and this peculiar barrier testifies to the limitations and to the merely historical, transitory character of the capitalist mode of production; testifies that for the production of wealth, it is not an absolute mode, moreover, that at a certain stage it rather conflicts with its further development.<sup>30</sup>

The element of crisis is a continuous and permanent structural moment in capitalism – and in the critique of political economy. It determines capital as 'negative' – as pointed out by Stapelfeldt. The possibility of crises or disharmony is already present in the duality of abstract and concrete labour, and the dual character of commodity as both value and use value runs through the whole of Marx's presentation and defines the presentation as critique.

Secondly, the problem of the fetish character of the relations of commodity producers and the reification of social relations does not, in fact, fit very well into Lohmann's interpretation, even though he does discuss the problem of the reciprocal relations of indifference between private producers. The main problem of Lohmann's interpretation, in this respect, is connected with the Habermasian concept of lifeworld.

The mutual indifference characteristic of the relations between private producers [*Gleichgültigkeitsverhältnisse*] is based, according to Lohmann, on abstract labour. This indifference between private producers culminates in the indifference in the self-understanding of the owners of labour power. The relation of indifference is an example of structural domination because its causes are not manifest but hidden. However, Marx was – and this interpretation shows the close affinity of Lohmann's conception to that of Habermas – too harmless in his understanding of the indifferent relations because he understood human action exclusively in terms of goal-oriented, productive or instrumental action:

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30 Marx 1974–2004m, p. 241.

The one-sided formulation of the fundamental conception of activity [*Handlung*], which can understand activity only as productive-concrete activity, comes back to roost in an underestimation of the extent of indifference that is provided by a reduction to abstract labour.<sup>31</sup>

The problem of the relation of indifference between actors was solved by Marx in terms of reification and the fetish character of the commodity: social relations take the form of relations between things. Money is a clear indicator of this indifference. Lohmann criticised the Marxian understanding of the fetish character because Marx was, at his best, only able to criticise the world of work (formal and real subsumption of work), but not the wider subsumption of the whole lifeworld by capital. A system integration based on indifference remains unstable as long as the ability to work has not taken the commodity form of labour power and the relations of the whole lifeworld take on the character of indifference:

With this, further indifference-phenomena come into the focus of the analysis, which concern the relation to others and the behaviour of those labouring between each other [*sich-zu-sich*]. These self-relations of the owner of labour power, characterised by indifference, which express a self-reification of their own and their common life, bring about further indifference-phenomena which go beyond the world of work ... encroaching upon the historical-social lifeworld of people.<sup>32</sup>

According to Lohmann's critique, Marx's conceptualisation of the lifeworld remains inadequate and undetermined:

From the standpoint of those subsumed, he can only insufficiently grasp in a conceptual way those processes of subsumption for which he, seen from the system, develops the concepts of the 'formal and real subsumption' for the formation of the working world and the historical-social lifeworlds ... In this the world of work is most clearly grasped, because an Aristotelian-Hegelian terminology of work and life is placed underneath it as a contrasting foil.<sup>33</sup>

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31 Lohmann 1980, p. 271.

32 Lohmann 1980, p. 272.

33 Lohmann 1980, p. 277; cf. Lohmann 1984.

In Marx's analyses, the lifeworld does remain conceptually undetermined. Therefore, it cannot oppose the subsumption by capital, either conceptually or in principle. This is the main reason why Marx's conception of transcending critique presupposes a specific form of presentation of its own. The presentation cannot, however, be theoretical and conceptual, but descriptive and argumentative. Its further explication would require a conceptual presentation of the historical-social lifeworld, and would thus overstep the limits of Marx's conceptualisation: 'The explication of the content of the "historical considerations" as the presentation of historical-social lifeworlds must therefore go beyond Marx's conceptual framework'.<sup>34</sup>

Lohmann did not, however, see Marx's concepts of the fetish character of commodity and the reification of social relations as a critical answer to the problem of the autonomy of the individual and the creatability and producibility of history as formulated by the philosophy of history of the Enlightenment and classical political economy. Marx solved the problem of the 'invisible hand' (Smith) or 'nature's purpose' [*Naturabsicht*] (Kant) by showing how social relations act as an independent and objectified alien power in relation to the acting individuals and are, at the same time, an objectification of their social labour or productive activity. Marx criticised the 'teleology of bourgeois society'. In his analysis, the historical teleology is not in need of a metaphysical explanation – even though Marx used metaphorical expressions in characterising the inversion of social relations.<sup>35</sup>

The problem of the fetish character of social relations is important from the point of view of the interpretation of the Second International Marxism too, because the subsumption of the lifeworld was in a way taken into account by the famous thesis of immiseration, whereas the problem of the alien character of social relations can be seen to form a contrary interpretation of Marx's revolutionary perspective.<sup>36</sup>

The third problem in Lohmann's interpretation is closely connected with the previous one. As already pointed out, Lohmann did not notice that even the mode of critique explicated by him as a transcending one is, in fact, an implicit critique of the basic presuppositions of Locke's natural rights theory and Adam Smith's classical political economy, albeit on a different level from the immanent critique. While emphasising the nature of transcending critique as introducing the perspective and critical standards of those living and struggling

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34 Lohmann 1980, p. 278.

35 Kittsteiner 1980, p. 282.

36 Mohl 1981; for further discussion, see the concluding chapter.

in capitalism, Lohmann did not pay attention to the fact that the discussion of the fate [*Geschick*] of wage workers in *Capital* is a direct comment on a central legitimacy argument of classical political economy. Lohmann was right in emphasising that the transcending critique ‘develops ... only the reasons that can be detected factually-historically for a judgement on capital’;<sup>37</sup> but he was not necessarily right in emphasising that a further development of Marx’s critical presentation – in the spirit of Marx – would require an explication of the critical standards present in the historical-social lifeworld of the participants:

A theoretical extrapolation of the normative criteria of the transcending critique must refer back to this historical-moral self-interpretation of the participants in the historical-social lifeworlds.<sup>38</sup>

One of the main arguments of the present study is that the critical standards characterised by Lohmann as transcending, which were presented by Marx in the chapter on the general law of accumulation in *Capital*, can be understood as a critique of the basic postulate of classical political economy and its predecessor, natural rights theory, concerning the increasing opulence and well-being of the greatest number of the members of bourgeois society as a consequence of private property and accumulation of capital.

The previous discussion has emphasised the indebtedness of Marx’s critique and analysis of capitalism to his predecessors, the modern natural rights theoreticians and classical political economists; the standards of both immanent and transcending critique are claimed to be essentially taken over from them.<sup>39</sup> Consequently, the following presentation will take up Marx’s critique of the justification of appropriation and private property, as well as his critique of the normative principles of freedom and equality, and his discussion of the general law of accumulation and its consequences for the fate of the working class.

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37 Lohmann 1980, p. 283.

38 Lohmann 1980, p. 282.

39 In analysing Marx’s reception and critique of classical political economy and its predecessors, it should be recalled that Marx was reconstructing a history of a theory, the labour theory of value and the theory of surplus value. As a result, he read the works of classical political economy with a specific theoretical and systematic interest. Classical political economy was – in a specific sense – understood by Marx to be an adequate conceptual expression of the system of bourgeois society. The critique of the economic doctrine also provided a critique of bourgeois society: ‘The work I am presently concerned with is a Critique of Economic Categories or, if you like, a critical exposé of the system of the bourgeois economy. It is at once an exposé and, by the same token, a critique of the system’ (Marx 1974–2004n, p. 270).



## John Locke, Adam Smith and Karl Marx's Critique of Private Property

There are two opposing interpretations of John Locke's *Two Treatises on Government*<sup>1</sup> that are relevant from the point of view of Marx's critical presentation. Macpherson<sup>2</sup> interpreted Locke as having provided a justification of private property and the accumulation of capital. Tully's<sup>3</sup> analysis of Locke's theory was an explicit critique of Macpherson's interpretation. In Locke's theory, there is no place either for private property or for the accumulation of capital. On the contrary, in Tully's opinion, Locke provided a justification for common property and the individuation of property not to be mixed with private property.

Locke's analysis of property begins with the statement that land and its products are originally given to humankind to be used in common:

Whether we consider natural *Reason*, which tells us, that Men, being once born, have a right to their Preservation, and consequently to Meat and Drink, and such other things, as Nature affords for their Subsistence: Or *Revelation*, which gives us an account of those Grants God made of the world to *Adam*, and to *Noah*, and his Sons, 'tis very clear, that God, as King *David* says, Psalm CXV, xvi *has given the Earth to the Children of Men*, given it to Mankind in common.<sup>4</sup>

If land and all the products of land are given by God to all of humankind in common, how, then, can anyone have property in anything and even without the explicit consent of all the other members of the society? This is the problem Locke set out to solve in his Treatise. The 'deduction', as Locke says, 'is as follows': 'every Man has a *Property* in his own *Person* ... The *Labour* of his Body, and the *Work* of his Hands, we may say, are properly his'.<sup>5</sup>

The only way to appropriate things from nature legitimately is through one's own labour: 'Whatsoever then he removes out of the State that Nature

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1 Locke 1965.

2 Macpherson 1972.

3 Tully 1980.

4 Locke 1965, p. 327.

5 Locke 1965, pp. 328–9.

hath provided, and left it in, he hath mixed his *Labour* with, and joyned to it something that is his own, and thereby makes it his *Property*.<sup>6</sup> Because labour adds to nature something which unquestionably belongs to the labourer, things are mixed, so to say, with his labour, and hence become his property. The right to private property, the right to appropriate something from nature that was originally given to all people in common, is based on labour, and only labour. There are, however, two important limitations regulating the appropriation of property. The first restriction explicitly states that every person has a right to the products of their labour only insofar as there is enough left for everybody else to take for the preservation of their own life:

For this *Labour*, being the unquestionable Property of the Labourer, no Man but he can have a right to what that is once joyned to, at least where there is enough, and as good left in common to others.<sup>7</sup>

The second limitation is the spoilage limitation: no one has a right to more than one – or one's dependants – can personally make use of or consume before it spoils:

As much as any one can make use of to any advantage of life before it spoils; so much he may by his labour fix a Property in. Whatever is beyond this, is more than his share, and belongs to others. Nothing was made by God for Man to spoil or destroy.<sup>8</sup>

Property in land is principally acquired in the same manner as in the products of land: '*As much Land as a Man Tills, Plants, Improves, Cultivates, and can use the Product of, so much is his Property*'.<sup>9</sup> The same limitation applying to the products of land is also valid with regard to the appropriation of landed property: so long as there is enough land of equal quality left for others to cultivate, everyone has a right to the land he cultivates.<sup>10</sup>

Because of the limitations imposed on property, no one can appropriate more than they can add their labour to, and no more than they can use for their own convenience:

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6 Locke 1965, p. 329.

7 Ibid.

8 Locke 1965, p. 322.

9 Ibid.

10 Locke 1965, p. 333.

The Measure of Property, Nature has well set, by the Extent of Men's *Labour, and the Conveniency of Life*: No Man's Labour could subdue, or appropriate all ... This *measure* did confine every Man's *Possession*, to a very moderate Proportion.<sup>11</sup>

The introduction of money, however, changes the original rules regulating the appropriation of property. By agreeing on the use of money, people make it possible to appropriate larger possessions, which would, in fact, violate the original limitations regulating private possessions:

That the same *Rule of Propriety*, ... that every Man should have as much as he could make use of, would hold still in the World, without straining any body, since there is Land enough in the World to suffice double the Inhabitants had not the *Invention of Money*, and the tacit Agreement of Men to put a value on it, introduced (by Consent) larger Possessions, and a Right to them; which, how it has done, I shall, by and by, shew more at large.<sup>12</sup>

The introduction of money is thus the first contract agreed upon by the inhabitants in the original state of nature, the second being the introduction of political power. The introduction of money by the common consent of the members of society changes the original rule of property; the spoilage limitation can be overcome by introducing money which concretely – in the form of gold and silver – does not spoil or decay, thus making possible the hoarding of money and larger possessions without violating this restriction:

And thus *came in the use of Money*, some lasting thing that Men might keep without spoiling, and that by mutual consent Men would take in exchange for the truly useful, but perishable Supports of Life.<sup>13</sup>

The tacit agreement to use money and put value on it also, out of necessity, entails agreement on unequal possessions:

But since Gold and Silver, being little useful to the Life of Man in proportion to Food, Rayment, and Carriage, has its *value* only from the consent of Men, it is plain that Men have agreed to disproportionate and

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11 Locke 1965, p. 334.

12 Locke 1965, p. 335.

13 Locke 1965, p. 343.

unequal Possession on the Earth, they having by a tacit and voluntary consent found out a way, how a man may fairly possess more land than he himself can use the product of, by receiving in exchange for the over-plus, Gold and Silver, which may be hoarded up without injury to any one, these metals not spoiling or decaying in the hands of the possessor. This partage of things, in an inequality of private possessions, men have made practicable out of the bounds of Societie, and without compact, only by putting a value on gold and silver and tacitly agreeing in the use of Money.<sup>14</sup>

However, the second limitation, the sufficiency rule, is more problematic. Locke was quite explicit that with the introduction of money, people can have a right to larger possessions and thus they would not, in fact, leave enough for others to make use of.

According to Macpherson,<sup>15</sup> Locke was faced with the dilemma of at least two seemingly contradictory rules regulating the right to property, the right based on one's own labour under the limitations of the sufficiency rule, and the accumulation of money which obviously violates the sufficiency rule, even if it overcomes the spoilage rule. Locke solved the contradiction caused by the introduction of money and legitimated the larger possessions by modifying his original sufficiency limitation; the private appropriation of landed property is shown to be in common benefit of humankind; the productivity of labour under private property yields a much higher produce than land lying in waste:

he who appropriates land to himself by his labour, does not lessen but increase the common stock of mankind. For the provisions serving to the support of humane life, produced by one acre of inclosed and cultivated land, are (to speak much within compasse) ten times more, than those, which are yielded by an acre of Land, of an equal richnesse, lying wast in common.<sup>16</sup>

The accumulation of property is then legitimated by the fruits of labour used in larger possessions:

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14 Locke 1965, p. 344.

15 Macpherson 1972.

16 Locke 1965, p. 336.

For I ask whether in the wild woods and uncultivated wast of America left to Nature, without any improvement, tillage or husbandry, a thousand acres will yeild the needy and wretched inhabitants as many conveniences of life as ten acres of equally fertile land in Devonshire where they are well cultivated?<sup>17</sup>

As Macpherson<sup>18</sup> has pointed out, this argument was added only in the third edition of Locke's *Treatise*. Macpherson summarised Locke's 'astonishing achievement' of solving the seemingly contradictory presumptions of his theory as follows:

The chapter on property, in which Locke shows how the natural right to property can be derived from the natural right to one's life and labour, is usually read as if it were simply the supporting argument for the bare assertion offered at the beginning of the *Treatise* that every man had a natural right to property 'within the bounds of the Law of Nature'. But in fact the chapter on property does something much more important: it removes 'the bounds of the Law of Nature' from the natural property right of the individual. Locke's astonishing achievement was to base the property right on natural right and natural law, and then to remove all the natural law limits from the property right.<sup>19</sup>

Locke's main legitimacy argument is that even 'if there is not then enough and as good *land* left for the others, there is enough and as good (indeed a better) *living* left for others. And the right of all men to a living was the fundamental right from which Locke had in the first place deduced their right to appropriate land.'<sup>20</sup>

To Locke, the purpose of money was not merely to facilitate the exchange of things produced for consumption,

that is, to enlarge, beyond the scale of barter, exchange between producers of goods intended for consumption. The characteristic purpose of money is to serve as capital. Land itself Locke sees as merely a form of capital ... He identifies money and capital, and assimilates both to land.<sup>21</sup>

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17 Ibid.

18 Macpherson 1972, p. 211, n. 4.

19 Macpherson 1972, p. 199.

20 Macpherson 1972, p. 212.

21 Macpherson 1972, p. 206.

The purpose of agriculture, industry and commerce was the accumulation of capital, not to provide consumable income for its owner, but to beget further capital by profitable investment.<sup>22</sup> Macpherson's conclusion, then, is that Locke justified the specifically capitalistic appropriation of land and money. And the accumulation of capital is justified by Locke in the state of nature prior to the consent of civil society.<sup>23</sup>

Macpherson further argued that the fact that the accumulation of capital is read all the way back to the state of nature is further supported by Locke's assumption of a wage relationship existing in the state of nature.<sup>24</sup> The labour limitation supposed by Locke says that anyone is entitled to appropriate only as much as one has mixed one's labour with. Only if one assumes that the wage relationship exists in the state of nature does it become possible to overcome the labour limitation; if the labour is the property of the labourer, it becomes fully alienable and exchangeable as a property in its bourgeois sense: 'The labour thus sold becomes the property of the buyer, who is then entitled to appropriate the produce of that labour'.<sup>25</sup>

In his study *A Discourse on Property*, James Tully<sup>26</sup> showed that there is no place for private property or for the wage labour relationship in Locke's *Two Treatises*, meaning that Macpherson's interpretation is ungrounded. Locke did not justify private property – even less the accumulation of capital. In Locke's theory, money is simply hoarded and it is the miser's desire to hoard money, which Locke not only disapproved of but even regarded as unnatural.

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22 Macpherson 1972, p. 207.

23 Macpherson 1972, pp. 208–9.

24 Rainer Rotermundt further radicalised Macpherson's interpretation of Locke's theory: Locke read back into the state of nature both the use of money as capital and the wage labour relationship, and the contrary assumption of private property which is based only on one's own labour. These contrary assumptions follow from the identification of relations to nature with social relations. The incentive to accumulate follows in Locke's analysis exclusively from the introduction of money, and money is identified with capital. Capital is thus identified with the natural properties of both money and land (see Rotermundt 1976, pp. 98–9). Thus, both the generalisation of commodity relations and the ownership of the means of production by the individual producers were assumed by Locke: 'Bourgeois society is thereby considered both historically, to some extent, and as a part of nature [*naturgegeben*], since on the one hand it appears as essentially determined by socially generalised natural constant that is human commodity production, but on the other hand ... is conceived as having developed from a situation where there was not yet the division of wage-labour and capital' (Rotermundt 1976, pp. 84–5).

25 Macpherson 1972, p. 215.

26 Tully 1980.

Tully's interpretation is especially interesting in this context as he explicitly criticised Macpherson's influential interpretation on which even Lohmann's analysis implicitly relied.

In Tully's opinion, Macpherson's interpretation leads to a paradoxical conclusion. It was precisely Locke's opponents – Grotius, Pufendorf and Filmer – who proposed an exclusive rights theory and justified private property. Their theory employed natural law to protect exclusive rights by reducing it to the natural duty to abstain from another's property. According to Tully, Locke's theory was constructed in opposition to an unlimited rights theory; precisely the sort of theory that Marx took to be the typical justification of private property.

Locke, then, adopted not a concept of private property, but rather a concept of individual property.<sup>27</sup> Following Driver,<sup>28</sup> Tully further argued that the identification of Locke's concept of property with private property is a relatively new phenomenon: 'Early nineteenth century radicals fixed on Locke's theory of a natural property in the product of one's own labour and used it to legitimate revolt against the prevailing system of private property'.<sup>29</sup> Tully also suggested that Marx interpreted Locke in the spirit of this radical tradition. According to Tully, Locke defined property as that which cannot be taken away without one's consent. But Locke's theory is not an unlimited rights theory because at the moment that cultivated fields and their products cease to be objects of use for a person, they cease to be her property, and the inclusive rights of others apply.<sup>30</sup> Furthermore, Locke was by no means undermining the traditional obligations associated with property. On the contrary, he gave them a firm basis. Labour is not the sole means to entitle a person to the necessary means of support. In Locke's theory, there are two additional natural titles to property: charity and inheritance.<sup>31</sup>

In addition to undermining the interpretation of Locke's theory as a justification of private property, Tully emphatically denied that Locke supposed the wage labour relationship to have existed in the state of nature. In the 'turfs' passage to which Macpherson refers, Locke was only assuming a master-servant relationship:

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27 Tully 1980, p. 111.

28 Driver 1950, p. 91.

29 Tully 1980, p. 124.

30 *Ibid.*

31 Tully 1980, pp. 131–2.

All that Locke assumes in the ‘turfs’ passage is a master-servant relation. It is not only not the wage relationship of capitalism, it is a fetter to the development of capitalism which was not supplanted until the late eighteenth century.<sup>32</sup>

In support of his interpretation, Tully provided two arguments: First, Locke assumed that a master-servant relation can only be established if a freeman has a choice not to become a servant. If, for some reason, there is no alternative available to him to support himself, then the relation cannot arise.<sup>33</sup> The second argument follows directly from Locke’s own definition of labour:

Since the labour of a person is defined as actions determined by the will of that person, it is logically impossible for an agent to alienate *his* labour. Therefore, what is sold by a freeman, and bought by another, is not his labour but, as Locke carefully writes, the ‘Service he undertakes to do’.

A person directed in his activity like a wage worker by a capitalist would not be a servant but a slave or a vassal, and would be part of a relation ‘to which Locke’s servant is contrasted’.<sup>34</sup> Tully agreed with Macpherson that the introduction of money will, according to Locke’s theory, lead to unequal possessions: ‘As soon as money is introduced, some men begin to put more land under cultivation than is necessary for their uses and exchange the products they cannot use for money’.<sup>35</sup> But even in this respect, Tully disagreed with Macpherson on one important question. Neither land nor money can possibly function as capital in Locke’s theory: ‘Land cannot be exchanged, only the products of it are alienable. There is no evidence in the *Two Treatises* that money functions as capital: it is simply hoarded’.<sup>36</sup>

It is even more important to note that Locke thought that ‘the acceptance of money brings with it the fall of man’.<sup>37</sup> People begin to desire more than they need, and as a consequence ‘some men’s desires are no longer coincident with the law of nature but, rather, drive them to overstep it’.<sup>38</sup> In Locke’s opinion, the introduction of money would lead to the violation of the law of nature if there

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32 Tully 1980, p. 136.

33 Tully 1980, p. 138.

34 Tully 1980, p. 141.

35 Tully 1980, p. 147.

36 Tully 1980, p. 149.

37 Tully 1980, p. 150.

38 Tully 1980, p. 151.



were not some new rules to regulate the possession of land. Locke's solution to the problem of this new rule is civil law: 'The original proviso, that there is enough and as good [land] left in common for others, no longer obtains and, therefore, natural appropriation without consent is invalid'.<sup>39</sup>

Tully's conclusion of his discussion of Locke's theory of property, then, is that Locke justified neither private property nor unlimited appropriation, but proposed instead 'a system in which private and common ownership are not mutually exclusive but mutually related; private ownership is the means of individuating the community's common property and is limited by the claims of all other members'.<sup>40</sup> As already pointed out, Tully briefly referred to Marx as a representative of the radical interpretation of Locke's theory as justifying private property. In a manuscript written between 1861–3, Marx briefly mentioned Locke in a way that seems to support Tully's thesis. According to Marx, Locke represented two contrary conceptions. Locke presupposed both that the means of production are privately owned by every producer, and that the capitalist relations of production prevail – in Marx's opinion, these two contradictory presumptions were common to the whole succeeding political economy:

The general legal conception, from Locke to Ricardo, is therefore that of petty-bourgeois property, while the relations they actually describe belong to the capitalist mode of production.<sup>41</sup>

If this were Marx's only comment on Locke, one could probably interpret Marx as sharing the early nineteenth-century radicals' interpretation of Locke as defending capitalist private property – an interpretation which was followed by Macpherson. However, in the part of the manuscript that came to be known as *Theories of Surplus Value* [*Theorien über den Mehrwert*], which was written in the same period as the manuscript referred to earlier, Marx discussed Locke's theory in more detail, and in this manuscript Marx's conclusions did not remarkably differ from those reached by Tully. In *Theorien*, Marx wrote that Locke did not discuss any procedures of appropriation other than appropriation by labour; in Locke's theory, the right to property is always based on one's own labour. But the property in question is not private property; it is individual property:

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39 Tully 1980, p. 153.

40 Tully 1980, p. 170.

41 Marx 1974–2004k, p. 471.

What Locke therefore tries to show is not the contradiction – that property can nevertheless be acquired by other procedures than labour – but how, in spite of the common property in nature, individual property could be created by individual labour.<sup>42</sup>

Marx further acknowledged that in Locke's case personal labour is the limit of property, and that one cannot own more than one can personally make use of. Through the introduction of money, unequal possessions arise, but even then, Marx acknowledged that in Locke's theory the just measure of personal labour prevails.<sup>43</sup> Marx even noted that Locke's theory was opposed to the demands of landlords. In Locke's opinion, the rent of land demanded by a landlord is no better than the interest received by any usurer.

Despite the fact that Marx thus clearly recognised that Locke's theory was not an affirmative theory of capitalist private property, he still emphasised the importance of Locke's conceptions to subsequent political economy. The latter shared with Locke the general idea that a title to property can only be created by personal labour. And the whole political economy succeeding Locke assumed that, even in bourgeois society, private property is based on personal labour:

Locke's view is all the more important because it was the classical expression of bourgeois society's ideas of right as against feudal society, and moreover his philosophy served as the basis for all the ideas of the whole of subsequent English political economy.<sup>44</sup>

The importance of Locke was further accentuated by the fact that Marx understood Locke to be the founder or predecessor of the labour theory of value: Locke comprehended value exclusively in terms of use value, but he also thought that labour made up by far the greatest part of the value of any useful thing – the rest is added by nature.<sup>45</sup>

Even though Macpherson was obviously drawing too daring conclusions from his reading of Locke's *Two Treatises*, he did pay attention to one important argument in Locke's theory that remains valid despite Tully's critique. Locke

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42 Marx 1969a, p. 366.

43 Marx 1969a, pp. 366–7.

44 Marx 1969a, p. 367.

45 Marx 1969a, p. 342. Tully formulated Locke's conception of value as follows: 'Labour transforms nature into useful products, and so it is the source of value' (1980, p. 144). In Locke's theory, labour is thus associated with use value, with the usefulness of its products to humanity.

not only assumed that it is labour that transforms nature's products into useful things. Because labour creates the greatest part of the value of a product, the common stock of useful things is increased by cultivating land and adding more labour to nature's products. Even though the justification of private property and the accumulation of capital cannot – as Tully has shown – possibly be actualised in Locke's theory, he did assume that by cultivating land and by creating a right of property in it, people contribute to the support of human life by increasing the value of things useful to humankind. Thus labour and the property associated with it are beneficial to humanity in creating the conditions for a better human life.

The same social benefits associated with labour and property were explicitly thought by Adam Smith, in *The Wealth of Nations*,<sup>46</sup> to result from the increasing division of labour and from the increasing exchange of commodities – and from the establishment of private property closely connected with the division of labour. Once all unnatural barriers intervening with the free functioning of the economic laws of a commercial society have been removed, these laws will guarantee that the division of labour and exchange of commodities will lead to the general opulence of a nation, creating the possibilities of a human existence for the greatest number of its members. In Smith's opinion, it was the continuously growing wealth of a nation that guaranteed a decent living even for the lower ranks of people.

According to Smith, 'in that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him'.<sup>47</sup>

In the natural law tradition, Smith regarded the property in one's own labour as the fundamental property right on which all other, more developed property rights are based: 'The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable'.<sup>48</sup> Labour, also, is the ultimate measure of the value of commodities:

Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price.<sup>49</sup>

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46 Smith 1970.

47 Smith 1970, p. 167.

48 Smith 1970, p. 225.

49 Smith 1970, p. 136.

And further:

The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it ... What is bought with money or with goods is purchased by labour as much as what we acquire by the toil of our body ... Labour was the first price, the original purchase-money that was paid for all things. It was not by gold or silver, but by labour, that all the wealth of the world was originally purchased; and its value, to those who possess it, and who want to exchange it for some new productions, is precisely equal to the quantity of labour which it can enable them to purchase or command.<sup>50</sup>

In the original 'state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer'.<sup>51</sup> However, the situation is changed as soon as land becomes private property and stock is accumulated and the labourer becomes a wage labourer. Thereafter, one has to share the produce of one's labour with both the owners of stock and land.<sup>52</sup> Both the introduction of money and the accumulation of stock are originally based on the demands of the increasing division of labour:

every prudent man in every period of society, after the first establishment of the division of labour, must naturally have endeavoured to manage his affairs in such a manner as to have at all times by him besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined few people would be likely to refuse in exchange for the produce of their industry.<sup>53</sup>

In the original state of society, when every man produces for himself and there is seldom any exchange made, no stock need be accumulated. After the introduction of the division of labour, only a small part of those commodities that he himself makes use of are produced by him. Money, in the form of a commodity which is generally taken in exchange for the produce of other men's labour, is a convenient means of solving the problem of accumulation of stock and exchange of commodities.

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50 Smith 1970, p. 133.

51 Smith 1970, p. 167.

52 Smith 1970, pp. 152, 168.

53 Smith 1970, pp. 126–7.

Smith claimed that after the accumulation of stock and the establishment of private property of land, it is only natural that anyone interested in employing them is expected to get from the sale of their produce more than is sufficient to replace his stock. Otherwise, 'he could have no interest to employ a great stock rather than a small one, unless his profits were to bear some proportion to the extent of his stock'.<sup>54</sup>

The same is also true of the land that has become private property: 'The landlord demands a share of almost all the produce which the labourer can either raise, or collect from it'.<sup>55</sup> The profits of stock and rent of land are, then, formed of a share of the produce of labour, which is the only thing that adds new value to things. On the other hand, the natural price of every commodity is, according to Smith, composed of three component parts forming its real price, wages, profits and rent, corresponding to the three sources of revenue, labour, stock and land:

In every society the price of every commodity finally resolves itself into some one or other, or all of those three parts; and in every improved society, all the three enter more or less, as component parts into the price of the far greater part of commodities.<sup>56</sup>

There is, however, yet a third conception of the determination of the value of commodities inherent in Smith's theory, the so-called labour command theory; the value of every commodity is determined by the amount of labour it can command or the value of the commodities with which it can be exchanged, and not directly by the amount of labour that has been necessary to produce it:

The value of any commodity, therefore, to the person who possessed it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command.<sup>57</sup>

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54 Smith 1970, p. 151. Cf.: 'In exchanging the complete manufacture either for money, for labour, or for other goods, over and above what may be sufficient to pay the price of the materials, and the wages of the workmen, something must be given for the profits of the undertaker of the work who hazards his stock in this adventure. The value which the workmen add to the materials, therefore, resolves itself in this case into two parts, of which the one pays their wages, the other the profits of their employer upon the whole stock of materials and wages, which he advanced' (Ibid.).

55 Smith 1970, p. 168.

56 Smith 1970, p. 153.

57 Smith 1970, p. 133.

It is this labour command conception that leads to the problematic conclusion that it is possible to exchange a certain amount of labour for a greater amount of labour.

The increasing division of labour and private property was legitimated by Smith by the just distribution of necessities of life it occasions and by the advancement of the interests of society.<sup>58</sup> In *The Theory of Moral Sentiments* of 1759, Smith argued that the economic laws of a society – the ‘invisible hand’ – even after the introduction of unequal possessions, will guarantee the same distribution of the necessities of life prevailing under the conditions of equal possessions of land:

They [the landlords] are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species. When Providence divided the earth among a few lordly masters, it neither forgot nor abandoned those who seemed to have been left out in the partition. These last too enjoy their share of all that it produces.<sup>59</sup>

In *The Wealth of Nations*, Smith argued that the increasing division of labour will lead to increasing opulence of the nation, an opulence extending to the lowest ranks of people:

It is the great multiplication of the productions of all the different arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest ranks of people. Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity of, or what comes to the same thing, for the price of a great quantity of theirs.<sup>60</sup>

The increasing division of labour is considered to cause an increasing national wealth and a consequent increase in the real wages of labour. According to

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58 See Musgrave 1976, pp. 302–5.

59 Smith 1979, pp. 184–5.

60 Smith 1970, p. 115.

Smith, it is not the actual greatness of national wealth, but its continual increase which occasions a rise in the wages of labour: 'The liberal reward of labour, therefore, as it is the necessary effect, so it is the natural symptom of increasing national wealth'.<sup>61</sup> This should be regarded as real advantage to a society:

Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain. Servants, labourers, and workmen of different kinds, make up the far greatest part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who food, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed, and lodged.<sup>62</sup>

For Smith, the increasing division of labour, being the original moving force behind the increasing opulence of nations is

not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual consequence of a certain propensity in human nature which has in view no such extensive utility: the propensity to truck, barter, and exchange one thing for another.<sup>63</sup>

The natural progress of opulence of nations is a guarantee of the possibility of 'human existence' in society. A continuous economic progress guarantees, even for the lower ranks of people, a decent and human existence, an existence equally good or even far better than in any primitive society which, by contrast, are more equal but miserably poor.<sup>64</sup>

61 Smith 1970, p. 176.

62 Smith 1970, p. 181.

63 Smith 1970, p. 117.

64 Hont and Ignatieff 1983, pp. 1–2; see also Medick 1973, p. 281. Hans Medick interpreted the natural progress of opulence to be the result of a civilising dynamic caused by the artificial nature of needs of human beings (see Medick 1973, p. 251). He summarised Smith's conception of the natural state and the natural history of society as follows: 'With his

As Istvan Hont and Michael Ignatieff<sup>65</sup> have shown, the main question Smith attempted to answer in *The Wealth of Nations* was how exactly a commercial society with its marked inequality of property still satisfied the basic needs of those who laboured for wages:

Our argument is that the *Wealth of Nations* was centrally concerned with the issue of justice, with finding a market mechanism capable of reconciling inequality of property with adequate provision for the excluded.<sup>66</sup>

According to Hont and Ignatieff,<sup>67</sup> Smith's unique solution to the problem was included in his conception of the 'productivity of modern forms of labour' (due to the division of labour) and his natural price model.

In Marx's opinion, it was Smith's greatest merit that he was the first to become sensitive to the problem of the origins of surplus value. By reconstructing Smith's labour theory of value, Marx showed that Smith was led to the conclusion that less labour can be exchanged for more labour, a conclusion contradicting his original law of value and the consequent postulate of equal exchange. From Marx's point of view, the interesting and problematic result of Smith's analysis was that once the simple exchange of commodities is transformed into exchange between wage labour and capital, the law of value no longer holds but instead is reversed:

It is Adam Smith's great merit that it is just in the chapters of Book I (chapters VI, VII, VIII) where he passes from simple commodity exchange and its law of value to exchange between materialised and living labour, to exchange between capital and wage-labour, to the consideration of profit and rent in general – in short, to the origin of surplus-value – that he feels some flaw has emerged. He senses that somehow – whatever the

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model of an economic growth stimulated by the artificial nature of human needs, set free by the institutional guarantee of justice and regulated by the historical process in the form of his conception of the "Natural Progress of Opulence", Smith not only provided the benchmark of a normative natural history, with the aid of which he can identify, understand and criticise the empirical history of human beings, this simultaneously made available to him – as the telos of a "Natural Progress of Opulence" – the benchmark of a "state of nature", with the aid of which he analysed the society of his time, in order to teach it about itself' (Medick 1973, p. 250).

65 Hont and Ignatieff 1983, p. 1.

66 Hont and Ignatieff 1983, p. 2.

67 Ibid.



cause may be, and he does not grasp what it is – in the actual result the law is suspended: more labour is exchanged for less labour (from the labourer's standpoint), less labour is exchanged for more labour (from the capitalist's standpoint). His merit is that he emphasises – and it obviously perplexes him – that with the accumulation of capital and the appearance of property in land – that is, when the conditions of labour assume an independent existence over against labour itself – something new occurs, apparently (and actually, in the result) the law of value changes into its opposite.<sup>68</sup>

According to Marx, Smith was right in emphasising that a change was taking place, but he did not comprehend what really caused this change.<sup>69</sup> And just as importantly, Smith did not understand that the exchange between wage labour and capital did not, in fact, violate the original law of value and equal exchange, even though as a result of this process of exchange the capitalist had indeed appropriated a surplus value. The ambivalence in Smith's theory of value resulted from his determination of the value of a product both by the amount of alien labour it can command and by the amount of labour that has been necessary to produce it. According to Marx, this led Smith to confuse two clearly distinct problems in analysing the exchange of commodities.

First, while emphasising the change caused by the introduction of the division of labour, exchange of products, and production for a market, Smith in fact problematised the social character of labour:

wealth no longer consists in the product of one's own labour, but in the quantity of the labour of others which this product commands, the social labour which it can buy, the quantity of which is determined by the quantity of labour it itself contains ... The emphasis here lies on the equalisation, brought about through the division of labour and exchange-value, of my labour with the labour of others, in other words, with social labour.<sup>70</sup>

Quantitatively, the relation of exchange is determined by the amount of labour that has been used in producing the commodities:

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68 Marx 1969a, p. 87.

69 Marx was clearly exaggerating his case in claiming that Smith felt that a change took place in his argumentation concerning the relations of exchange once capital had been introduced. The contradictions of Smith's theory were reconstructed by Marx; obviously Smith was not conscious of them.

70 Marx 1969a, p. 76.

Consequently, on this assumption the labourer is a mere seller of commodities, and one commands the labour of another only in so far as he buys the other's commodity with his commodity. He thus commands with his commodity only so much of the other's labour as is contained in his own commodity, since both exchange only commodities against each other, and the exchange-value of the commodities is determined by the labour-time or quantity of labour they contain.<sup>71</sup>

Second, Smith's analysis of the exchange relations between the commodity producers included another emphasis (even though Smith did not adequately comprehend it), namely, the relation between living and materialised labour. This relation seems to violate the rule of the exchange of equal amounts of labour objectified in commodities:

Secondly, however, a certain quantity of living labour is exchanged for an equal quantity of materialised labour, because, firstly, the living labour is materialised in a product, a commodity, which belongs to the labourer, and secondly, this commodity is in turn exchanged for another commodity which contains an equally large quantity of labour.<sup>72</sup>

The problem of the relation of exchange between living and materialised labour can be solved when it is realised that in a society where the means of production belong totally to one or several classes, and where the ability to work [*Arbeitsvermögen*] belongs to a different class, the class of workers, the product of labour in fact no longer belongs to the worker. If one demystifies Smith's conception of labour command and understands that it in fact refers to the relation between materialised and living labour, it can be interpreted to reveal the fact that the appropriation of surplus value begins at the moment when the means of labour belong to one class and the ability to work to another. In Marx's opinion, this differentiation of the social functions of the classes, or the separation of the means of labour from the ability to work, marks the beginning of capitalist society.<sup>73</sup>

On Marx's account, Smith had a notion that profits are nothing but a reduction from the value that labour adds to the material of work. The profits originate in the part of labour which is not paid, even though it is bought by the owner of capital:

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<sup>71</sup> Marx 1969a, p. 78.

<sup>72</sup> Marx 1969a, p. 72.

<sup>73</sup> Marx 1969a, p. 78.

Adam Smith has thereby himself refuted the idea that the circumstances that the whole product of his labour no longer belongs to the labourer, that he is obliged to share it or its value with the owner of capital, invalidates the law that the proportion in which commodities exchange for each other, or their exchange-value, is determined by the quantity of labour-time materialised in them.<sup>74</sup>

The great merit of Smith was that he – without knowing it – emphasised the change that takes place in the relation of exchange after the introduction of capitalist production. However, Smith was mistaken in believing that the relation between materialised and living labour violates the rule of equal exchange and occasions a change in the determination of the relative value of commodities.<sup>75</sup>

Marx's solution to the contradiction of classical political economy, as interpreted by him, was the introduction of the concept of labour power. All the contradictions inherent in the political economy concerning the origins of profits and surplus value could be solved once the specific character of the commodity 'labour power' was developed: labour power has both a use value and an exchange value like any other commodity, the only difference being that its specific use value is its ability to create new value. Thus it was possible for Marx to show that the exchange between materialised labour and living labour follows the same rule of equal exchange as any exchange of commodities in a society of commodity production, that is to say, in a society where private labour becomes social only through exchange, and where the products of labour only have use value to the buyers and exchange value to the sellers of commodities.

Marx's critique and analysis of the capitalist mode of appropriation and private property in *Capital* and in the *Grundrisse* in particular was a direct comment on the anomalies he had identified in Smith's theory of value. According to Marx, in capitalism the right to property is transformed from one based on one's own labour into a right to appropriate the products of alien labour, and to a duty to respect one's own labour and its products as belonging to another. Marx stated that in capitalism the exchange of equivalents, reflected in the legal rules governing private property, seems to be a mere appearance:

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74 Marx 1969a, pp. 79–80.

75 Marx 1969a, p. 52.

The exchange of equivalents, however, which appeared as the original operation, an operation to which the right of property gave legal expression, has become turned round in such a way that the exchange by one side is now only illusory, since the part of capital which is exchanged for living labour capacity, firstly, is itself alien labour, appropriated without equivalent, and, secondly, has to be replaced with a surplus by living labour capacity, is thus in fact not consigned away, but merely changed from one form into another. The relation of exchange has thus dropped away entirely, or is a mere semblance.<sup>76</sup>

The relation between capital and labour only appears to be a relation of equivalents because, in fact, the result of exchange is the appropriation of surplus labour, and the capital which is exchanged against labour power is already a result of an earlier process of appropriation of alien labour or its product, and is consequently not based on one's own labour as presupposed by the original idea of the right to property. However, to speak of exchange as 'pure appearance' is somewhat misleading. The relation between capital and labour power is, in reality, one of exchange. The relation is only one of appearance if one considers not a single act of exchange but the total relation of exchange between the class of capitalists and the class of wage workers.<sup>77</sup> The relation is, then, only one of appearance – it could be interpreted – because the accumulated capital is already (in total) a result of the previous appropriation of surplus value. It does not in any way consist of the materialised labour of its owner. Further, on Marx's account, the whole act of exchange belongs to the sphere of circulation, which ignores the 'deeper' process of production as the consumption of use values and the creation of new value by labour power.

While discussing the transformation of surplus value into capital in *Capital*, Marx also analysed the problems of the capitalist form of appropriation. The critique of the legal rules of capitalist appropriation and private property is, in a way, completed as soon as all the capital is shown to originate from the surplus value produced previously by the wage worker. The last legitimacy argument defending the right to private property as a right to the products of one's own labour loses its rationale: 'The ownership of past unpaid labour is thenceforth the sole condition for the appropriation of living unpaid labour on a constantly increasing scale.'<sup>78</sup>

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76 Marx 1973, p. 458.

77 Clarke 1982, p. 84.

78 Marx 1974–2004, p. 582.

As soon as the production of commodities becomes generalised, labour power takes the form of a commodity too. And consequently, the law of appropriation is reversed:

in so far as each single transaction invariably conforms to the laws of the exchange of commodities, the capitalist buying labour-power, the labourer selling it, and we will assume at its real value; in so far as all this is true, it is evident that the laws of appropriation or of private property, laws that are based on the production and circulation of commodities, become by their own inner and inexorable dialectic changed into their very opposite.<sup>79</sup>

In the *Grundrisse*, Marx formulated the result of this transformation in similar terms as in *Capital*: the exchange takes place only in appearance.<sup>80</sup> In *Capital*, he stated that the relation of exchange between the capitalist and the worker is thus a mere appearance belonging to the process of circulation. It is a pure form, alien to the contents of this process and mystifying them:

The ever repeated purchase and sale of labour-power is now the mere form; what really takes place is this – the capitalist again and again appropriates, without equivalent, a portion of the previously materialised labour of others, and exchanges it for a greater quantity of living labour.<sup>81</sup>

The right to property which was thought to be originally based on the products of one's own labour is thus in reality reversed into the right to appropriate alien labour and its products without a mutual equivalent:

Now, however, property turns out to be the right, on the part of the capitalist, to appropriate the unpaid labour of others or its product, and to be the impossibility, on the part of the labourer, of appropriating his own product. The separation of property from labour has become the necessary consequence of a law that apparently originated in their identity.<sup>82</sup>

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79 Ibid.

80 Marx 1973, p. 458.

81 Marx 1974–2004, pp. 582–3.

82 Marx 1974–2004, p. 583.

The identity of property and labour, as postulated by the natural law theory and its followers, classical political economists, is thus broken and reversed into a dissociation of property and labour.

Nevertheless, Marx wanted to emphasise that this new capitalistic form of appropriation does not violate the original law of commodity exchange. Quite the contrary, it results from the observance of this rule. The whole secret of the transformation of the law of appropriation consists of the fact that even if the process of the exchange of commodities is also conditioned by the difference in use values, it does not tell us anything about the (productive) consumption of commodities, which only begins after the act of exchange has been completed.<sup>83</sup>

To Kautsky and other Marxists of the Second International, capitalism was mainly to be blamed because it does not respect the right of the labourer to the products of her or his labour. Marx's critique of capitalist private property was more developed and complicated. First, Marx continuously emphasised that the capitalist form of appropriation does not violate the rule of commodity exchange. The mutual freedom and equality of commodity owners is respected even in the relation between capital and wage labour. Second, Marx's analysis in fact implicitly included a critique of such a radical version of the natural rights theory, which was later adopted by traditional Marxism. In Marx's opinion, the title to property is never constituted by humankind's productive relation to nature.

Marx did not stop at the point of showing how appropriation is, in fact, transformed into its opposite form in capitalism. He also explained why classical political economy insisted on labour remaining the basis for the right to property even in bourgeois society. The original appropriation of commodities, their production, takes place outside the sphere of circulation. Within the process of circulation, commodities can only be appropriated through exchange, that is, the appropriation of the products of alien labour can only take place through the alienation of one's own labour. Consequently, the only way to appropriate commodities seems to be exclusively through one's own labour:

It is true that the production of commodities does not fall within the simple process of exchange as it unfolds at the various moments of circulation. Commodities are rather implied as finished use values ... The ori-

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83 Marx 1976, p. 731. Cf.: 'In present bourgeois society as a whole, this positing of prices and their circulation etc. appears as the surface process, beneath which, however, in the depths, entirely different processes go on, in which this apparent individual equality and liberty disappear' (Marx 1973, p. 247).

gination of commodities, and so also the original process of their appropriation, lies, therefore, beyond circulation.<sup>84</sup>

Because the original appropriation of commodities does not belong to the sphere of circulation, the process in which the private property owners are born is postulated as being based on the original appropriation of nature's products through labour:

How they became private proprietors, i.e. how they appropriated objectified labour, is a circumstance which appears not to fall within the examination of the simple circulation at all.<sup>85</sup>

A commodity can be thought only to be a product of one's own labour, because the process through which the owners have become owners of commodities takes place, in a way, behind the backs of the exchangers:

And since from its standpoint, alien commodities, i.e. alien labour, can be appropriated only through the alienation of one's own labour, the pre-circulation process of commodity appropriation necessarily appears from this standpoint as appropriation through labour, and just as the latter is appropriation of the products of Nature, it equally appears as the juridical title to property.<sup>86</sup>

The process of circulation is a 'pure appearance' because it is based on conditions which are not set by it, but which are given in relation to it:

Considered in itself, circulation is the mediation of presupposed extremes. But it does not posit these extremes. As the totality of mediation it itself must be mediated, as total process. That is why its immediate being is pure semblance. It is the phenomenon of a process running behind its back.<sup>87</sup>

According to Marx, the right to private property is considered by all the modern economists since John Locke to be based on one's own labour; the title to property is thought to be a result of the objectification of one's own labour.

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84 Marx 1974–2004i, pp. 461–2.

85 Marx 1974–2004i, p. 462.

86 Ibid.

87 Marx 1974–2004i, p. 479.

The situation is, however, paradoxical, because the problem of the legitimization of property is actualised only in a society based on the division of labour and the production of commodities, in a society where labour becomes social only through exchange. The right to private property and the law of appropriation valid in simple commodity production are thought to be valid in a bourgeois society too. They are transplanted into a capitalist society without recognising that their realisation is possible only in the 'golden period' of simple commodity production, in a state of society characterised by the ownership of the means of production by every individual producer. The right to private property in a bourgeois society is postulated into a historical period in which the conditions of this society were not at all present:

That would produce the strange result that the truth about the bourgeois society's law of appropriation would have to be transferred to a time when this society itself did not exist, and the basic law of property, to the time of propertylessness.<sup>88</sup>

According to Marx's analysis, there is thus a paradox in the thinking of political economy: private property in a bourgeois society is legitimated by the appropriation of nature's products by labour, by the eternal relation of humans to nature. This is a further consequence of the postulate that the right to property is read back into a hypothetical state of nature preceding the capitalist production of commodities and private property. The laws of bourgeois society are thus thought to be natural laws which are eternally valid. And consequently, the freedom and equality of every commodity owner and producer associated with private property and exchange of commodities are regarded as the natural properties of humankind.

Marx argued that the ideas of freedom and equality of individuals as bourgeois ideas of justice in reality have their origin in the sphere of circulation, in the exchange of exchange values. As exchangers of commodities, individuals are in fact free and equal:

From the act of exchange itself, each of the subjects returns upon himself as the ultimate end of the entire process, as the dominant subject. In this way, therefore, the subject's complete freedom is realized.<sup>89</sup>

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88 Marx 1974–2004i, p. 463.

89 Marx 1974–2004i, p. 471.



Every subject is only an exchanger of commodities, and as such all are equal: 'As subjects of exchange, their relation is therefore that of equality'.<sup>90</sup> Every individual recognises the other as an owner of a commodity, as an autonomous individual, and does not try to use force to seize the property of another. The act of exchange presupposes common consent even though both partners of exchange are only realising their egoistic interests: 'The general interest is precisely the generality of self-seeking interests'.<sup>91</sup> Marx summarised his ideas about equality and freedom by saying that the economic form (exchange) determines the subjects as equal while the contents of the process (the material needs which drive individuals to exchange with each other) determine their freedom. The exchange of exchange values is thus the 'productive basis of freedom and equality':

Equality and freedom are thus not only respected in exchange based on exchange values but, also, the exchange of exchange values is productive, the real basis of all equality and freedom. As pure ideas they are merely the idealized expressions of this basis; as developed in juridical, political, social relations, they are merely this basis to a higher power.<sup>92</sup>

In order to express the economic relation, the relation between capital and wage labour as a legal relation, as a relation of property, all we have to do – according to Marx – is analyse the process of value increase as a process of appropriation.<sup>93</sup>

The right to property is in capitalism, in fact, based on alien labour:

For example, the fact that surplus labour is posited as surplus value of capital means that the worker does not appropriate the product of his own labour; that it appears to him as alien property; inversely, that alien labour appears as the property of capital. This second law of bourgeois property, the inversion of the first ... becomes just as established in law as the first. The first is the identity of labour with property; the second, labour as negated property, or property as negation of the alien quality of alien labour.<sup>94</sup>

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90 Marx 1973, p. 241.

91 Ibid.

92 Marx 1973, p. 245.

93 Marx 1973, p. 469.

94 Marx 1973, pp. 469–70.

Still, within the sphere of circulation the capitalist can only acquire the title to property, to an alien commodity by giving away her or his own commodity. And her or his own commodity can only be thought to have been produced by her or his own work. Both the capitalist and the wage worker are free and equal commodity exchangers who own their own commodities – money capital and labour power, respectively – and can only acquire the other's property by exchange and mutual consent.<sup>95</sup>

As has already been pointed out, private property and the ideas of freedom and equality are paradoxically thought by classical political economy to have their full validity in the golden period, in the postulated state of nature preceding bourgeois society. This idea is based on the contradictory assumptions of both the identity of producer and appropriator ('simple commodity production') and the generalisation of commodity relations, relations of the exchange of exchange values.<sup>96</sup> The whole ambiguity follows – as seen from Marx's critical perspective – from the identification of abstract with concrete labour, which leads to the identification of social relations with the relations of nature. In the classical thinking, labour constitutes both the intersubjective relations of exchange and humanity's relation to nature, the original appropriation of nature's products. By mixing nature with labour, humans appropriate nature's products and achieve a title to property. By objectifying our labour, we

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95 Cf. 'In order that these objects may enter into relation with each other as commodities, their guardians must place themselves in relation to one another, as persons whose will resides in those objects, and must behave in such a way that each does not appropriate the commodity of the other, and part with his own, except by means of an act done by mutual consent. They must therefore mutually recognise in each other the rights of private proprietors. This juridical relation, which thus expresses itself in a contract, whether such contract be part of a developed legal system or not, is a relation between two wills, and is but the reflex of the real economic relation between the two. It is this economic relation that determines the subject-matter comprised in each such juridical act' (Marx 1974–2004, p. 55).

96 The mistake of the utopian socialists (especially Proudhon) resulted from similar contradictory assumptions. According to Marx, they wanted to preserve the relations of commodity exchange and private property but get rid of their consequences, capital and money: 'What this reveals, on the other side, is the foolishness of those socialists (... who want to depict socialism as the realization of the ideals of bourgeois society articulated by the French revolution) who demonstrate that exchange and exchange value etc. are *originally* (in time) or *essentially* (in their adequate form) a system of universal freedom and equality, but that they have been perverted by money, capital, etc ... It is just as pious as it is stupid to wish that exchange value would not develop into capital, nor labour which produces exchange value into wage labour' (Marx 1973, p. 248).

create a common denominator for our and others' products, thus constituting the exchange relations. As products of our very labour, commodities are alienable and can be exchanged with each other. People enter into social relations as private property owners.

According to Marx's own self-understanding, the discovery of the dual character of labour, the distinction between abstract and concrete labour, was the 'great discovery' which made it possible for him to criticise and solve the anomalies of classical political economy.<sup>97</sup> It still is labour, but now abstract labour, a special social form of labour, which constitutes the social relations of commodity exchangers. Labour as concrete labour produces use values and constitutes humanity's relation to nature, our exchange of substance with nature. More concretely, the analyses of the dual character of labour and the production process of capital made it possible to show how surplus value is created 'both outside and inside circulation'; the specific use value of labour power is to create new value which is materialised in the production process, whereas the exchange between capital and wage labour still follows the rule of equal exchange. The value of labour power (and the wage of the wage labourer in the ideal case) is determined by the costs of its reproduction. Even though fully compensating the wage worker, the capitalist is still able to appropriate surplus value. Marx's discovery also made it possible for him to understand how capitalist private property – which seems to be based exclusively on the labour of its owner – in reality, is based on the appropriation of the products of alien labour. The unity of property and labour is destroyed. The pronounced inequality of possessions cannot be justified by the general well-being of the whole nation, as Smith and Locke were inclined to think. As Marx understood it, in a bourgeois society, accumulation of misery takes place alongside the accumulation of riches.

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97 Marx 1867; cf. Marx 1974–2004, p. 51.

## The Principle of Labour

There seems to be an ambivalence in Marx's presentation of commodity circulation in the beginning of *Capital*. On the one hand, circulation as presented in *Capital* is an 'outer surface' [*Oberfläche*] under which the production of commodities and of surplus value is hidden. It is, however, the necessary starting point of the analysis from which the more developed determinations are derived.<sup>1</sup> The exchange of equivalents is the starting point of the transformation of money into capital:

The conversion of money into capital has to be explained on the basis of the laws that regulate the exchange of commodities, in such a way that the starting-point is the exchange of equivalents ... His development into a full-grown capitalist must take place, both within the sphere of circulation and without it.<sup>2</sup>

On the other hand, on several occasions Marx discussed the transformation of money into capital (and the development of commodity into money) as if he were describing a process of transformation from a historically preceding, simple exchange and circulation of commodities into a later, more developed one:

Production and circulation of commodities can take place, although the great mass of the objects produced are intended for the immediate requirements of their producers, are not turned into commodities, and consequently social production is not yet by a long way dominated in its length and breadth by exchange-value. The appearance of products as commodities pre-supposes such a development of the social division of labour, that the separation of use-value from exchange-value, a separation which first begins with barter, must already have been completed. But such a degree of development is common to many forms of society, which in other respects present the most varying historical features ...

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<sup>1</sup> Hochberger 1974, pp. 166–7.

<sup>2</sup> Marx 1974–2004, pp. 176–7.

Yet we know by experience that a circulation of commodities relatively primitive, suffices for the production of all these forms. Otherwise with capital.<sup>3</sup>

In *Capital* and the *Grundrisse*, Marx's critical intention was to prove that the appropriation of surplus value and the accumulation of capital is completely possible following the rules of commodity circulation; the development of capitalist production follows from simple circulation of commodities according to its own immanent laws. The law of appropriation of simple commodity production is transformed into the law of capitalist appropriation, but the very rules of exchange of commodities remain the same in capitalism too:

To say that the intervention of wage labour adulterates commodity production is to say that commodity production must not develop if it is to remain unadulterated. To the extent that commodity production, in accordance with its own inherent laws, undergoes a further development, into capitalist production, the property laws of commodity production must undergo a dialectical inversion so that they become laws of capitalist appropriation.<sup>4</sup>

By analogy, while discussing the transformation of the values of commodities into product prices, Marx similarly referred to a historically preceding, less developed exchange of commodities, which takes place directly according to values. Value is, then, both theoretically and historically the 'prieus', the primary determinant, of the capitalist mode of production. In Marx's *Capital*, the capitalist commodity production was thus understood to have developed from a simple production of commodities characterised by the individual ownership of the means of production by every producer. In simple commodity production, appropriation of products was really based on one's own labour and only labour could create a right to private property:

The exchange of commodities at their values, or approximately at their values, thus requires a much lower stage than their exchange at their prices of production, which requires a definite level of capitalist development ... Apart from the domination of prices and price movement by the law of value, it is quite appropriate to regard the values of commodities as

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3 Marx 1974–2004, p. 180.

4 Marx 1990, pp. 733–4.

not only theoretically but also historically prius to the prices of production. This applies to conditions in which the labourer owns his means of production, and this is the condition of the land-owning farmer living off his own labour and the craftsman, in the ancient as well as in the modern world.<sup>5</sup>

On the other hand, Marx was quite explicit in his statement that only after the introduction of the wage relation, and consequently the accumulation of capital, does the production of commodities become the general and dominating form of production: 'Only where wage labour is its basis does commodity production impose itself upon society as a whole; but it is also true that only there also does it unfold all its hidden potentialities.'<sup>6</sup>

It was Friedrich Engels who, in his interpretation of Marx's *Capital*, canonised the conception of 'simple commodity production'. In *Anti-Dühring*, simple commodity production is understood to be a specific mode of production preceding capitalism.<sup>7</sup> This conception was preceded by the interpretation of the historical nature of Marx's presentation already in Engels's 1859 review of Marx's *A Contribution to the Critique of Political Economy* [*Zur Kritik der politischen Ökonomie*]. Marx's method was, according to Engels, basically historical: 'With this method we begin with the first and simplest relation which is historically, actually available, thus in this context with the first economic relation to be found.'<sup>8</sup>

The simple and historically first relation is that of two commodities in exchange. Political economy consequently takes the concept of a commodity as its starting point. The logical presentation and development of categories in Marx's work generally follows their actual historical development:

The point where this history begins must also be the starting point of the train of thought, and its further progress will be simply the reflection, in abstract and theoretically consistent form, of the historical course. Though the reflection is corrected, it is corrected in accordance with laws provided by the actual historical course, since each factor can be examined at the stage of development where it reaches its full maturity, its classical form.<sup>9</sup>

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5 Marx 1974–2004l, pp. 175–6.

6 Marx 1990, p. 733.

7 Engels 1974–2004d, pp. 257–9.

8 Engels 1974–2004b, p. 225.

9 *Ibid.*

The history of political economy [*die literarischen Abspiegelungen*], generally speaking, follows the development from the more simple to the more complex relations corresponding to the actual development of these relations. However, it must be freed and abstracted from many accidental turns in their development. In the logical presentation or analysis, these contingencies have been eliminated, and consequently the historical development is presented in its pure form.<sup>10</sup>

In his recension, Engels did not yet postulate the existence of simple commodity production as a historical stage of production preceding capitalism. He even stated that the analyses in the beginning of the treatise started from the commodity of a fully developed commodity exchange:

If we examine the various aspects of the commodity, that is of the fully evolved commodity and not as it at first slowly emerges in the spontaneous barter of two primitive communities, it presents itself to us from two angles, that of use-value and of exchange-value.<sup>11</sup>

Even though it is unclear as to whether Engels thought that a fully developed exchange of commodities was only possible after the wage relation had been introduced, his statement nevertheless problematised the historical interpretation.<sup>12</sup> Engels's interpretation of the logical presentation as corresponding to the actual historical one was further and more strongly developed in his afterword and supplement to the 1895 edition of *Capital*.<sup>13</sup> Now Engels directly stated as a historical fact that there had existed a long period of commodity production in which exchange had taken place directly according to values and in which the means of production had belonged to the individual producers themselves.<sup>14</sup> And Engels further claimed that Marx's theory of value was valid for the whole period of simple commodity production:

In a word: the Marxian law of value holds generally, as far as economic laws are valid at all, for the whole period of simple commodity produc-

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10 Ibid.

11 Engels 1974–2004b, p. 226.

12 See also Backhaus 1981, p. 119.

13 Backhaus 1981, pp. 120–1.

14 'This makes clear, of course, why in the beginning of his first book Marx proceeds from the simple production of commodities as the historical premise, ultimately to arrive from this basis to capital – why he proceeds from the simple commodity instead of a logically and historically secondary form – from an already capitalistically modified commodity' (Engels 1974–2004g, p. 16).

tion – that is, up to the time when the latter suffers a modification through the appearance of the capitalist form of production ... Thus, the Marxian law of value has general economic validity for a period lasting from the beginning of exchange, which transforms products into commodities, down to the 15th century of the present era.<sup>15</sup>

The law of value is approximated as having governed the exchange of commodities for a period of around five- to seven-thousand years.

Engels's interpretation was made even more problematic by the fact that he seemed to think that the law of value resulted from conscious action on the part of the producers:

how then could they exchange these products of theirs for those of other laboring producers otherwise than in the ratio of labor expended on them? ... No other exchange is possible in the whole period of peasant natural economy than that in which the exchanged quantities of commodities tend to be measured more and more according to the amounts of labor embodied in them.<sup>16</sup>

And further:

People in the Middle Ages were thus able to check up with considerable accuracy on each other's production costs for raw material, auxiliary material, and labor-time – at least in respect of articles of daily general use.<sup>17</sup>

Thus, in Engels's interpretation, the law of value would not be a law which, even though executed by the acts of exchange of individuals, still functioned blindly behind the backs of these individual actors; rather, it would simply be a method of counting the expenses of production.<sup>18</sup>

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15 Engels 1974–2004h, p. 887.

16 Engels 1974–2004h, p. 885.

17 Ibid.

18 Backhaus ironically formulated what Engels seemed to think happened in the ancient society of fishermen and hunters. Fishermen and hunters could not supposedly exchange their products because the incommensurability of their use values excluded the possibility of exchange. One fine day, they were nevertheless lucky enough to get the idea of abstracting from the use value of their commodities and the concrete character of their labour. They found out that the property of being products of labour in general is the



Marx's own self-understanding of his method and Engels's interpretation of it has been problematised by Hans-Georg Backhaus.<sup>19</sup> Backhaus pointed out that Marx's method of presentation cannot be historical because a concept of a pre-monetary market economy cannot be constructed in a non-contradictory manner: 'The concept of a pre-monetary commodity should be recognised as a concept that is impossible to think of'.<sup>20</sup>

Marx's analysis of the value form should be understood essentially as a contribution to the theory of money. In his analysis of the value form, Marx criticised both Ricardo and Bailey.<sup>21</sup> Ricardo, in studying only the quantitative determination of value, did not understand the relation of his labour theory of value to money. He did not pose the question as to why the contents must appear in a specific form or why labour presents itself as value.<sup>22</sup> On the contrary, Bailey argued that money and value simply result from the actual relations of exchange, value is a contingent quantitative relation of two commodities – whereas Marx emphasised that, in reality, exchange is first constituted by value; the value of commodities is a necessary precondition for exchange.<sup>23</sup> Backhaus's idea was that Marx's critique of Bailey in the third volume of *Theories* proved that Marx's presentation in the first chapters of *Capital* should be understood as a metacritique of Bailey's critique of Ricardo.<sup>24</sup>

Bailey's merit in relation to Ricardo was, according to Marx, that he abandoned the problem of the constant measure of value so essential to Ricardo's labour theory of value.<sup>25</sup> Bailey was right in claiming that it is not necessary to suppose that the value of the commodity in which all other commodities are measured is a constant entity. Bailey did, however, deny that in order to be able to be exchanged, two commodities must have a common quality, which is different from their existence as useful objects, things:

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necessary common property which makes it possible to exchange their commodities with each other – which had not succeeded earlier (see Backhaus 1981, p. 124).

19 Backhaus 1978; see also Backhaus 1974 and 1975.

20 Backhaus 1978, p. 38.

21 Backhaus 1981, p. 127.

22 Marx 1974–2004, p. 35, n. 2.

23 Marx 1971, pp. 139–40.

24 Backhaus 1981, p. 130. Rubin – whose work Backhaus did not refer to – had already presented a similar interpretation of Marx's critique of Bailey (see Rubin 1973, pp. 65–71). Rubin, however, did not in this context discuss Ricardo's faulty understanding of the money form, even though he otherwise seemed to come practically to the same conclusion concerning the role of money in Marx's reasoning (see Rubin 1973, p. 89). Neither did Rubin relate his discussion to the problem of the historical and logical character of Marx's presentation.

25 Marx 1971, pp. 133–4.

Instead, he wanders off into all the categories of political economy in order to repeat the same monotonous litany over and over again, namely, that value is the exchange relation of commodities and consequently is not anything different from this relation.<sup>26</sup>

Bailey justified his argument by the observation that because the quantitative relations of commodities in exchange and consequently their money prices are not constant and vary from one act of exchange to another, the actual relation of two commodities in exchange determines their respective values. To Bailey, the concept of value was only a fictional and metaphysical entity wrongly deduced from the existence of money:

Only because, besides commodities, money exists, and we are so used to regarding the value of commodities not in their relation to one another but as a relation to a third, as a third relation distinct from the direct relation, is the concept of value evolved – and consequently value is transformed from the merely quantitative relation in which commodities are exchanged for one another into something independent of this relation (and this, he thinks, transforms the value of commodities into something absolute, into a scholastic entity existing in isolation from the commodities). According to Bailey, it is not the determination of the product as value which leads to the establishment of money and which expresses itself in money, but it is the existence of money which leads to the fiction of the concept of value. Historically it is quite correct that the search for value is at first based on money, the visible expression of commodities as value, and that consequently the search for the definition of value is (wrongly) represented as a search for a commodity of ‘invariable value’, or for a commodity which is an ‘invariable measure of value’. Since Mr. Bailey now demonstrates that money as an external measure of value – and expression of value – has fulfilled its purpose, even though it has a variable value, he thinks he has done away with the question of the concept of value – which is not affected by the variability of the magnitudes of value of commodities – and that in fact it is no longer necessary to attribute any meaning at all to value.<sup>27</sup>

The problem of the determination of an objective value was shown by Bailey to be an unnecessary problem because the presentation of the value of a

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26 Marx 1971, p. 140.

27 Marx 1971, p. 145.

commodity in money does not exclude the possible change in the value of this commodity (money).<sup>28</sup>

However, the result of Marx's critique of Bailey was not just to show that in order to be exchanged, two commodities must have something in common, must be qualitatively similar and must be able to be measured on the same dimension. Marx also stated that Bailey was right in emphasising that the value of a commodity can only be expressed in its relation to another commodity – or more correctly, it must present its value in that of another commodity, or more generally, they must both express their value in that of a third commodity, namely, money. This problem was totally neglected by Ricardo who, consequently, could not understand the relation of his theory of value to money. On the other hand, Ricardo was right as opposed to Bailey in understanding labour to be the immanent substance of value.<sup>29</sup> Bailey did not pose the problem correctly because he did not analyse money as a qualitative 'transformation' of commodities, only as a quantitative one.<sup>30</sup>

According to Marx, Ricardo emphasised that labour is the common inner substance of value. Ricardo, however, neglected to study the specific form in which labour first becomes this substance of value:

All commodities can be reduced to labour as their common element. What Ricardo does not investigate is the specific form in which labour manifests itself as the common element of commodities. That is why he does not understand money.<sup>31</sup>

According to Marx, in order to be able to present themselves in money ('M', a third commodity), commodities must have a common qualitative property; their quantitative relation presupposes a common denominator:

A homogeneity which makes them the same – makes them values – which as values makes them qualitatively equal, is already presupposed in order that their value and their differences in value can be represented in this way. For example, if all commodities express their value in gold, then this expression in gold, their gold price, their equation with gold, is an

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28 Marx 1971, pp. 145–6.

29 Cf. Marx: 'Our analysis has shown, that the form or expression of the value of a commodity originates in the nature of value, and not that value and its magnitude originate in the mode of their expression as exchange value' (Marx 1974–2004, p. 71).

30 Marx 1971, pp. 13–8.

31 Marx 1971, p. 138.

equation on the basis of which it is possible to elucidate and compute their value relation to one another, for they are now expressed as different quantities of gold and in this way the commodities are represented in their prices, as comparable magnitudes of the same common denominator.<sup>32</sup>

In order to be able to present their value in money, commodities must be identical in some respect:

Otherwise it would be impossible to solve the problem of expressing the value of each commodity in gold, if commodity and gold or any two commodities as values were not representations of the same substance, capable of being expressed in one another.<sup>33</sup>

The quantitative relations of commodities are determined by the quantity of simple or medium labour that has been used in producing them. But the labour forming the substance of value is not primarily simple or medium labour. Commodities are essentially products of private labour. As value, the commodity must, on the contrary, be a product of social or general labour. The whole problem can be formulated as the question of how private labour can present itself as its direct opposite, as social or general labour:

the labour of individuals has to be directly represented as its opposite, social labour; this transformed labour is, as its immediate opposite, abstract, general labour, which is therefore represented in a general equivalent, only by its alienation does individual labour manifest itself as its opposite. The commodity, however, must have this general expression before it is alienated. This necessity to express individual labour as general labour is equivalent to the necessity of expressing a commodity as money ... only through sale, through its real transformation into money, that the commodity acquires its adequate expression as exchange-value. The first transformation is merely a theoretical process, the second is a real one.<sup>34</sup>

Commodities are produced by private labour, which becomes social only through exchange, and their value must consequently be presented in a socially

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32 Marx 1971, p. 134.

33 Ibid.

34 Marx 1971, p. 136.

general form. And because private labour must be transformed into general, social labour, commodities must present their value in a specific commodity, money:

Because the product is not produced as an immediate object of consumption for the producers, but only as a bearer of value, as a claim, so to speak, to a certain quantity of all materialised social labour, all products as values are compelled to assume a form of existence distinct from their existence as use-values, and it is this development of the labour embodied in them as social labour, it is the development of their value, which determines the formation of money, the necessity for commodities to represent themselves in respect of one another as money – which means merely as independent forms of existence of exchange-value – and they can only do this by setting apart one commodity from the mass of commodities, and all of them measuring their values in the use-value of this excluded commodity, thereby directly transforming the labour embodied in this exclusive commodity into general, social labour.<sup>35</sup>

Backhaus's central conclusion was that the circulation of commodities as analysed by Marx in *Capital* is principally different from the simple exchange of commodities. The concept of a pre-monetary commodity is a *contradictio in adjecto*, and, consequently, it is impossible to think of an exchange process for pre-monetary commodities.<sup>36</sup> Marx's theory of value should be understood as a critique of a pre-monetary theory of value.<sup>37</sup> Marx was interested in developing an inner and necessary relation between value and money (the genesis of money form).<sup>38</sup> When Marx asked the question *why does this content appear in this form?*, he also seemed to think that value cannot be thought of without its form of appearance.<sup>39</sup> Value cannot be analysed correctly without its form of appearance, money, and money can only be understood as a form of appearance of an 'absolute' or objective value. Value does not exist without price and money.

Backhaus's interpretation is especially interesting because he discussed the possible reasons for Marx's attempt to justify his theoretical procedure in *Capital* as an ideal reflection of the real historical process of the development of

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35 Marx 1971, pp. 14–5.

36 Backhaus 1981, p. 155.

37 Backhaus 1981, p. 141.

38 Marx 1974–2004, pp. 57–8.

39 Backhaus 1981, p. 128.

money and capital. According to Backhaus, Marx – and even less Engels – did not seem to understand what he really was doing; Marx obviously felt unable to justify his categorial analysis and was therefore forced to take refuge in a pseudo-dialectical reasoning concerning the historical nature of his presentation.<sup>40</sup>

In *Grundrisse*, Marx explicitly stated that: ‘This dialectical process of its becoming is only the ideal expression of the real movement through which capital comes into being. The later relations are to be regarded as developments coming out of this germ.’<sup>41</sup> It was Engels who suggested to Marx that results obtained dialectically should be justified historically in more detail. The evidence supporting Marx’s theory should be taken from history. According to Engels, Marx already had enough material at his disposal to prove the necessity of the historical development of money.<sup>42</sup>

Backhaus argued that the material at Marx’s disposal was, in fact, totally insufficient to prove any such hypothesis. Instead of being able to correct his ‘idealistic manner’ of reasoning materialistically, Marx adopted Aristotle’s argument, which had also been adopted by Adam Smith. According to Smith, money was invented in order to surpass the problems of exchange brought about by an increasing division of labour. Money was invented to overcome the difficulties encountered in the exchange of commodities.<sup>43</sup> Marx thought he had discovered a materialistic correction to his logical and seemingly idealistic development or deduction of categories – a task he had set out to undertake in *Grundrisse*:

It will be necessary later, before this question is dropped, to correct the idealist manner of the presentation, which makes it seem as if it were merely a matter of conceptual determinations and of the dialectic of these concepts. Above all in the case of the phrase: product (or activity) becomes commodity; commodity, exchange value; exchange value, money.<sup>44</sup>

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40 Backhaus 1981, pp. 156–8.

41 Marx 1973, p. 310. In his introduction to *Grundrisse*, in which Marx explicitly reflected on his method of presentation, he clearly formulated an opposite thesis: ‘It would therefore be unfeasible and wrong to let the economic categories follow one another in the same sequence as that in which they were historically decisive. Their sequence is determined, rather, by their relation to one another in modern bourgeois society, which is precisely the opposite of that which seems to be their natural order or which corresponds to historical development’ (Marx 1973, p. 107).

42 Engels 1974–2004i, p. 381.

43 Backhaus 1981, pp. 157–8.

44 Marx 1973, p. 151.

It was thus Marx's intended materialism that, according to Backhaus, was the main reason for his historical fables about simple commodity production and the historical development of money.

Marx, in fact, on several occasions referred to the necessity of introducing money because of the increasing division of labour and the increasing exchange of products, as if money had been invented in order to overcome the difficulties encountered in actual exchange of products in a period of history in which pre-monetary exchange of commodities had prevailed:

The further the division of labour develops the more does the product cease to be a medium of exchange. The necessity of a general medium of exchange arises, a medium independent of the specific production of each and every one.<sup>45</sup>

In *Capital*, the formulation of the same problem was more problematic. The existence of a general equivalent was seen to be necessary to any exchange between several commodities, but the introduction of money was still understood as a solution to the difficulties due to the increasing division of labour:

The necessity for a value-form grows with the increasing number and variety of the commodities exchanged. The problem and the means of solution arise simultaneously. Commodity-owners never equate their own commodities to those of others, and exchange them on a large scale, without different kinds of commodities belonging to different owners being exchangeable for, and equated as values to, one and the same special article.<sup>46</sup>

Backhaus saw the reason for Marx's insistence on the categorial presentation corresponding to actual historical development of the different forms of value as a desire to proceed materialistically and to correct his seemingly idealistic manner of presentation. One could, however, claim that there were other reasons for Marx's procedure, reasons that are closely connected with another essential interpretative argument of Backhaus. For Backhaus, Marx's 'labour theory of value' was a necessary consequence of his conception of an objective value: the idea of the necessary form of the appearance of value (money)

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45 Marx 1973, p. 199. Cf. 'The money can overcome the difficulties inherent in barter only by generalizing them, making them universal' (Marx 1973, pp. 149–50).

46 Marx 1974–2004, p. 99.

could only be developed on the basis of an objective theory of value and, consequently, the labour theory of value. An objective or 'absolute' value can only be based on labour.<sup>47</sup>

It is not, however, at all clear why such an absolute value should be exclusively understood in this way. On the contrary, it could be claimed that such a position is highly problematic; and Marx's introduction of the concepts of abstract and concrete labour as producing use value and value, respectively, was rather straightforward, without any specific grounds. Stapelfeldt<sup>48</sup> interestingly pointed out that Marx's introduction of abstract labour in his reasoning as the identical property of the commodities making possible their exchange is highly problematic. The definition was justified only through negation; according to Marx's reasoning, the common quality on which the identity of labour's products is based cannot be any substantial or natural quality of theirs, or their use value, because as use values commodities evidently are qualitatively different. The only possible identical quality of commodities after the abstraction or negation of their natural qualities or use values is their property as products of labour in general: 'If we then leave out of consideration the use value of commodities, they have only one common property left, that of being products of labour'.<sup>49</sup> Marx did not, however, give any further arguments in favour of the identification of the common quality found in the products of labour with labour in general.<sup>50</sup>

As Stapelfeldt pointed out, the difficulty in Marx's operation of abstraction culminates in its result. Marx abstracted from the determination of products as products of labour and once more got as the result – abstract human – labour: 'For Marx abstracts from the products of labour, but presents as a result the only thing remaining – abstract human labour'.<sup>51</sup>

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47 Backhaus 1981, p. 141.

48 Stapelfeldt 1979, p. 111.

49 Marx 1974–2004, p. 48.

50 Marx's argument was, consequently, not convincing as such. It is easy to think of other common identical qualities of products in use. The price of commodities can be understood as being determined by their potential demand and supply, as was pointed out by Böhm-Bawerk in his classical critique of Marx's labour theory of value (see Böhm-Bawerk 1973 [1896]), which amounts to their determination by the marginal utilities. To take another extreme example, as was shown by Simmel (1900), one could also postulate a specific metaphysical sphere of values; or one could interpret value as a specific socially determined quality of commodities due to the social form of organisation of labour, as was the case in Rubin's theory of abstract labour and value (see Rubin 1973 [1924]).

51 Stapelfeldt 1979, p. 115.



One further problem in Marx's procedure of abstraction is the definition of use value as a product of useful or concrete labour. In the beginning of his discussion of the dual character of a commodity, Marx defined use values simply as useful things which satisfy human needs. In discussing the dual nature of labour, Marx said that as such they are the product of useful activity: 'To resume, then: In the use value of each commodity there is contained useful labour, i.e., productive activity of a definite kind and exercised with a definite aim'.<sup>52</sup>

According to Stapelfeldt, Marx needed a more determined definition of use value, or a definition of the identical quality of use values for his further argument.<sup>53</sup> Use values are not simply useful things. Use values are also products of labour, of a specific productive or useful activity:

So far therefore as labour is a creator of use value, as useful labour, it is a necessary condition, independent of all forms of society, for the existence of the human race; it is an eternal nature-imposed necessity, without which there can be no material exchanges between man and Nature, and therefore no life.<sup>54</sup>

In Stapelfeldt's opinion, Marx's procedure of abstraction was only legitimate because of the presupposed truth imbedded in classical political economy. Marx's analysis of a commodity is only understandable when it is understood that it takes place within this tradition of thought, which becomes evident during the problematised argumentation of abstract labour as determining the common quality of commodities. Marx's dual reference to labour makes his close relation to natural rights theory and classical political economy evident.<sup>55</sup> Marx did not, however, only adopt the concept of labour from classical political economy. He also criticised it for its ambivalence. In Marx's opinion, classical political economy lacked the understanding of the dual nature of labour. In classical political economy, the concept of labour referred both to humanity's relation to nature and to the intersubjectivity of social relations, and remains thus undifferentiated. After the introduction of the dual concept of labour, the different use values and concrete products of labour can, on the one hand, be regarded as equal because abstract labour has been objectified in them. Their comparability is based on abstract labour. On the other hand, the concrete

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52 Marx 1974–2004, p. 52.

53 Stapelfeldt 1979, p. 115.

54 Marx 1974–2004, p. 52.

55 Stapelfeldt 1979, p. 117.

labour producing use values is closely tied to nature's substance and is in every case as different as its products. They cannot thus be considered as identical to one another. In order to emphasise the contrast, Marx named the equal substance of commodities as 'abstract human labour', and understood it to be a result of abstraction. But abstract labour can, on the other hand, only be the common quality of commodities because labour is, in fact, materialised in use values; they are in some strong sense products of labour. Classical political economy never understood this difference in its concept of labour and was criticised by Marx accordingly.<sup>56</sup>

It is essential, however, that the concept of value shares with that of 'concrete labour' the idea that labour has in reality been objectified and materialised in its products.<sup>57</sup> The reproduction of social relations thus takes place within the production of use values – the value has concrete labour as its necessary precondition – which in Stapelfeldt's opinion determines Marx's doctrine as both materialistic and dialectical:

The critique of political economy is materialist because it shows that value is the abstraction from man's relationship to nature, that the existence of value is therefore conditioned by concrete labour and that the products of labour are reduced to its form of appearance. This materialism is dialectical because it formulates the experience of a bifurcation of society's and man's relationship to nature, of abstract and concrete labour ... The doctrine of the double-character of the labour embodied in commodities defines the critique of political economy as a dialectical theory.<sup>58</sup>

As Stapelfeldt has pointed out, Marx's critique of the concept of labour was only convincing because of its close conceptual relation to classical political economy. It adopted its standards of critique from the latter:

The critique of political economy is only able to be constituted by attaching itself to the false aporia of classical political economy, by proving to solve political economy's thoroughgoing rupture of concrete and abstract labour in all relevant specifications and thereby gaining both the experiential basis of the criticised as well as the critic's own benchmark of critique.<sup>59</sup>

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56 Stapelfeldt 1979, pp. 121–2.

57 Stapelfeldt 1979, pp. 133–4.

58 Stapelfeldt 1979, p. 224.

59 Stapelfeldt 1979, pp. 251–2.

The critique was directed against both the capitalist mode of production and its scientific expression. It aimed at destroying the claim of reason of bourgeois society, the concept of reasonable society, which projects the social relations into natural relations, into humankind's relations to nature.<sup>60</sup>

Marx did not, however, only redefine the concept of labour by introducing his conception of the dual character of labour. He also redefined the concept of labour in another sense, and in so doing radicalised the critical potency of his analysis. It was essential to Marx that through labour the very goal-oriented activity of a person is materialised in its products and objectified in the social relations too. According to Lange,<sup>61</sup> this conceptual redefinition of labour already took place in the *Economic and Philosophical Manuscripts* of 1844, in which Marx discovered labour to be the real principle of national economy:

The fact expresses merely that the object which the labour produces – labour's product – confronts it as something alien, as a power independent of the producer. The product of labour which has been embodied in an object, which has become material; it is the objectification of labour.<sup>62</sup>

In Marx's manuscript, objectification [*Vergegenständlichung*] became synonymous with becoming a material object. Labour is, then, materialised very concretely in the products of labour.<sup>63</sup> Marx's conceptual operation made it possible for him to radicalise the concept of labour into a model of objectification or alienation and use it as a critical model.<sup>64</sup> The concept of objectification of labour made it possible to understand and to criticise the national economic state of affairs [*nationalökonomischer Zustand*] or bourgeois society, and the process of private property. Private property and the relations of bourgeois society are reduced to the worker's alienated self-relation to himself and to his alienated relation to the products of his own labour (the product of his labour, his very labour process, and the essence of human species [*Gattungswesen*] all become alienated). The very opposition of classes in a bourgeois society is based on the missing self- and object relation of the worker<sup>65</sup>

The same idea of materialisation and objectification of labour was also strongly present in *Capital*: 'A use value, or useful article, therefore, has value

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60 Stapelfeldt 1979, pp. 64–5.

61 Lange 1980, p. 55.

62 Marx 1974–2004b, p. 272.

63 Lange 1980, p. 56.

64 Lange 1980, pp. 68–9.

65 Lange 1980, pp. 81–2.

only because human labour in the abstract has been embodied or materialised in it'.<sup>66</sup> By analogy, the use value of a commodity represents materialised labour. The main difference of Marx's later critique of political economy in relation to the manuscript of 1844 was that labour was no longer understood to be the real principle of the bourgeois society. According to Marx, it was now wrong to say that capital is just the result of accumulated labour. In the *Grundrisse*, for instance, Marx claimed that the characterisation of capital as accumulated labour in no way described capital specifically, but in fact described any instrument of production.<sup>67</sup>

Lange, however, claimed that while beginning the presentation of *Capital* with commodity and money, Marx was, in fact, still indirectly beginning it with the category of labour. Labour did not then become the very principle of national economy, but its contradictory principle:

As such, labour itself is a contradiction to be unveiled, the *fundamental contradiction*, even, on which the contradiction of labour and capital and class-antagonisms are then based. Labour cannot therefore be the point of departure of the presentation unveiling the ever more fundamental contradictions that destroy illusory unities, despite labour itself being, in an estranged way, 'by itself' or 'for us' – the theoretical observers – a principle.<sup>68</sup>

In *Capital*, Marx did not begin his analysis with the concept of labour, or with alienated labour, but with the concept of commodity. Labour, then, is conceptually redefined; labour producing commodities has a dual character. Labour is no longer – as it was in *Ökonomisch-philosophische Manuskripte* – the fundamental principle of the national economy, from which all further consequences ensue, but rather a principle of a contradictory nature. Despite this self-critique and conceptual redefinition, Marx was, however, strongly indebted to classical political economy and its predecessor, the natural law theory. It was the concept of labour and the labour theory of value which Marx interpreted to be the rational core of classical political economy. And certain important elements of it can already be found in natural rights thinking. Classical thinking does, however, result in anomalies as reconstructed by Marx, because of its misunderstanding of the dual character of labour and the specific historical

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66 Marx 1974–2004, p. 48.

67 Marx 1973, pp. 85–6; see also Lange 1980, p. 146.

68 Lange 1980, p. 150.

and social form of labour in a society ruled by commodity exchange. But still one can agree with Schanz<sup>69</sup> – and Lange – in interpreting labour as the most important concept in Marx's *Capital* too.

As has already been pointed out, Marx's argument included another important conceptual redefinition of the concept of labour, which was not present in classical political economy or natural rights theory. Marx understood labour to be materialised and objectified in its products, in commodities. For instance, it was essential for Marx to emphasise that abstract labour could only be objectified in the material products of labour. In discussing his value form analysis, Marx stated that human labour power is always objectified in a specific form, in the product of specific concrete labour:

Human labour, plain and simple, the expenditure of human labour power, may be capable of any determination, but in and of itself undetermined. It can only be realised, only objectified, when human labour-power is expended in a specific form, as specific labour, for only specific labour is confronted with a natural substance, an external material, within which it is objectified.<sup>70</sup>

Marx was ridiculing Hegelian concepts, which can objectify themselves without any external substance: 'Only the Hegelian "concept" is capable of objectifying itself without external material'.<sup>71</sup>

From his conception of objectification it also follows that the value of a commodity can only appear in the use value of another commodity; in Marx's opinion, value must appear and it can only come into appearance in the relation of two commodities. As stated by Marx, one peculiarity of the value form is that use value becomes the form of appearance of its direct opposite, value, or to put it in another way, concrete labour becomes the form of appearance of its opposite, abstract labour.<sup>72</sup> In another context, Marx wrote that it is wrong to say that labour is the sole source of riches. Nature is equally a source of use value, the universal substantial form of riches: 'Labour is not the source of all wealth. Nature is just as much the source of use values (and it is surely of such that material wealth consists!) as labour, which itself is only the manifestation of a force of nature, human labour power'.<sup>73</sup> Marx furthermore added that

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69 Schanz 1981, p. 260.

70 Marx 1867, p. 18.

71 Ibid.

72 Marx 1974–2004l, pp. 67, 69.

73 Marx 1974–2004f, p. 81. In *Capital*, Marx approvingly paraphrased William Petty: 'Labour is the father (of material wealth) and the earth is its mother' (Marx 1974–2004l, p. 5).

only insofar as humankind relates itself to nature as its owner and treats it as belonging to it, does human labour become the source of use values and consequently of riches. It is only because people cannot objectify their labour without the necessary means and objects of production originally created by nature that private property and capital, too, are possible at all. Otherwise any person possessing her or his own labour power exclusively could work and support themselves without the consent of the person owning and controlling the instruments of labour and the necessary resources of nature.<sup>74</sup>

Taking into account Marx's redefinition of labour and discussion of the concept of labour, it becomes possible to explicate his critique of private property and the form of capitalist appropriation. Marx's critique was twofold: It is not humanity's relation to nature via labour that constitutes private property. Private property is not based on a person's right to appropriate the products of his own labour. Private property furthermore has the exchange of commodities as its necessary precondition. It is first established in a society where private labour is transformed into social labour through exchange of commodities. But it was equally important for Marx to understand that commodities are appropriated from nature by materialising labour in them, and the materialisation of labour is not possible without the corresponding potentialities of nature. Marx then not only criticised what, in his understanding, was the fundamental legal conception of private property in classical political economy. He also adopted and – by redefining the concept of labour – radicalised its central insight. In capitalism, private property is not based on labour; in fact, the products of alien labour are appropriated by capitalists without an equivalent. And in general, it is never labour – the productive relation of a human being to nature – that constitutes private property. Legal and political ideas are only reflexions or expressions of more fundamental social relations of production. Still, even for Marx – and even in capitalism – products are originally appropriated from nature by labour. It is the labour power, the productive activity of the worker, that is materialised in commodities, and in the material elements of riches in general.

As has already been pointed out, Backhaus claimed that it was Marx's intended materialism that made him attempt to justify his value form analysis as corresponding to an actual historical development from less developed forms of value into more developed ones. Considering the previous discussion of Marx's concept of labour, one can, however, go even further and claim that it was Marx's labour theory of value – recognised by Backhaus as the only alternative

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74 Marx 1974–2004f, p. 81.

to determine an objective value – that is to be blamed. The same problem can also be formulated as follows: because of his labour theory of value, Marx in fact did analyse the production of commodities before circulation and exchange of commodities. At the beginning of *Capital*, Marx analyses not only the simple circulation of commodities, but also the simple production of commodities.

Rubin<sup>75</sup> recognised that there is a seeming ambivalence in Marx's reasoning at this point: on the one hand, value and abstract labour were already presupposed before the exchange of commodities could take place, and on the other hand, value was first constituted in the very process of exchange.<sup>76</sup> The same duality of reasoning can also be formulated in Rubin's own words as follows:

By showing that there can be no value-form without value, at the same time Marx precisely demonstrated that this social form will remain empty without the substance of labour [*Arbeitssubstanz*] that fulfils it.<sup>77</sup>

Rubin solved the problem by assuming that in production oriented towards a market, the very production process already has a specific social form: it is

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75 Rubin 1973, p. 110.

76 Sohn-Rethel's critical interpretation of Marx's analysis of the forms of value pointed out the same ambivalence as Rubin's. Sohn-Rethel went even further and suggested that Marx's analysis at the beginning of *Capital* is inconsistent because Marx does not clearly distinguish between the problems of the magnitude and the form of value (see Sohn-Rethel 1978, p. 21; see also Sohn-Rethel 1972, p. 235). Inspired by Sohn-Rethel's interpretation, Pietilä proposed an original solution to the problem of the relation between the 'historical and logical' in Marx's analysis of the form of value corresponding to the quantitative and qualitative aspects pointed out by Sohn-Rethel (Pietilä 1984). The first level consists of 'a "logical" theory aiming to show that money is nothing but "the necessary form of expression of the immanent value measure of commodities, viz. the labour time"' (Pietilä 1984, p. 63). The second level, in turn, would indicate the *historical development* of the structure of exchange relations and the necessities of this structure – *precisely in the premonetary era*' (Pietilä 1984, p. 64). Pietilä's interpretation is problematic because there is hardly any analysis of the development of the structure of exchange relations in *Capital* except of the exchange of commodities. The form of value analysed by Marx is always the form of value of a commodity; the use value of a commodity becomes the form of appearance of the value of another commodity. And consequently, the quantitative and form aspects are closely intertwined in Marx's argumentation. Therefore Marx's presentation can hardly be read as both an analysis of primitive (pre-monetary) exchange of products and an analysis of a developed exchange of commodities, respectively. As will be shown in the present study, it is exactly – to use Sohn-Rethel's expression – the 'quantitative' aspect of value in Marx's reasoning that explains his historicising intention.

77 Rubin 1973, p. 81.

labelled by exchange from the very beginning.<sup>78</sup> Production and circulation of commodities thus are mutually conditioned. But Rubin's argument did not really solve the problem; it only reformulated it. The same ambivalence is also present in Marx's twofold critique of both Ricardo and Bailey, a critique discussed both by Backhaus in the context of the logical and historical presentation in Marx's *Capital*, and in the present context by Rubin himself.<sup>79</sup> As was already pointed out in Marx's reconstruction of the history of political economy, Bailey and Ricardo were made to criticise one another. Ricardo's fault, then, was that he neglected to analyse the specific form of labour, the value form which first constitutes value. Ricardo, in Marx's opinion, however, correctly identified the substance of value with labour. The other debater, Bailey, did not admit that exchange presupposes that commodities have an objective value, a common quality making their exchange possible, and consequently he dismissed the whole concept of value as a metaphysical entity not needed by political economy. But Bailey's theory too had its own merits. He correctly recognised that the value of a commodity can only appear in its relation to another commodity. Thus, both Bailey and Ricardo provided certain invaluable insights adopted by Marx in his analysis of value and value form.

The importance of Marx's critique of Ricardo received special emphasis in Backhaus's analysis. For the present argument, Marx's critique of Bailey is more important. In rejecting value as an unnecessary entity for the analysis of the exchange of commodities, Bailey failed to understand that in order to be exchanged, two commodities must already possess a common qualitative property making their exchange possible. And like Ricardo, Marx identified this common quality with value, and the substance of value with labour. Without being an independent item in Marx's analysis – value admittedly was always thought to be connected with its value form, as pointed out by Rubin<sup>80</sup> – the elements of a labour theory of value were indispensable to Marx's theory. They can be said to form the Ricardian – and Smithian – heritage in Marx's thinking. They can also be said to constitute Marx's Marxism.

It can now be claimed that by identifying value with a specific social form of labour, and by identifying the substance of value with labour, Marx opened up his argumentation to a historical interpretation of the development of value forms. It was thus Marx's labour theory of value that led him to present those 'pseudodialectical fables' referred to by Backhaus.<sup>81</sup> Because of the labour the-

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78 Rubin 1973, p. 112.

79 Rubin 1973, p. 72.

80 Rubin 1973, pp. 81–2.

81 This does not mean that Backhaus's suggestion of Marx's intended materialism as the



ory of value it becomes reasonable to assume that any commodity exchanged for another already has a value, a common quality making the exchange possible, and that any two products in exchange inevitably are exchanged according to their value, since labour already has been objectified in them. On the other hand, Marx evidently thought that products of labour have a commodity form only insofar as they are produced in order to be exchanged, only insofar as they are produced for a commodity market, that is to say, only insofar as the commodity form has become the general form of the products of labour.<sup>82</sup> But if it is admitted that the value of a commodity also precedes its exchange, if commodities have a value only insofar as labour has in fact been objectified in them, then it is reasonable for Marx to think that the less developed value forms really are independent forms historically preceding the forms of money and capital. Consequently, even a less developed exchange of commodities inevitably follows the rule of equal exchange.

The element of a labour theory of value in Marx's reasoning similarly explains why, on several occasions, while discussing the transformation of the forms of appropriation, he seemed to think that there had, in fact, existed before and alongside capitalism a form of commodity production characterised by the private ownership of the means of production by every individual producer. Even though he explicitly criticised classical political economy for its postulate of a natural society (identified with bourgeois society) – a natural state in which labour's products belonged to the very man who had produced them by his own labour and in which private property was constituted by appropriating nature's products by labour – one could still claim that he came very close to postulating such a society himself.

One could, like Lange,<sup>83</sup> rescue Marx by saying that he assumed the existence of simple commodity production only counterfactually. But Marx did not proceed counterfactually. He did not simply say that even if we were to suppose – following classical political economy and John Locke – that there once

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reason leading to his 'pseudodialectical fables' should be totally rejected either. Marx obviously thought that the categories developed by him were 'real' abstractions in the sense that they corresponded to a state of affairs that had existed in its pure form in history; in capitalism, value appears only in different modified forms, hence it must have appeared in its pure form at some previous historical stage.

82 Cf. Marx's compact formulation in *Capital*: 'Quite the contrary: whenever, by an exchange, we equate as values our different products, by that very act, we also equate, as human labour, the different kinds of labour expended upon them. We are not aware of this, nevertheless we do it' (Marx 1974–2004, pp. 84–5).

83 Lange 1980, pp. 175–6.

existed a natural society in which nature's products were exclusively appropriated and a legitimate title to property created either by one's own labour or by exchanging the products of one's own labour with the products of other men's equal amount of labour, and even if we were, in addition, to suppose that the law of value is preserved intact even in capitalism, the truth about capitalism still is that alien labour and its products are in fact appropriated and that one has to respect one's labour and its products as belonging to another. Marx's postulate was a stronger one, as he explicitly stated that if commodities are produced by individual producers owning their own means of production, then their exchange takes place directly according to their value and one can achieve a title to property only by one's own labour. And he furthermore claimed that such simple commodity production had existed at various times and in various places in history.

One could also summarise the result of the above analysis as follows: the analysis of the simple circulation of commodities in *Capital* does not only consist of an abstraction of certain aspects of capitalist circulation of commodities. It is not an abstraction which must be taken as the starting point for the development of the theoretical presentation because it determines the specific social and historical character of the capitalist society as interpreted by Rubin.<sup>84</sup> Via the labour theory of value and the specific radicalisation of the concept of labour, the production of commodities is introduced into the analysis from the very beginning. Labour has, in fact, been materialised and objectified in a commodity, otherwise it would not possess the dual character of use value and value. In discussing the opposite laws of appropriation in simple commodity production and in capitalism, respectively, or the equality and freedom of the commodity owners and exchangers, Marx only added one more condition or characteristic to his determination of simple circulation. Simple commodity production then is a specific form of production having its own social conditions; it is equal to simple circulation of commodities plus the private ownership of the means of production by every individual producer.

In his *Critique of the Gotha Programme*, one of his last writings, Marx formulated in a condensed form his critical standpoint, which clearly showed that he had not departed so far from the theoretical standpoint of classical political economy by turning its standards of natural society into critical standards of bourgeois society. Marx agreed on the formulation of the programme that in any imaginable society labour always is the real source of riches, and anyone not working himself can only be living at the cost of the labour of others:

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84 Rubin 1973, pp. 43–9.

Since labour is the source of all wealth, no one in society can appropriate wealth except as the product of labour. Therefore, if he himself does not work, he lives by the labour of others and also acquires his culture at the expense of the labour of others.<sup>85</sup>

From this formulation it is but a short step to understanding the central contradiction of capitalism in terms of the violation of the original rule of appropriation valid in simple commodity production.<sup>86</sup> Thus it is not surprising that Marx obviously approved of and even contributed to Engels's interpretation of the fundamental critical result of his theory of capitalism as presented in *Anti-Dühring*. The way Engels – and Kautsky – put it, there is a basic contradiction in capitalism between the private mode of appropriation inherited from the stage of simple commodity production and the increasing socialisation of production. Marx in fact never formulated his own standpoint in quite the same terms, but if one understands Engels's contradiction as a shorthand formulation of the thesis that even in capitalism it is the labour power or, more specifically, the combined power of wage workers united in the production process by capital, that, in the last instance, is the source of value and riches, Marx would probably recognise it as his own.

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85 Marx 1974–2004f, p. 82.

86 There is, however, one important difference between Marx's and Engels's ideas, respectively. Marx obviously did not think that simple commodity production equaled a specific mode of production of its own as Engels and later Marxists, Kautsky among them, were inclined to do. Marx simply thought that simple commodity production had taken place at different times and in different places alongside different modes of production, and that simple commodity production can take place alongside capitalism too. The relation between simple commodity production and capitalism was not understood by Marx as a process of historical transformation leading from one mode of production to another followed by the increasing socialisation of production. All that Marx suggested was that simple commodity production is an independent form of production – and that the different value forms are historically independent forms of value too – having a reality of its own.

## The Theory of Increasing Misery and the Critique of Capitalism

One of Lohmann's main ideas, as discussed earlier, was that, inherent in Marx's presentation, there are elements of critique which can be called transcending. These elements can be localised in the discussions of the fate of the working class and of the forces and struggles of opposition in capitalism. The normative standards of the participants present another form of critique of capitalism different from that of immanent critique. In *Die Revolution in der Theorie von Karl Marx* [*The Revolution in the Theory of Karl Marx*], Sieferle<sup>1</sup> interpreted Marx's discussion of the general law of accumulation in a rather similar sense. To him, there is inherent, and partly hidden, in Marx's presentation a phenomenological level, a description of the experience of the wage workers of the exploitation and repression of capitalism which justifies Marx's expectations of the increasing revolutionary consciousness of the working class.

Sieferle's starting point was a problem connected with the revolutionary perspective in Marx's *Capital*. According to Sieferle, Marx was – at his best – able to determine the foundations of the objective reified thought forms produced by the capitalist mode of production and to show how the consciousness of the owners of different revenue sources (capital, land, labour) is system affirmative. On the other hand, Marx was forced to argue the necessity of the development of the revolutionary consciousness of the working class because of his historico-philosophical preconceptions. His expectations of the development of revolutionary consciousness were based on the analysis of capital accumulation. The theories of collapse and immiseration, as formulated at the end of the first volume of *Capital*, can be understood to determine both the objective and subjective limits of capitalism. The subjective experience of the growing misery of the wage workers is the basis of experience [*Erfahrungsbasis*] necessary for the development of a non-affirmative consciousness. This made it reasonable and justifiable for Marx to cherish his revolutionary hopes and expectations despite the seemingly iron-cage character of capitalism.

Sieferle's interpretation is interesting because it problematised some of the central themes of the theory of the capitalist collapse. According to Sieferle, in

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1 Sieferle 1979.

*Capital* Marx was only developing the inner contradictions of capitalism. The presentation did not seem to include any phenomenological level on which the analysis of the development of a revolutionary consciousness could be based. The secret or mystery of surplus production and exploitation can be revealed only through scientific analysis of the essence of capitalism; they always remain hidden from the everyday consciousness.<sup>2</sup> The everyday experience of a wage worker does not include any such experience that could directly reveal the exploitative nature of capitalism. The problem could be formulated even more generally: is the exploitative nature of capitalism something that is revealed only to a scientist who is able and willing to follow the categorical exposition of the critique of political economy?<sup>3</sup> What, then, is the revolutionary perspective in *Capital*?

Marx's *Capital* did, however, according to Siefertle, include such a phenomenological level after all. It did analyse the fate of the working class under capital accumulation. Marx was, indeed, describing the purpose of his further presentation at the beginning of the chapter on the general law of capital accumulation as follows:

In this chapter we consider the influence of the growth of capital on the lot of the labouring class. The most important factor in this inquiry is the composition of capital and the changes it undergoes in the course of the process of accumulation.<sup>4</sup>

In Siefertle's opinion, such considerations were unnecessary in Marx's earlier studies because the proletarian situation was characterised as one of total negativity:

The negativity of the proletarian situation as determined in the early concept of the materialistic theory of bourgeois society [i.e. in *The German Ideology* – J.G.] excluded the possibility of the continuous survival of

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2 Cf. Marx's formulation in *Capital*: 'For the rest, in respect to the phenomenal form, "value and price of labour", or "wages", as contrasted with the essential relation manifested therein, viz., the value and price of labour-power, the same difference holds that holds in respect to all phenomena and their hidden substratum. The former appear directly and spontaneously as current modes of thought; the latter must first be discovered by science. Classical Political Economy nearly touches the true relation of things, without, however, consciously formulating it. This it cannot, so long as it sticks in its bourgeois skin' (Marx 1974–2004, p. 542).

3 See Lange 1980, p. 214.

4 Marx 1974–2004, p. 607.

a fully developed capitalistic society ... This society must have been destroyed at the very moment the proletariat had developed into a socially relevant class.<sup>5</sup>

The analysis in *Capital* comes to a different conclusion: the surface of bourgeois society forms an effective legitimation instance and all experiences are reflected through the mystified forms of its surface. If the ideas of freedom and equality of the commodity owners are preserved intact in capitalism, as Marx thought, one would have expected him to have paid more explicit attention to the problems of the possible destruction of the reified consciousness. Indeed, one would have expected Marx to include in his presentation in *Capital* a phenomenology of class consciousness that would have shown how the mystification of the thought forms could be destroyed and the universal consciousness of the historical nature of capital enfolded.<sup>6</sup>

Sieferle looked for the reasons for the neglect of an explicit discussion of the problem in *Capital* in the historical situation of the workers' movement in Marx's day. The practical evidence of the socialist movement was so obvious that it would have been uninteresting for Marx to try to justify theoretically the practical possibility of a revolutionary labour movement. According to Sieferle, it was the expanding and continuing reproduction of capital as experienced in England which, however, should have led Marx to problematise the question of system-conforming behaviour and consciousness of the working class. In Sieferle's opinion, from today's perspective it is quite clear that Marx had strong illusions about the revolutionary substance of this movement. And it has become almost commonplace to assert that Marx was taking the birth pains of capitalism to be its death agony.<sup>7</sup>

The nearest Marx ever came to the presentation of the problem of revolution in *Capital* was his analysis of the situation of wage workers under the law of capital accumulation. The tendential law of the falling rate of profit shows the objective limits of capital reproduction: in its everlasting hunger for surplus value by increasing the productivity of labour and, consequently, by increasing the share of relative surplus value, capital increasingly dismisses its own living

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5 Sieferle 1979, p. 171. As Marx and Engels wrote in *The German Ideology*, 'only the proletarians of the present day, who are completely shut off from all self-activity, are in a position to achieve a complete and no longer restricted self-activity, which consists in the appropriation of a totality of productive forces and in the thus postulated development of a totality of capacities' (Marx and Engels 1974–2004c, pp. 87–8).

6 Sieferle 1979, p. 172; cf. Scharrer 1976, pp. 20–1.

7 Sieferle 1979, pp. 172–3.

basis, labour power.<sup>8</sup> If this tendency towards falling rate of profit shows the objective limits of capitalism, the law parallel to it, the capitalist law of relative overpopulation, shows the subjective limits of capitalism.

After abandoning the Ricardian position of the determination of wages through the physical existence minimum and the iron law of wages in the 1850s,<sup>9</sup> Marx no longer adhered to a straightforward theory of the continuously growing misery of the wage workers. The wage worker does not necessarily represent absolute poverty any more, as he did in Marx's earlier writings. The increasing productivity of labour makes it possible for the real wages (and consumption) of the workers to rise even as the value and price of their labour power decrease and the rate of surplus value increases. Consequently, the worker does not in this respect necessarily have any subjective experience either of the contradictory character of the capital relation or of any direct immiseration of his or her economic or social position:

At the moment where immiseration is only seen in relation to the development of capital, but where living standards rise, the theory of immiseration can no longer claim to provide anything towards explaining the coming into being of revolutionary consciousness. Any immiseration that is not perceived as such [sinnlich erfahren] cannot be an expression of 'necessity' as 'need'.<sup>10</sup>

The immiseration theory was, however, preserved intact in another way by Marx. Due to the increasing organic composition of capital (the relation of constant to variable capital), total capital accumulated faster than its variable

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8 'Beyond a certain point, the development of the powers of production becomes a barrier for capital; hence the capital relation a barrier for the development of the productive powers of labour ... The last form of servitude assumed by human activity, that of wage labour on one side, capital on the other, is thereby cast off like a skin, and this casting-off itself is the result of the mode of production corresponding to capital; the material and mental conditions of the negation of wage labour and of capital, themselves already the negation of earlier forms of unfree social production, are themselves results of its production process. The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital not by relations external to it, but rather as a condition of its self-preservation, is the most striking form in which advice is given it to be gone and to give room to a higher state of social production' (Marx 1973, pp. 749–50).

9 See Vygotskyi 1970, pp. 20–1; see also Schanz 1981, p. 289.

10 Siefert 1979, p. 198; cf. Wagner 1976, pp. 15–16.

part; as Marx understood it, the amount of employed workers does not increase intact with the accumulated capital:

On the one hand, therefore, the additional capital formed in the course of accumulation attracts fewer and fewer labourers in proportion to its magnitude. On the other hand, the old capital periodically reproduced with change of composition, repels more and more of the labourers formerly employed by it.<sup>11</sup>

A continuously increasing reserve army of unemployed workers follows from this:

The labouring population therefore produces, along with the accumulation of capital produced by it, the means by which it itself is made relatively superfluous, is turned into a relative surplus population; and it does this to an always increasing extent. This is a law of population peculiar to the capitalist mode of production ...<sup>12</sup>

The rationale of the increasing industrial reserve army from the point of view of capital is its influence on the demand and supply of labour power and, consequently, on the wage level. Wages are automatically kept in control. The price of labour power tends towards the existential minimum under circumstances of decreasing demand and increasing supply of labour power. The following formulation shows clearly, according to Siefertle,<sup>13</sup> that Marx was, even in *Capital*, introducing the concept of growing misery, once again:

Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation, at the opposite pole, i.e., on the side of the class that produces its own product in the form of capital.<sup>14</sup>

The possibility of the experience of the 'universal negativity' of the position of the working class, which in Siefertle's opinion is a precondition of the destruction of capitalism, is after all a subjectively experienced phenomenon in Marx's

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11 Marx 1974–2004, pp. 622–3.

12 Marx 1974–2004, p. 625.

13 See Siefertle 1979, pp. 201–2.

14 Marx 1974–2004, p. 640.



later thinking too, because of the growing army of unemployed and the consequent misery and suffering of the wage workers under capitalism. Thus Marx did not need to present any more specific problematisation of the development of the consciousness of the working class on a phenomenological level that would have shown how the mystification of the surface can be penetrated and overcome.<sup>15</sup>

Sieferle criticised Marx's presentation of the capitalist law of population or the law of relative overpopulation because it is based on the idea of the increasing organic composition of capital. The same critique that can be directed at the 'falling rate of profit' doctrine can be directed at the population law. *A priori*, one cannot forecast any necessity for a continuously growing reserve army. Sieferle's critique of this law was almost a standard one: only if the value composition of capital were necessarily to rise and only *if* the rate of surplus value were not to rise fast enough, would the expected conclusion follow.<sup>16</sup>

One could, however, easily add some more doubts about the validity of the law. Marx was drawing from it conclusions that quite obviously could be drawn only at a later stage of his presentation. The general law of accumulation was an absolute and abstract law, as pointed out by Wagner.<sup>17</sup> The expected conclusions could possibly follow only after the introduction of the problems of realisation and competition, and so on. The accumulation of capital was analysed, in the first volume of *Capital*, in its 'pure form' and, consequently, it can only be shown that – in relation to its own growth – capital continuously strives to get rid of its own basis of value increase, namely living labour, by increasing both absolute and relative surplus value and the productivity of labour. From this one cannot draw any conclusions concerning the historical fate of the working class, even less concerning the necessity for any continuously increasing misery. All that Marx could say at this stage of his presentation was that there is a tendency towards the existence of a *relative* overpopulation, that is, relative to the accumulated capital; capital accumulates faster than employment increases. But at the same time, employment can be increasing as well, albeit at a slower rate. Even if one were to accept the doctrine of the increasing organic composition of capital, it would not be correct to deduce from it any empirical forecasts about increasing overpopulation and unemployment, even less about any necessary decrease in the real wages of labour power or the increasing misery of the proletariat. And it is in principle as impossible to have

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15 Sieferle 1979, p. 202.

16 Sieferle 1979, pp. 162–3.

17 Wagner 1976, pp. 79–81.

any experience of the relative – that is, relative to the reproduction of capital – overpopulation and relative pauperisation of the proletariat as it is to experience the growing relative exploitation (or ‘relative immiseration’).

Whatever one thinks about the doubts over the nature of the general law of accumulation, Sieferle’s interpretation is in any case interesting because he claimed that Marx’s *Capital* included a phenomenological level of presentation relevant to the development of class consciousness. In analysing the consequences of capital accumulation, Marx was explicitly discussing the historical fate of the proletariat under capitalism. More specifically, Marx was trying to show that the inner contradictions and limitations of the production of surplus value come to appearance on the surface of society in an empirically apprehensible way, as the misery and poverty of the workers. Thus the universal negativity inherent in the social category of wage labour can be experienced by the majority of the population; the wage workers come to realise that the capital relation must be overthrown to allow the free development of the individual. The wage worker as an ‘absolute pauper’ representing ‘absolute negativity’ is not only something that scientific analysis of the essence of capitalism can reveal. It is also something that every worker can and must feel in her or his own body and soul.

One could claim that the role of the theory of immiseration in Second International Marxism, and in Kautsky’s thinking specifically, is very similar to that explicated by Sieferle in discussing Marx’s *Capital*. Just as crisis development, centralisation of capital, and the generalisation of wage labour were thought to reveal the objective limits of capitalism, so the increasing misery was thought to express its subjective limits. The revolutionary consciousness is born out of the insight that capitalism has nothing to offer the working masses. While making the capitalists richer, wage workers are doomed to ever increasing misery. As already pointed out, the central role of the law of the increasing misery of the working class was accepted to be a crucial element of Marxism by both the orthodox Marxists and the ‘revisionists’ of the Second International. They only disagreed over the empirical validity of the law.

However, it may be doubted whether Marx’s discussion of the capitalist law of population could in any way be understood either as a phenomenological level of the analysis of consciousness (Sieferle), or as a discussion of the normative standards of the participants forming part of Marx’s transcending critique (Lohmann). The discussion is closely connected with the postulates and conclusions of classical theories of bourgeois society. It is here suggested that Marx’s discussion of the general law of accumulation and the fate of the working class in *Capital* should be considered strictly within the context of his critique of political economy. Marx was, first of all, criticising the respective

laws of Ricardo (1817)<sup>18</sup> and Malthus (1798),<sup>19</sup> and trying to prove that the tendency towards increasing overpopulation and the falling rate of profit are not eternal natural laws, but rather, on the contrary, historical laws which are specific to capitalism. For Ricardo, the falling rate of profit resulted from the diminishing productivity of land taken into use cumulatively.<sup>20</sup> In *Capital*, Marx was directly commenting on Malthus:

The labouring population therefore produces, along with the accumulation of capital produced by it, the means by which it itself is made relatively superfluous, is turned into a relative surplus population; and it does this to an always increasing extent. This is a law of population peculiar to the capitalist mode of production and in fact every special historic mode of production has its own special laws of population, historically valid within its limits and only in so far as man has not interfered with them.<sup>21</sup>

There is, however, yet another context which is even more relevant to the interpretation of Marx's law of accumulation and overpopulation. In *Capital*, Marx stated:

The action of the law of supply and demand of labour on this basis completes the despotism of capital. As soon, therefore, as the labourers learn the secret, how it comes to pass that in the same measure as they work more, as they produce more wealth for others, and as the productive power of their labour increases, so in the same measure even their function as a means of the self-expansion of capital becomes more and more precarious for them; as soon as they discover that the degree of intensity of the competition among themselves depends wholly on the pressure of the relative surplus population.<sup>22</sup>

The law of supply and demand of labour power in a sense completes the analysis of the despotism of capital in Marx's critique of political economy:

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18 Ricardo 1971.

19 Malthus 1970.

20 See Ricardo 1971, pp. 71–2; cf. Marx 1973, pp. 606–7.

21 Marx 1974–2004, pp. 625–6. The translation confuses the two sentences at the end. The original German version of *Das Kapital* finishes with 'an abstract law of population only exists for plants and animals as far as man has not historically interfered with them' (Marx 1969b, p. 669).

22 Marx 1974–2004, p. 634.

as soon as wage workers come to recognise that they, in fact, produce riches alien to themselves in the form of capital, while becoming poorer themselves, capitalism has come to an end. By reproducing capital on an enlarging scale, they reproduce their own situation as wage workers, a situation characterised by both insecurity and brutality.

In the *Economic and Philosophical Manuscripts* of 1844, the same idea was already formulated in abstract terms: 'The worker becomes all the poorer the more wealth he produces, the more his production increases in power and size'.<sup>23</sup> In *Grundrisse*, the conclusion can be found in a more developed form already resembling Marx's analysis in *Capital*:

He [the worker] has produced not only the alien wealth and his own poverty, but also the relation of this wealth as independent, self-sufficient wealth, relative to himself as the poverty which this wealth consumes, and from which wealth thereby draws new vital spirits into itself, and realizes itself anew.<sup>24</sup>

And further:

It here becomes evident that labour itself progressively extends and gives an ever wider and fuller existence to the objective world of wealth as a power alien to labour, so that, relative to the values created or to the real conditions of value-creation, the penurious subjectivity of living labour capacity forms an ever more glaring contrast.<sup>25</sup>

The discussion of the general law of accumulation and the fate of the working class in *Capital* can then be interpreted to be a more developed formulation of the above ideas.<sup>26</sup> By showing the mechanism through which the reproduction and accumulation of capital makes the capitalist richer and the worker poorer, Marx is concluding his critique of natural rights thinking and classical political economy. The analysis of the reproduction of capital proved how the value

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23 Marx 1974–2004b, pp. 271–2.

24 Marx 1973, p. 453.

25 Marx 1973, p. 455.

26 In *Critique of the Gotha Programme*, Marx approvingly referred to a formulation according to which the misery of the working class is continuously increasing while the capitalists are becoming all the richer: 'In proportion as labour develops socially, and becomes thereby a source of wealth and culture, poverty and destitution develop among the workers, and wealth and culture among the nonworkers' (Marx 1974–2004f, pp. 82–3).

increase of capital takes place at the cost of living labour, and how wage labour continuously reproduces the social force that dominates the life activity of the worker. The production of a relative overpopulation, the other side of the accumulation of capital, shows furthermore that while continuously reproducing the conditions of further accumulation of capital, wage labour simultaneously reproduces its own relative superfluity. The wage worker thus continuously reproduces the relation of domination of capital over herself, or the domination of dead over living labour, a domination which most concretely comes into appearance as the relative overpopulation of workers:

But in fact, it is capitalistic accumulation itself that constantly produces, and produces in the direct ratio of its own energy and extent, a relatively redundant population of labourers, i.e., a population of greater extent than suffices for the average needs of the self-expansion of capital, and therefore a surplus population.<sup>27</sup>

The other side of the accumulation of capital is the accumulation of misery as explicitly stated by Marx: 'It establishes an accumulation of misery, corresponding with accumulation of capital'.<sup>28</sup>

In Marx's critique of capitalism, the original identity of labour, property and use value as postulated by John Locke and Adam Smith was definitely broken. Rather than increasing the conveniences of human life by adding more labour to nature's products as promised by Locke, those who work are deprived of even the mere necessities of life and of the very means of their living. Neither does the increasing wealth of a nation – followed by inequality of property – guarantee that a human existence will extend even to the lowest ranks of people, as promised by Smith. The general well-being of the greatest number does not follow from the growing wealth of a nation. The accumulation of capital results more in the most inhuman existence of the greatest number of people, the working class. In Marx's analysis, the accumulation of capital completes the despotism of capital,<sup>29</sup> and proves the dependence of the wage worker on the conditions of the reproduction of capital leading to the utmost brutality and insecurity of the whole life situation of the wage workers.<sup>30</sup>

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27 Marx 1974–2004, p. 624.

28 Marx 1974–2004, p. 640.

29 Nielsen 1980.

30 The list of the 'vices' of capital quoted by Marx is impressive: 'within the capitalist system all methods for raising the social productiveness of labour are brought about at the cost of the individual labourer; all means for the development of production transform

At the end of the first volume of *Capital*, Marx thus implicitly claimed that bourgeois society does not keep its promise of reason as formulated by classical thinking, and the legitimation of private property, money and capital through their social consequences, the human existence of humankind, cannot be justified. However, Marx was clearly exaggerating his case, while emphasising the almost continuous and inevitable immiseration of the working class.<sup>31</sup>

But it clearly was not sufficient for Marx only to prove that wage labour produces riches in a form alien to itself and that, whether or not better paid, wage labour continuously reproduces the capital relation – and the conditions of its own further existence – on a larger scale. Marx did not only stop at the point of proving that wage labour both reproduces on the one side more capitalists and on the other side more wage workers and the continuous dominance of capital over itself, as stated at the beginning of the chapter on the general law of accumulation:

The more or less favourable circumstances in which the wage working class supports and multiplies itself, in no way alter the fundamental character of capitalist production. As simple reproduction constantly reproduces the capital relation itself, i.e., the relation of capitalists on

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themselves into means of domination over, and exploitation of, the producers; they mutilate the labourer into a fragment of a man, degrade him to the level of an appendage of a machine, destroy every remnant of charm in his work and turn it into a hated toil; they estrange from him the intellectual potentialities of the labour process in the same proportion as science is incorporated in it as an independent power; they distort the conditions under which he works, subject him during the labour process to a despotism the more hateful for its meanness; they transform his life-time into working-time, and drag his wife and child beneath the wheels of the juggernaut of capital' (Marx 1974–2004, p. 639).

31 As shown by Carlsen et al. (1980; see also Schanz 1981), there is an important dimension in Marx's thinking concerning the civilisatoric dynamism of capitalism that is especially pronounced in the *Grundrisse*. According to Marx, the development of a free and rich individuality with universal needs and capacities results from the civilisatoric influence of capital. Marx never explicitly reflected on the relation between his conception of the civilisatoric influence of capital in *Grundrisse* and the results of his analysis of the fate of the working class in *Capital*. At first sight, there would seem to be in Marx's thinking a duality similar to that presented by Kautsky concerning the position of the working class in capitalism. According to Kautsky, there are both elevating and repressive tendencies operating in capitalism. Whereas the elevating tendencies in Kautsky's argumentation are always connected with the struggle of the working class against capitalism, in Marx's thinking they are, however, inherent in the very civilisatoric dynamism of capital.

the one hand, and wage workers on the other, so reproduction on a progressive scale, i.e., accumulation, reproduces the capital relation on a progressive scale, more capitalists or larger capitalists at this pole, more wage workers at that ... Accumulation of capital is, therefore, increase of the proletariat.<sup>32</sup>

Evidently Marx wanted to prove more than could actually be proved on the basis of his premises. He wanted to prove that the existence of the proletariat, the greatest number of the people within capitalism, is inclined to become more brutal and inhuman in a very concrete sense. Thus Marx opened up his case for a direct empirical interpretation – and falsification – of his theory and a historical critique of it. At least certain parts of his analysis can legitimately be understood to form a historical prognosis of the ever-worsening economic and social condition of the working class in capitalism. And it was the Second International Marxism that adopted this interpretation and prophecy as its own and absolutised it into the very cornerstone of its scientific socialism.

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32 Marx 1974–2004, p. 609.

## Conclusion

The main purpose of the present study has been to analyse and reconstruct the theory of capitalism formulated and developed by Karl Kautsky at the turn of the twentieth century. The specific importance of Kautsky's contribution to the development of Marxism lies in the fact that in interpreting and commenting on what he understood to be the essential ideas of Karl Marx's economic thought, he explicitly and more or less systematically formulated a doctrine that can be claimed to constitute the common core of the social theory of traditional Marxism. Despite the obvious and important differences in the conceptions of the leading Marxists of the time – especially in their strategic and political conclusions – in their understanding of the nature of capitalism they share important common ideas. These ideas have far-reaching consequences for their analysis of imperialism, for the evaluation of the conditions of the future revolution, and for the understanding of the coming socialist society.

Kautsky's Marxism springs from certain crucial misunderstandings in his interpretation of Marx's theory of capitalism: his interpretation of Marx's *Capital* fails to pay attention to the specific character of Marx's theory as a critique of political economy. Still, a critical reconstruction of the social theory of traditional Marxism is not only useful in pointing out differences in Marx's and Marxism's analysis and critique of bourgeois society. It also leads to the problematisation and re-evaluation of certain crucial conceptions in Marx's own reasoning. Marxism does not only represent what could be called a deformation of Marx's critique of political economy; there is a Marxism of Marx too.

Kautsky's most original contribution to the development of Marxism lies in his formulation of the laws of capitalist development. In Kautsky's own understanding, these laws were already presented by Marx in *Capital*. Consequently, Kautsky understood it as his task both to defend Marx's theory against attempts at empirical falsification and to apply it in analysing the development of the present capitalism and the conditions for a socialist revolution. His understanding of the law of capital accumulation as a historical and empirical law predicting the continuous concentration and centralisation of capital did, however, already include a specific interpretation of Marx's theory of capitalism.

In Kautsky's opinion, the main importance of Marx's *Capital* lay in the fact that it proved that, due to the centralisation of capital, a capitalist society is polarised into essentially two classes where – to quote an apt characterisation by Arato – 'an insignificant non-working minority owns everything and a work-



ing majority owns next to nothing (except their labour power).<sup>1</sup> The inevitable polarisation of bourgeois society also included the proletarianisation of the vast majority of its population. While destroying the economic basis for the existence of the old middle classes (various producers owning their own means of production), the concentration of property in a few hands concretely showed that there is no return to a previous historical stage in society. The future socialist society is the only alternative open to the working class for improving its lot in society.

Continuous immiseration of the working class is the other side of the concentration thesis. In Kautsky's view, the social and economic position of the proletariat, the great majority of the population in advanced capitalist countries, was doomed to deteriorate. The development of capitalism as predicted by Marx's theory thus created both the objective and the subjective conditions for a socialist revolution. The objective conditions were ripening due to the continuous concentration of capital, and the increasing misery of the working class was equally inevitably leading to the formation of a revolutionary working class, the subject of the coming socialist revolution.

In Kautsky's understanding, these developmental laws of capitalism were empirical, historical laws describing the general tendency of capitalism towards greater concentration and polarisation. They furthermore predicted the inevitability of the future dissolution of capitalism. The whole socialist doctrine rested on the validity of these laws. If they were refuted, then socialism would lose its scientific status and the labour movement would be deprived of the consciousness of the inevitability of its goal of socialism. In this respect, Kautsky's defence of Marxism against Bernstein's critique was revealing. On the one hand, Kautsky claimed that Bernstein's critique was totally misdirected. Marxism was not a theory of the collapse of capitalism. On the other hand, Kautsky was ready to agree that if Bernstein's critique were justified – if Bernstein had succeeded in proving the empirical invalidity of the concentration thesis – then the whole idea of the coming socialist revolution would have to be abandoned.

There was, in Kautsky's conception of capitalism, another component which was directly adopted from Engels's *Anti-Dühring* and which was of equal theoretical importance. In *Anti-Dühring*, Engels had formulated the basic contradiction of capitalism in terms of the increasing socialisation of production and the still prevailing private mode of appropriation. According to Engels, in the simple commodity production historically preceding capitalism, every

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1 Arato 1973–4, p. 6.

property owner appropriates the products of his own labour, whereas in capitalism the products are no longer products of individual labourers, even though they are still appropriated by private property owners. In simple commodity production, the right to private property was genuinely based solely on one's own labour; in capitalism, products of alien labour are appropriated even though they are no longer products of private labour, but are produced collectively by wage workers. In a socialist society, in which the means of production have been socialised, the mode of appropriation would once again correspond to the true nature of production, in fact, already socialised in capitalism.

In Engels's reasoning, this contradiction really was the basic contradiction of capitalism from which all the other contradictions – including industrial crises – followed. In Kautsky's conception, the role of this contradiction was – if possible – even more accentuated. He interpreted Marx as having presented in *Capital* the historical development of capitalism from an earlier mode of production, namely that of simple commodity production. This interpretation was already suggested by Engels, but one can claim that it has even more important consequences for Kautsky's reasoning. Kautsky claimed that there was a curious shortcoming in Marx's presentation of *Capital*. Marx did not provide the necessary historical facts in describing the transformation of simple commodity production into capitalism. And Kautsky even suggested that the analysis should be complemented by these facts first giving support and making understandable Marx's historical theory.

The most important consequence of Kautsky's discussion of the transformation of the mode of appropriation is that his critique of capitalism comes close to a radical version of natural rights theory. Kautsky – and for that matter Engels too – in fact postulated a hypothetical stage of simple commodity production, during which the right to private property was based on one's own labour. It was the right to appropriate nature's products by one's own labour that formed a title to property. It is only labour that creates a legitimate right to property. Private property and private modes of appropriation prevail in capitalism, but the original right to appropriate the products of one's own labour is violated. Capitalism is, consequently, criticised because it does not respect this original rule.

Neither Engels nor Kautsky demanded a return to an original or natural state of society, to simple commodity production, as some early nineteenth-century radicals did. In the opinion of Marxists, these radicals were utopian socialists who did not understand that the development of capitalism had made such a return impossible. The specific Marxist contribution to a critique of capitalism, which directed the natural rights theory against capitalist private

property, consisted of the idea of the socialisation of production. In capitalism, products are not appropriated from nature privately; they are the products of the collective labour of wage workers socialised in the production process by capital. Consequently there can be no return to simple commodity production and legitimate private property. The original right to appropriate the products of one's own labour must be substituted by the right of the working class, the collective worker, to appropriate the products of its collective labour.

The historical laws of the development of capitalism and the basic contradiction of capitalism formed the two poles of Kautsky's historical interpretation of Marx's *Capital*. This interpretation had important consequences for Kautsky's understanding of modern capitalism too. These consequences were manifested most clearly in his analysis of imperialism. The different proposals and attempts to analyse and discuss the new emerging features of capitalism generally gathered under the concept of imperialism were certainly inspired by the immediate political problems facing different Social Democratic Parties both before and during the First World War. The weight given to different factors – protective tariffs, colonial policy, export and import of capital and raw materials, overproduction, militarism, and the threat of war – in different theories of imperialism could certainly be partly explained by differences in the political and economic situation in different European countries.

The partly competing and partly converging proposals for analysing imperialism were, however, not only aimed at clarifying the immediate political tasks and conditions of action of the socialist parties. By characterising present capitalism either as imperialism or monopoly capitalism, something theoretically more ambitious was assumed. The theories of imperialism indicated that capitalism was developing or had already developed into a new phase or stage, which had transformed the functioning of its political and economic mechanisms demanding a new political orientation of the Social Democratic Parties. Although there are obviously important differences of opinion regarding imperialism and monopoly capitalism in the theories of Hilferding, Kautsky, Lenin and Luxemburg – the main representatives of the theory of imperialism analysed in this study – all the respective conceptions share a common understanding of what is the essential nature of capitalism: capitalism is essentially a society characterised by the expropriation of the products of labour of the majority of the population, the working class, by a handful of property owners, the owners of the means of production. Capitalism is a society of exploitation, and the exploitative nature of capitalism was understood to become both more severe and more evident insofar as capitalism was developing according to its own economic laws.

The specific relevance of the conceptions of imperialism to the analysis of Marxism is that, in a sense, imperialism first reveals the truth about capitalism. In imperialism, the exploitative nature of capitalism was manifested in a most conspicuous manner. During the age of imperialism, the majority of the population is exploited by cartels and finance capitalists, not only in the capacity of producers but also in the capacity of consumers as well. Cartels and finance capital do not only exploit the working class; other groups in society are exploited as well: the middle classes, peasants, and other smallholders, even industrial capitalists are exploited by finance capital. Exploitation is not restricted to the people of the imperialist countries. The exploitation of colonies in various forms is of growing importance.

It was Hilferding's theory of finance capital that formulated these consequences most explicitly. In Hilferding's opinion, capitalism was due to develop towards the formation of a single general cartel which would consciously regulate the distribution of the whole national product among a general cartel and the rest of the people, respectively. Hilferding's conception was based on the extrapolation of the tendencies inherent in capitalism as understood by the majority of the Marxists of the time. The logical outcome of these tendencies would be the formation of a general cartel. The antagonistic nature of capitalism would be developed to its extremes and in capitalism governed and regulated by a general cartel the remaining antagonism would be an antagonism of distribution exclusively.

In Kautsky's opinion, imperialism was essentially a political method adopted by the capitalist state to guarantee the profits of cartels and finance capital. Colonial policy (annexation of colonies) and high import tariffs were the basic methods of imperialist states. They were, furthermore, political measures which were in the interests of finance capital exclusively. Kautsky's famous idea of ultra-imperialism was a further direct extrapolation of Hilferding's conception of a general cartel. In ultra-imperialism, international cartels would regulate the quantity of production, prices of commodities and the distribution of profits among themselves. The formation of ultra-imperialism was a logical consequence of the tendencies towards centralisation of capital inherent in capitalism as understood by Kautsky. Ultra-imperialism would be a consciously regulated society based on the exploitation of the rest of the people by a few international cartels.

Even though principally denying the possibility of the development of capitalism towards the formation of a general cartel and the establishment of ultra-imperialism, and even though emphasising imperialism as a necessary stage of capitalism determined by its economic development – and not only as a political method of the state through which the power of cartels was exercised –

Lenin too understood imperialism as being essentially a forceful method of finance capital and monopolies to appropriate high profits resulting either from international transfers of capital, regulations of competition, or finance operations.

As has already been pointed out, there is a feature common to all these explanations. In all of them the profits of finance capital, cartels, or monopolies do not specifically result from the relation between capital and wage labour. It is not the different methods of surplus value production that are analysed. In imperialism, capitalists are furthermore able to appropriate high profits by methods that directly and clearly violate the rule of equal exchange of commodities, which in Marx's understanding was respected even in the relation between wage labour and capital. The profits of cartels are increased by artificially regulating competition, either by selling at a high price or by buying at a low price; exported capital can raise a high profit or interest; and dividends on stock are increased in value by finance operations. The importance of finance capital and export of capital in the theories of imperialism is especially revealing: in imperialism, capital is no longer directly related to the process of production, but profits are redistributed among different capital owners. In the hands of finance capital and cartels, private property becomes a right of the more powerful to appropriate and distribute profits in their interests. In this sense, then, imperialism reveals the truth about capitalism. In imperialism, capitalists are exploiting the people without even an illusion of equality in their relations. Private property is furthermore clearly separated from the production process, from the appropriation of nature's products by labour, which alone can create a rightful title to property. In claiming that imperialism and the reign of finance capital marked the end of technical development, the development of the productive forces, Kautsky and Lenin were presenting more than a doubtful empirical generalisation; private property was deprived of its transhistorical legitimation. Capital no longer had a progressive function in organising the labour process. In characterising imperialism as parasitic capitalism, Lenin thus summarised his analysis more aptly than he perhaps realised.

The previous discussion has emphasised the common features in the different theories of imperialism. In Kautsky's conception, there were, however, interesting features that were not shared by others. As already noted, Kautsky understood imperialism as being basically a political method of capitalist states. Imperialism was only one of the possible answers to the problem of overproduction, which he understood to be a chronic problem in capitalism. According to Kautsky, the continuous threat of overproduction resulted from the different expansive capacities of industrial and agrarian production.

Whereas industrial production could in principle be expanded without limits, there were natural limits to the growth of agrarian production. By opening up new markets for industrial products and new raw material resources, colonies – at least temporarily – relieved the imperialist countries of the problem of overproduction. Protective tariffs had a similar function by restricting foreign competition. In Kautsky's opinion, imperialism was only in the interests of finance capital. It had forced the state to adopt an imperialist policy. In this context of discussion, Kautsky formulated his famous thesis about the possible alternatives to imperialism which were suggested by him in different articles: ultra-imperialism and a democratic union of states. In ultra-imperialism, worldwide cartels would regulate both production quantities, namely market prices and the distribution of profits. A democratic union of states would, on the contrary, restore the principle of free trade within its borders. These alternatives would both be more favourable to the working class than imperialism. The democratic alternative of free trade would in particular be more favourable both to the development of productive forces – a criterion constantly applied by Kautsky in evaluating different political measures – and to the wage workers as well. Still, both ultra-imperialism and the democratic union of states must finally be replaced by the socialist alternative, the final goal of the proletariat and socialist movement.

Despite resembling Luxemburg's idea of the necessity of non-capitalist markets for the continuous accumulation of capital, which was closely related to the conception that there are absolute, final limits to the expansion of capitalism, Kautsky's emphasis on overproduction as a central cause of imperialism can be said to constitute his original contribution to the theories of imperialism. But even in this respect there are certain important similarities between the respective reasoning of Kautsky, Lenin and Luxemburg.

In Kautsky's analysis, the natural restrictions of agrarian production give rise to imperialist politics. Hilferding discovered that cartels agreed on restrictions on competition in order to prevent the devaluation of capital fixed in such means of production which could not easily be transferred to other fields of production. In Lenin's analysis, the increasing size of the production units necessitated by technical development was one of the reasons for free competition to be substituted by monopolistic restrictions on competition. One feature common to all these explanations is that monopoly capitalism or imperialism is explained by some peculiar technical or natural properties of the labour process. On the one hand, imperialism was thus understood as a system in which profits were appropriated and distributed in the interests of powerful groups of capitalists, while on the other hand, the production process was analysed in terms of the technical labour process.

Kautsky, Luxemburg and Lenin all emphasised the violent and reactionary nature of imperialism. It was partly explained by the political forces active in imperialism. The bourgeoisie was understood as having given up its former democratic aspirations and as having taken refuge in violent methods of repression both in its relation to the 'domestic' working class and in international relations. There were, however, other more deeply rooted reasons explaining this strategic evaluation of imperialism. It could be claimed that it was not only imperialism that was understood as reactionary; capitalism in general was reactionary. To both Kautsky and Lenin, democracy and equality were simply tactical weapons used by the rising bourgeoisie in its struggle against feudalism and absolutism. They were political ideals that in principle had nothing to do with the social relations of a bourgeois society. It was Kautsky's conception of democracy and dictatorship that is especially revealing in this respect too.

The role of democracy in Kautsky's thinking is rather peculiar: it determines his specific position in the political spectrum of the Second International Marxists. To Kautsky, democracy was not only – as it was to many a Marxist – the most effective political institution to be used in organising and schooling a socialist and revolutionary working class. Parliamentary democracy also offered the best possible measuring stock for evaluating the actual strength of the proletarian organisations. However, to Kautsky, democracy was not only a tactical question. He was obviously a principal democrat by conviction. In Kautsky's opinion, socialism without democracy was only a caricature of socialism. He demanded that the democratic rights of the minority should be respected during the socialist revolution, and he proclaimed that parliamentary democracy would be the ideal form of a socialist rule. Kautsky was, however, equally convinced that the socialist transformation of bourgeois society would not be a process of gradual transition. It would be a revolutionary process, preceded by a political revolution. And – at least until the Russian Revolution – Kautsky also thought that this revolutionary transformation of society would take place under a dictatorship of the proletariat.

It was the way he combined parliamentary democracy and the dictatorship of the proletariat in his thinking that was peculiar to Kautsky's political position. There was not, however, any contradiction in his thinking. According to his definition, the dictatorship of the proletariat would be equal to Social Democratic majority rule in parliament. As soon as the Social Democratic Party occupied the majority of the seats in parliament, it would declare a socialist revolution under the auspices of the dictatorship of the proletariat. But a dictatorship of the proletariat would respect democratic principles; it would realise the will of the majority while also respecting the rights of the minority.

The main reason for Lenin's well-known accusation of Kautsky as a renegade of Marxism was the latter's disapproval and critique of the Russian Revolution and the Bolshevik model of the dictatorship of the proletariat. Lenin accused Kautsky of adopting only a formal concept of democracy which did not pay attention to the real class character of the bourgeois state. To Lenin, the real class character of the state was the decisive criterion according to which a Marxist should judge it. The ruling class of a society always establishes its class rule in a state irrespective of its possible democratic constitution. But even Lenin recognised that in Russia the socialist revolution must be preceded by a democratic one, and he also shared Kautsky's opinion of the importance of democratic institutions as a training ground for the proletarian organisations. But otherwise the question of democracy was rather irrelevant to Lenin. It was always the class character of the state that was the decisive factor.

Despite their radically different stands on questions of democracy and dictatorship, Kautsky's and Lenin's positions were similar in that in their view democracy and equality obviously had nothing to do with the social relations of a bourgeois society. Democracy was either an alien principle in capitalism, its only adherent being the working class, or it was relevant only from the tactical point of view as just another form of bourgeois class rule. It can be claimed that this understanding of democracy in capitalism and its role in the socialist revolution is closely connected to the conception of capitalism as essentially a society in which a small minority of property owners directly exploits the great majority of the population, a society in which the fruits of the labour of the working class are appropriated by the capitalists. In such a society, there is no place for any freedom and equality of its members; it is a reactionary society in which even the most elementary needs of the greatest number are repressed. Continuous misery is all the working class can expect. If the capitalism of free competition preceding imperialism was still understood as fulfilling its historical mission of developing the productive forces, imperialism was deprived even of this justification. Thus the reactionary nature of capitalism was manifest in it in a most conspicuous manner.

Marx's critique of the capitalist mode of appropriation differs remarkably from Marxism's critique of private property, and consequently his critique of capitalism is also more subtle. In *Capital* and the *Grundrisse*, Marx did not formulate any basic contradiction of capitalism in terms of the still prevailing private mode of appropriation and the increasing socialisation of production. At first sight, his critique had a similar target. It was directed at the basic assumption of classical political economy, namely the legitimation of private property as being based on one's own labour. Marx's discussion of the transformation of the mode of appropriation seems to resemble the thesis present-



ed in *Anti-Dühring*. According to Marx, in capitalism the mode of appropriation has been transformed into its opposite. While being originally based on one's own labour in simple commodity production, in capitalism the result of the transaction between capital and wage labour is that the products of alien labour have been appropriated. In fact, however, Marx's critique of political economy could also be directed at Engels's formulation of the basic contradiction of capitalism. In classical political economy, the right to private property was postulated as being based on the right to appropriate nature's products by labour. It is labour that creates a legitimate right to private property. In Marx's opinion, this postulate leads to a naturalisation of the social relations of bourgeois society as private property is not constituted by humanity's relation to nature; it is a legal expression of the more fundamental social relations of production and has different contents in different social formations. Marx did not, however, only disqualify the conception of private property and appropriation postulated in classical political economy by stating that in capitalism private property is not based on one's own labour. His critique also included an explanation of the reasons which led classical political economy to make such a postulate. In Marx's opinion, the legitimization of private property by labour is, in a sense, a valid form of thought in bourgeois society.

In Marx's view, political economy postulated an original appropriation of the products of one's own labour and a property right based on it, because if only the process of circulation of commodities is analysed, then the products of alien labour could be thought to have been appropriated by exchanging them with the products of one's own labour. Thus the commodities exchanged must originally have been produced by the respective commodity owners. If the rule of equal exchange has furthermore been respected (as assumed by political economy), then the commodities produced by alien labour can only be appropriated by exchanging them with the products of one's own labour of equal value.

There is, however, another side to Marx's critique of political economy which was equally neglected by traditional Marxism. In making a distinction between the form and the contents of the process of appropriation, Marx recognised that there is an essential truth imbedded in classical political economy. The form of capitalist appropriation respects the rule of equal exchange as the relation between capital and labour power is one of exchange of commodities. In the process of commodity circulation, the mutual freedom and equality of the commodity exchangers (including the owner of the labour power) are respected. In Marx's own words, the process of circulation is the productive basis for the legal ideas of freedom and equality in a bourgeois society. Freedom and equality are, however, by nature formal, because the result of the capitalist

commodity circulation is that surplus value has been appropriated. Capital has increased in value, but the owner of the commodity labour power leaves the process in the same capacity as he entered it, the value of his commodity has – in the ideal case – been preserved. In entering the production process, the wage worker is furthermore subordinated under the ‘despotism of the factory’. Freedom and equality are by nature formal, because the wage worker is not in command of the material means of the objectification of his own labour power. The very productive activity of the worker is subjected under an alien will. The result of the process is that surplus value has been appropriated, even though the process of exchange respects the rule of equal exchange, and the commodity exchangers are in the sense of classical thinking free and autonomous individuals.

While adopting only one element of Marx’s critique of capitalist appropriation and private property, traditional Marxism understood capitalism as just another exploitative society in which the products of the labouring class are forcibly exploited by property owners. Thus Marxism totally ignored Marx’s conception of capital as a specific relation of exploitation. And due to this neglect, the result of which was most drastically expressed in the theories of imperialism, Marxism came close to a radical version of the natural rights theory. Capitalism was to be blamed because it did not respect the original right of the worker to his own products.

Even though one could perhaps interpret Marxism as implicitly presenting an immanent critique of capitalism (capital as a violation of an original property rule), it still fell short of understanding the specific character of Marx’s *Capital* as a critique of political economy. Marx’s critique of political economy included both a critique of the postulated naturalness of the social relations of bourgeois society and a critique of bourgeois society with its own normative standards of freedom and equality. To claim that Marxism did not understand the specific character of Marx’s theory of capitalism as a critical theory amounts to claiming that Marxism did not understand the importance of Marx’s determination of the dual nature of labour, which in Marx’s own view was his most original theoretical invention. The postulate of the naturalness of social relations, of social relations based on humanity’s relation to nature, was a consequence of the failure to comprehend the specific social form of labour in bourgeois society. The secret of the origins of surplus value could also be revealed once the determination of the dual nature of labour power had been invented. Marx’s critique of both capital and private property had as its prerequisite the critique of the concept of labour.

In discussing the transformation of the mode of appropriation in capitalism, even Marx seemed to refer to an earlier mode of appropriation from which

the capitalist mode had been developed. In the simple commodity production preceding capitalism, the appropriation of commodities and private property too were, in fact, based exclusively on one's labour. But in contrast to Kautsky's and Engels's Marxism, Marx was careful to stress that private property is not constituted by humanity's relation to nature. It is only in a society in which private labour is transformed into social labour by exchange that private property is constituted. It is thus wrong to naturalise the social relations of a society of commodity production. But in a sense, even Marx adopted what he understood to be the rational kernel of classical political economy through a critical reconstruction of its theories of surplus value. His dual redefinition of the concept of labour preserved and even radicalised the central idea of classical political economy (which was preceded by natural rights thinking), namely that labour is the original price that has been paid for commodities. Through the productive activity of a human being, one's labour is materialised in its products. It is labour – even if not labour alone – that creates riches in society, a multiplicity of use values, which in capitalism (temporarily) appear in the form of commodities. Even in capitalism it is then the labour of the wage worker that creates riches by materialising in the products of labour. It is labour that forms the substance of value, and it is labour time that determines the quantity of value. Even though emphasizing that value is a specific social form of commodities, a social function ascribed to them in exchange, Marx definitely identified the substance of value with abstract labour.

Thus it is understandable that Marx obviously approved of and even contributed to Engels's formulation of the basic contradiction of capitalism in terms of the socialisation of production and private mode of appropriation. Marx would undoubtedly recognise it as a shorthand formulation of his own critical thesis that even in capitalism, as in any society, it is labour that creates riches; anyone not working lives at the cost of others. Even though drastically overlooking Marx's critique of political economy, Marxism thus still preserves intact a central component of Marx's critique of capitalism, condensed in the labour theory of value which Marx adopted from Ricardo and which he even found *in statu nascendi* in the whole history of classical political economy. It is this labour theory of value that can be said to constitute Marx's Marxism.

In another context, Alexa Mohl identified in Marx's thinking an element that has equally been preserved in Marxism. In her study *Immiseration and Revolution* [*Verelendung und Revolution*],<sup>2</sup> Mohl identified two distinct concep-

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2 Mohl 1981; see also Mohl 1979 and 1983.

tions about the socialist revolution and the determination of the revolutionary subject. These conceptions are mutually exclusive, and their relationship was never explicitly reflected on by Marx, even though elements of both of them can be found even in Marx's mature works, in his critique of political economy. Mohl calls the first conception objectivistic, the second the model of practical emancipation. According to the objectivistic version, the coming socialist revolution is an inevitable outcome of the economic development of capitalism revealed by its scientific analysis. Its central thesis is that it is the increasing misery of the working class that qualifies it as the genuine executor of revolution.

The concept of practical emancipation, on the other hand, emphasises Marx's theory of capitalism as a critical theory. The development of the revolutionary subject is not thought to be predetermined by the development of capitalism. The very goals and aspirations of different actual emancipatory movements assume special importance in this conception. Even though Mohl was not discussing explicitly the role of different standards of critique in Marx's theory, in this respect her interpretation resembles Lohmann's idea of a transcending critique. Mohl is interested in the relation between the critical theory and emancipatory movements. In her opinion, the role of the critical theory is to clarify the self-understanding of practical movements about their goals and conditions of action, but it does not dictate any such goals of action. Theory, then, is not the dominating partner of the revolutionary movement. And what is even more important, the model of practical emancipation did not identify the revolutionary subject exclusively with the proletariat.<sup>3</sup>

Mohl's interpretation is especially interesting because she identified elements of an objectivistic theory of revolution not only in certain stages of the development of Marx's thought, but practically in all of Marx's main writings. The thesis of immiseration and the presumption of the proletariat as representing absolute poverty can be found both in the *Economic and Philosophical Manuscripts* of 1844 and in *The Holy Family*.<sup>4</sup> The idea is then elaborated further in Marx's writings at the end of the 1840s, *The Poverty of Philosophy* [*Elend der Philosophie*],<sup>5</sup> and *Wage-Labour and Capital* [*Lohnarbeit und Kapital*],<sup>6</sup> written in the period in which Marx adopted most uncritically Ricardo's theory of value and the determination of wages by the existential minimum of the wage

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3 Mohl 1981, pp. 126–7.

4 Marx and Engels 1974–2004b, pp. 36–7. See Mohl 1981, pp. 25–8.

5 Marx 1974–2004d.

6 Marx 1974–2004e.

worker.<sup>7</sup> The conception of immiseration and the idea that it is the steadily deteriorating social position of the working class that forces it to accomplish the socialist revolution can also be found in Marx's *Capital*, particularly in the chapter dealing with the accumulation of capital.

Even though it cannot be denied that there are formulations in Marx's *Capital* and in his earlier works that would suggest that Marx did in fact present an objectivistic theory of revolution as interpreted by Mohl, it is more reasonable to interpret the discussion of the fate of the working class in *Capital* as an essential element of Marx's critical theory. Mohl's characterisation of the objectivistic theory of revolution, on the other hand, would be an apt description of Marxism's conception of revolution analysed in this study.

According to Kautsky, the belief in the inevitability of the coming revolution was not based on any expectation of the automatic collapse of capitalism. In a sense, socialism will not be an automatic end-result of the development of capitalism, because the coming revolution can only be accomplished by a proletariat impregnated by socialist consciousness, representing not only misery and moral degradation, but also higher learning and even higher moral standards developed in its organisations during the struggle against capitalism. In Kautsky's opinion, the party of the working class was in possession of the most scientific knowledge about society and its development. Scientific socialism was indispensable to the labour movement. It united the proletariat in its struggle, and it could fulfil this function most effectively by proving the necessity of the abolition of capitalism and the inevitability of the socialist goal. According to Kautsky, science cannot, however, dictate any goals of action to a socialist movement. It would be wrong in principle to deduce any such goals or ideals from the scientific analysis of society. Despite his strong emphasis on the will and conscious activity of the proletariat as indispensable preconditions for the coming revolution, Kautsky's conclusions were deterministic: the very same development of capitalism that was expected to lead to an increasing polarisation of bourgeois society was just as automatically and inevitably expected to create the executor of the revolution: a revolutionary, socialist working class.

There is a seeming paradox in Kautsky's discussion of the relation between scientific socialism and the working class. First, the formation of a revolutionary working class is thought to be an automatic and unproblematic result of the development of capitalism. Second, Kautsky, followed by Lenin, definitely presumed that within the working class there could not develop a socialist revolu-

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7 Marx 1974–2004e, pp. 209–10; cf. also Marx 1974–2004e, p. 216, where Marx presents a theory of relative deprivation. See also Tuchscheerer 1968, pp. 287–90 and 314–15.

tionary consciousness all by itself. The proletariat could only become conscious of its immediate economic interests (its spontaneous consciousness was, Lenin claimed, mostly trade-unionistic), and these particular interests might even be opposed to the general genuine interest of the proletariat, that is, the establishment of a socialist society. It was then the task of the Social Democrats in possession of scientific socialism to assist the proletariat, to school and to organise it, and to make it conscious of its genuine interests and historical mission. Scientific socialism then both becomes redundant in its relation to the proletarian movement, because there cannot be any doubt about the future development of a revolutionary socialist working class, and it is presumed to be the necessary constituent of the revolutionary movement, because first socialist intellectuals (Kautsky) or professional revolutionaries (Lenin) bring an insight of the inevitability of the socialist goal into the labour movement.

As has already been pointed out, Mohl's identification of an objectivistic theory of revolution in Marx's *Capital* is problematic. Even if one can recognise an immiseration thesis in Marx's discussion of the fate of the working class under capital accumulation, it has been suggested in this study that this discussion should be interpreted in another context. It is in general highly problematic to interpret Marx's *Capital* as including any theory of revolution at all, as there is no analysis of the conditions determining the development of socialist consciousness of the wage workers.

Marx's analysis did not simply introduce other standards into his critique of bourgeois society, normative standards of actual emancipatory movements, as suggested by Lohmann's interpretation. Marx's discussion of the fate of the working class under capital accumulation is rather directed at the claim of a reasonable society as presented by classical political economy and its predecessor, natural rights theory. Bourgeois society does not keep its promise of a natural and reasonable society guaranteeing the general well-being of the greatest number and the human existence of its members. By showing that while developing according to its immanent laws capitalism continuously creates a relative overpopulation and threatens to deprive the wage workers of their very means of existence, Marx in a sense concluded his critique of political economy, a critique in which the normative standards of the very bourgeois society are directed against this society. Thus in interpreting Marx as having predicted the continuous immiseration of the working class in capitalism and as having made it a cornerstone of his theory of revolution, Marxism certainly miscomprehended Marx's critical intention, but still it cannot be denied that even to Marx the brutality and degradation of the life situation of wage workers showed in a most drastic way that capitalism must give way to a higher social formation.

Even if one were to admit that Mohl's characterisation of the role and function of Marx's critical theory as a kind of enlightened discussion partner of practical emancipatory movement obviously grasps an essential feature of Marx's critique of political economy, one can still claim that there are important theoretical reasons for Marx to identify the subject of revolution as the proletariat. In Mohl's interpretation, Marx's critical theory is identical to Marx's critique of reification. It does not identify the subject of the revolution as the proletariat because the reification of social relations can in principle be experienced by all members of bourgeois society.<sup>8</sup> On the contrary, it can be claimed that it is the critique of reification that definitely identifies the general human emancipation with the emancipation of the proletariat in Marx's thinking. Marx's discussion of the fate of the working class, and his determination of the wage worker as representing absolute poverty, are an integral part of his critique of reification too.

Marx's analysis of the dual nature of the commodity and of labour power resulted in the recognition of the inversion of all social relations of which money and capital are further expressions. According to Marx, in a society of commodity production, private labour is only transformed into social labour through exchange. Because a necessary precondition of this transformation is that the use value of a specific commodity (money) becomes the manifestation of the value of all other commodities, all the social relations between the producers take the form of relations between things:

A commodity is therefore a mysterious thing, simply because in it the social character of men's labour appears to them as an objective character stamped upon the product of that labour; because the relation of the producers to the sum total of their own labour is presented to them as a social relation, existing not between themselves, but between the products of their labour. This is the reason why the products of labour become commodities, social things whose qualities are at the same time perceptible and imperceptible by the senses.<sup>9</sup>

Due to the analysis of the value form of a commodity, the experience of reification described in the *Economic and Philosophical Manuscripts* as the alienation of labour or the self-alienation of the human species is finally explained in *Capital*. The analysis of the 'national economic state of affairs' (bourgeois society)

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8 See Mohl 1981, pp. 117–20.

9 Marx 1974–2004, pp. 82–3.

cannot start with the concept of labour and the alienation of labour, because in bourgeois society labour takes a specific value form and, consequently, neither riches nor social relations appear as they are in reality. The analysis of the dual nature of labour makes it possible to comprehend why the products of labour take a thing-like character in relation to the very producers; the social totality is not constituted by the conscious actions of its members. The fable of simple commodity production in which the producers calculate their labour time used to produce commodities, and in which they thus consciously constitute their mutual social relations, is seriously wrong:

Hence, when we bring the products of our labour into relation with each other as values, it is not because we see in these articles the material receptacles of homogeneous human labour. Quite the contrary: whenever, by an exchange, we equate as values our different products, by that very act, we also equate, as human labour, the different kinds of labour expended upon them. We are not aware of this, nevertheless we do it. Value, therefore, does not stalk about with a label describing what it is. It is value, rather, that converts every product into a social hieroglyphic.<sup>10</sup>

In Marx's manuscript of 1861–3, a prework of *Capital*, the concept of capital as a 'value increasing its value' is still in some sense undeveloped. Partly for this reason the manuscript is especially interesting. In the manuscript, Marx was still discussing both the different form of surplus value production and the reproduction of capital simultaneously. In analysing the reproduction of capital, Marx was constantly emphasising that the material means of the existence of the worker, the means of the objectification of her or his labour power, are in alien hands, subordinated under an alien will. In this sense, the wage worker is a representative of absolute poverty: 'As such, conceptually speaking, he [the worker] is a PAUPER, he is the personification and repository of this capacity which exists for itself, in isolation from its objectivity'.<sup>11</sup>

And further:

A prerequisite for this is the absence of the objective conditions for the realisation of his labour capacity, the conditions of the objectification of his labour; these must have been lost to him, becoming instead subject to

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10 Marx 1974–2004l, pp. 84–5.

11 Marx 1974–2004j, p. 40.



an alien will, as a world of wealth, of objective wealth confronting him in circulation as the property of the commodity owners, as alien property.<sup>12</sup>

Because the conditions of the objectification of the worker's labour power are in alien hands, the worker is bound to become poorer:

Rather, he [the worker] has to impoverish himself, because the creative power of his labour becomes established as the power of capital, as an alien power confronting him. He divests himself of labour as the force productive to wealth; capital appropriates it as such ... There the productivity of the worker's labour comes to confront him as an alien power.<sup>13</sup>

In this manuscript, Marx emphasised that there is a fundamental difference between the material means of production and their capital form: capital is not just equal to the means and instruments of production. Even though the conditions of the objectification of labour power seem to be opposed to the worker in their transhistorical capacity of material means of production, they do in fact subordinate the living labour power only insofar as they take the specific social form of capital:

Hence although the means and material of labour are not as such capital, they themselves appear as capital because their independence, their existence as entities in their own right vis-à-vis the worker and therefore labour itself is rooted in their being.<sup>14</sup>

In analysing the value increase process, Marx stated that the commodity labour power has a specific and peculiar use value: it produces a new value. As a consequence, in selling their labour power the wage worker gives away to the buyer the right to consume their commodity in a similar way as the seller of any commodity. Labour power is, however, a specific kind of commodity, since it cannot be separated from the personality of the worker. The worker has to enter the process of its consumption together with the commodity they have exchanged:

But since labour is at the same time the expression of the worker's own life, the manifestation of his own personal skill and capacity – a manifest-

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12 Marx 1974–2004j, p. 37.

13 Marx 1974–2004j, p. 160.

14 Marx 1974–2004j, p. 96.

ation which depends on his will and is simultaneously an expression of his will – the capitalist supervises the worker, controls the functioning of labour capacity as an action belonging to him.<sup>15</sup>

An important conclusion follows from the above argument:

which in its result and conditions displays a phenomenon which is not only entirely alien to the laws of simple circulation but appears to be at odds with it. In the first place, the social position of the seller and buyer changes in the production process itself. The buyer takes command of the seller, to the extent that the latter himself enters into the buyer's consumption process with his person as a worker. There comes into being, outside the simple exchange process, a relation of domination and servitude, which is however distinguished from all other historical relations of this kind by the fact that it only follows from the specific nature of the commodity which is being sold by the seller.<sup>16</sup>

In this study, it has been argued that Marx's discussion of the fate of the working class under capital accumulation should be understood as an essential conclusion of his critique of political economy. Now the same conclusion could be formulated as follows: Marx's thesis about the insecurity and degradation of the life situation of the wage worker is an integral part of his critique of reification too. The very starting point for his analysis of capital is that the wage worker represents absolute poverty while he is deprived of the material means of objectification of his labour power. In the form of capital, these means are opposed to living labour as an alien power, as a power commanding his own productive activity. To Marx, the cyclical increase in a relative overpopulation, the growing rate of unemployment, shows in a drastic manner the real character of capital as an alien power; the material conditions of the objectification of living labour, the very means of the existence of the wage worker, are in the form of capital conditions over which the worker is not a master.

Now, Marx was careful to stress that it is only in the form of capital that the means and substance of the objectification of labour power become that kind of an alien power. Otherwise the process would be irreversible. But it is of equal importance that in the means and substance of the productive activity

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15 Marx 1974–2004j, p. 93.

16 Marx 1974–2004j, p. 106.

of the labour power, labour has, in fact, been materialised; they represent former objectified (dead) labour. The historical mission to end the prehistory of humankind belongs to the proletariat – even if it does not recognise this itself – because in a way the reification of the social relations is its own product. It is the labour of the wage worker that has been materialised in the use value of commodities and objectified in the value of commodities. It is the relation of the labour of the individual worker to the total social labour that takes an objectified, independent form of relations between things. And the productive powers of capital are in fact nothing but the productive powers of living labour only temporarily alienated from it. And as such they can in principle be returned to what they are in reality, namely the capacities and abilities of living labour.

Because of his redefinition of the concept of labour, Marx's critique of capitalism implicitly proposes a non-metaphysical solution to the question of the producibility of history. As pointed out by Kittsteiner,<sup>17</sup> Marx demystified an idea common to the philosophy of Enlightenment, which claimed that in acting according to their own interests or purposes – often against each other – people unintentionally and unconsciously realise a hidden plan or a reasonable goal in history. Both Kant's metaphor of 'nature's purpose' and Smith's 'invisible hand' expressed this idea. By introducing his dual conception of labour, Marx both preserved the idea that people make their own history and that history is by nature alien, realising a goal which is not intended by the individual actors. The use values of commodities are a product of a specific purposive activity of a human being, which, in Marx's understanding, is by nature transhistorical. But because labour power takes the form of a commodity, a value form, its products have a specific thing-like character and the relations of the commodity producers have become reified. People are subordinated under the independent, alien character of the products of their own labour. Thus they are not the real subjects of their history.

In Marx's communism – beyond reification – this prehistory of humankind would come to an end. As Marx said, in the sphere of material production there would always remain an element of nature's compulsion and the productive activity of a human being can never become the arena of the human being's self-realisation; the real empire of freedom would only begin beyond the empire of necessity, beyond need and labour. But even within the empire of necessity people would consciously, and with human dignity, regulate their exchange of substance with nature; in the realm of freedom a human being's

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17 Kittsteiner 1980.

activity would be genuinely free. It would only have a goal in itself or – in other words – the goal of the activity would be included in the very process of action.<sup>18</sup>

Kautsky's Marxism has no place for a critique of reification. In Kautsky's communism, the anarchy of production has been overcome; man has learned to master the laws of his own social development, in the same sense as he has already learned to master the laws of nature. The development of society can be controlled just as natural forces are controlled:

Anarchical commodity production is replaced by the deliberate systematic organisation of social production, and an end is made of the domination of the producers by the product. Man, who has become to an ever increasing extent the master of natural forces, will thereby become the master of social development.<sup>19</sup>

Kautsky continued his characterisation of the principles of future society by quoting Engels's famous dictum:

Only from that time will man himself, more and more consciously make his own history ... only from that time will the social causes set in movement by him have, in the main and in a constantly growing measure, the results intended by him. It is the ascent of man from the kingdom of necessity to the kingdom of freedom.<sup>20</sup>

To Kautsky and Engels, then, communism would not mark the end of the prehistory of humankind, the end of reification, but rather the consciously regulated utilisation of the natural-like laws governing the development of human society. In Engels's words, 'the laws of his own social action, hitherto standing face to face with man as laws of nature foreign to, and dominating him, will then be used with full understanding, and so mastered by him.'<sup>21</sup> In a planned socialist society, social causes would finally have the intended causes once the societal laws were recognised and mastered, but still the social activity of human beings would be regulated by laws similar to those of nature. According to Engels's (and Hegel's) famous slogan, freedom is equal to the recognition of necessity.<sup>22</sup>

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18 Marx 1974–2004m, p. 807.

19 Kautsky 1936, p. 247.

20 Kautsky 1936, pp. 247–8.

21 Engels 1974–2004d, p. 270.

22 Engels 1974–2004d, p. 105.

Kautsky's and Engels's Marxism is closer to classical political economy than to Marx's critique of it. But the critical potency of Marx's theory of capitalism is no less dependent (and by no means less questionably) on the classical formulation of the essential social issue of modern society expressed in the philosophy of Enlightenment. Marx's critique of reification would maintain its critical potency if it would still be reasonable to claim that there is a hidden plan in history realising the human existence of humanity. Marx's idea of a free association of producers would only be convincing if history were a result of the objectification of the principle of labour, of the perfection of the purposive, productive activity of socialised human beings.



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