

Rosa Luxemburg and the Collapse of Capitalism

John Crump

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Fifty years ago on 6th January began the hopeless Spartakist rising against the Social Democrat government of Germany. It led to the brutal murder of Karl Liebknecht and Rosa Luxemburg, two well-known and courageous opponents of the first world slaughter. Luxemburg, as an opponent of both reformism and Bolshevism who understood the worldwide and democratic nature of socialism, had views on many subjects near to those of the Socialist Party of Great Britain. However, there were certain basic differences between our views and hers. The following article discusses one of them: the collapse of capitalism.

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Rosa Luxemburg was murdered on January 15 1919. Her head was first smashed in with the butt of a soldier's rifle and she was then dumped in the Landwehr Canal. With her death, the uprising of the Spartakus Bund in Berlin collapsed—as it had been doomed to do all along. In fact, the real tragedy of this affair was not its brutality but the waste of it all. Why had Luxemburg allowed herself to become involved in such a useless adventure in the first place?

The only adequate explanation seems to lay in her conviction that capitalism had been driven to an impasse, that its internal contradictions had brought it to the point of breaking down. Speaking to the founding congress of the Communist Party of Germany on 30th December 1918, she had outlined her analysis of the current situation:

“I need hardly say that no serious thinker has ever been inclined to fix upon a definite date for the collapse of capitalism; but after the failures of 1848, the day for that collapse seemed to lie in the distant future. We are now in a position to cast up the account, and we are able to see that the time has really been short in comparison with that occupied by the sequence of class struggles throughout history... what has the war left of bourgeois society beyond a gigantic rubbish heap? Formally, of course, all the means of production and most of the instruments of power, practically all the decisive instruments of power, are still in the hands of the dominant classes. We are under no illusions here. But what our rulers will be able to achieve with the powers they possess, over and above frantic attempts to re-establish their system of spoliation through blood and slaughter, will be nothing more than chaos. Matters have reached such a pitch that today mankind is faced with two alternatives: it may perish amid chaos, or it may find salvation in socialism Socialism is inevitable, not merely because the proletarians are no longer willing to live under the conditions imposed by the capitalist class, but, further, because if the proletariat fail to fulfil its duties as a class, if it fails to realise socialism, we shall crash down together to a common doom.”

This was not a new idea, which Rosa Luxemburg had suddenly come up with in 1918. The implication that at some time capitalism would almost mechanically collapse had run like a thread through her writings over the previous twenty years. At the time of the revisionist controversy, she had used this as one of her main weapons against Bernstein and his supporters. Bernstein had written in *Neue Zeit* that “with the growing development of society a complete and almost general collapse of the present system of production becomes more and more improbable because capitalist

development increases on the one hand the capacity of adaptation and, on the other—that is at the same time—the differentiation of industry.” The development of the credit system, of employers’ organisations, improved means of communication and information services were all tending to stabilise capitalism suggested Bernstein. Quite apart from his other heresies, Luxemburg was especially indignant about this because it seemed to her that the revisionists were undermining one of the “fundamental supports of scientific socialism”. Hitting back in her *Reform or Revolution* (1899), she put what she took to be the orthodox position:

“Socialist theory up to now declared that the point of departure for a transformation to socialism would be a general and catastrophic crisis.... The fundamental idea consists of the affirmation that capitalism, as a result of its own inner contradictions moves toward a point when it will be unbalanced, when it will simply become impossible . . . Bernstein began his revision of the Social Democracy by abandoning the theory of capitalist collapse. The latter, however, is the corner stone of scientific socialism. Rejecting it, Bernstein also rejects the whole doctrine of socialism . . . Without the collapse of capitalism the expropriation of the capitalist class is impossible.”

It ought to be mentioned that Luxemburg is here overstating her case, since Bernstein was not disputing the theory that the capitalist system could collapse but merely suggesting that in practice this possibility had been eliminated by the modifications which capitalism had undergone. However the failure of a major crisis to develop during the years before the First World War served to make the left wing of the German Social Democratic Party (SPD) more adamant than ever that capitalism’s breakdown was on the way. This was one of the main points which Luxemburg set out to demonstrate in her principal theoretical work—the *Accumulation of Capital*—written in 1912. Here she argued that capital was undermining its own ability to accumulate by its inevitable tendency to eliminate the peasantry in the advanced countries and by also destroying the pre-capitalist economies of the colonies. Capital is ruthless in its drive to achieve this end, says Luxemburg. but at the same time it is producing an ‘economic impasse’, since capitalism is “the first mode of economy which is unable to exist by itself, which needs other economic system as a medium and soil.”

“Although it strives to become universal, and, indeed, on account of this its tendency, it must break down — because it is immanently incapable of a universal form of production. In its living history it is a contradiction in itself, and its movement of accumulation provides a solution to the conflict and aggravates it at the same time. At a certain stage of development there will be no other way out than the application of socialist principles.”

In stressing Luxemburg’s emphasis on ‘collapse’ we must be careful not to attribute too crude a theory to her. Of course, she also pointed out that the working class had a positive role to play in this process and even suggested that the workers might be able to seize power before the actual breakdown stage had been reached. But, while recognising this, it is even more important not to underestimate the grip which this idea had on her. Luxemburg was a woman of immense experience in the German and Polish social-democratic movements and was also one of the foremost Marxist scholars of her day. Her intransigence had even won her the admiration of the Socialist Party of Great Britain. (1) She was altogether superior to the romantic and volatile Liebknecht and yet when it came to the crunch, she was as confused as him in her estimate of the situation. A week before her death she was writing: “The masses are ready to support any revolutionary action, to go through fire and water for Socialism.” This, of course, was patent nonsense. The working class in Germany had

no clear idea of what Socialism was or how it could be achieved. Not only was there no chance of overthrowing capitalism, but even the limited aim of unseating the government was hopeless—as J. P. Nettl in his sympathetic biography records:

“It was clear probably by the evening of the 6th (January 1919) certainly by the morning of the 7th that there was no chance of overturning the government, and troops were known to be moving steadily into Berlin.”

Luxemburg, then, had mistaken the economic dislocation following Germany’s defeat for the ‘collapse’ of the capitalist system and since to her the choice seemed one of a desperate gamble for Socialism or else “crashing down to a common doom” she staked her life on the former.

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What distinguished Rosa Luxemburg from the other leaders of the Second International was not her emphasis on the theory that capitalism would ‘collapse’ but rather, her exceptional courage which caused her to pursue her ideas at whatever the risk to herself. In fact, over the years, most prominent leaders of the social-democratic parties had at various times expounded the view that capitalism would crash down in some form of immense economic crisis.

Kautsky, as the principal theoretician of the German Social Democratic Party, deserves special attention in this respect. When the SPD congress adopted a new programme at Erfurt in 1891 this was taken as a model for the other parties of the Second International and Kautsky’s commentary on, and elaboration of, this document in *Das Erfurter Program* (1892) was accepted as one of the classic texts of social democracy. Here he predicted a very grim and uncertain future for world capitalism. The general tendencies he saw, or thought he saw, were a steady rise in the reserve army of the unemployed, a “constant increase in chronic over-production”, and a virtually complete saturation of the markets. He conceded the point which Bernstein was later to make, that the credit system is a means of developing capitalist production but remarked that it also causes the ground on which the capitalists stand to “vibrate ever more strongly”. His conclusion was that:

“...in short, the moment seems to be near, when the market for European industry not only becomes incapable of expansion but begins to contract. But that would spell the bankruptcy of the entire capitalist society.”(2)

By and large, Kautsky stuck to this position—and the revisionist controversy forced him to go even further. For example, in his *Krisentheorien* (*Neue Zeit*, 1901-2), he rejected the suggestions of Bernstein and Tugan-Baranovsky that capitalism’s periods of depression were becoming milder and maintained instead that they were becoming sharper and more prolonged. Again, he predicted that a period of chronic stagnation was approaching. Only much later was he to put forward a more sophisticated view. In *The High Cost of Living* (Kerr edition 1914), he admitted that his earlier predictions of chronic overproduction had been wrong. Here he puts far greater stress on the role of the working class in the overthrowing of capitalism, although he still thinks that the business cycle is of vital importance. During boom periods, says Kautsky, the working class is best able to organise itself, but high wages and full employment make it less revolutionary. The subsequent crisis and slump increase the misery of the workers and this gives rise to an upsurge in class consciousness. This alternation of boom and slump would alternately organise and revolutionise the workers, each

time leaving them better equipped to establish Socialism, and in the end, the working class would be “compelled to cause the overthrow of the capitalist system on pain of its own destruction.”

A particularly crude variant of the collapse’ theory is that based on the idea of under consumption—that is, the concept that since the workers’ wages are insufficient to buy up all the commodities which they alone produce, this will eventually cause capitalist production to seize up. Although this train of thought suffers from the obvious weakness of completely overlooking the role of the capitalist class as consumers, it was widely accepted among the parties of the Second International. Bogdanov, the principal economist in the Russian social-democratic parties, referred in his *Short Course of Economic Science* to the ‘relative shrinking of the market for articles of consumption’ which would set in motion “the conditions which lead to the destruction of the whole system of capitalist production” and Ernest Untermann of the Socialist’ Party of America in his *Marxian Economics* makes the same point:

“the keeping of wages at the lowest level of subsistence threatens periodically to wreck the entire capitalist system, because the working people are the principal consumers, and they cannot begin to absorb the immense quantity of goods made by them.”

Hyndman of the Social Democratic Federation was another leader who continually exaggerated the impact of crises. Echoing Kautsky, he predicted that they would “follow one another at ever-shortening distances” and that they would “last longer each time that they come”. He also shared the general belief in their magical properties, maintaining that if the workers failed to take conscious action to substitute “organised co-operation for anarchical competition” then this would be achieved anyway (“unconsciously and forcibly”) by the commercial crisis and its aftermath.

One could go on indefinitely quoting such examples but perhaps it is more important to spotlight those who criticised the theory of collapse. Louis Boudin in his *Theoretical System of Karl Marx* more than once pointed out that the “cataclysmic conception of the breakdown of capitalism is not part of the Marxian theory” and that the “theory of a final catastrophe which has been much exploited by Marx-critics is the result of their woeful ignorance of the Marxian philosophy”. But, despite this, there are references to capitalism breaking down elsewhere in Boudin’s book and presumably inconsistencies are due to the fact that he wrote it as a series of articles for the *International Socialist Review* over a relatively long period. Apart from Boudin, however, there were two distinct tendencies which consistently opposed the collapse theory.

Revisionists such as Bernstein, Otto Bauer and Hilferding did so because, in this way, they sought to justify and strengthen the reformist tendencies within the social-democratic parties. This accounts for the gusto with which Bauer and Hilferding (and Pannekoek—but for different reasons) attempted to refute the arguments in Luxemburg’s *Accumulation of Capital*. To them it seemed that if it could be demonstrated that capitalism would not break down, then this would be ample justification for abandoning revolution altogether and for simply concentrating on modifying the harsher injustices of capitalist society. Of course, they did not put it as blatantly as this and still clung to the face-saving formula that gradually the expropriators would be expropriated. But, arguing theoretically, they were quite prepared to suggest that capitalism could maintain itself indefinitely by adopting what today we would call a state-capitalist form. Thus Otto Bauer wrote in his *Finance Capital (Der Kampf)*, June 1910):

“The entire capitalistic society would be consciously controlled by a single tribunal, by which the extent of production in all departments would be determined, and by, which by means of a scale of prices, the product of labour would be divided between the cartel magnates on the one hand, and the whole mass of the other members of society on the other, The anarchy of production at present prevailing would thus be brought to an end: we should have a consciously regulated society in an antagonistic form.”

The most coherent opposition to the theory of capitalist collapse, however, came from the Socialist Party of Great Britain. This is not to imply that in the period before the First World War our early members disregarded the importance of the crises in capitalist production altogether. On the contrary, they were naturally influenced by social-democratic ideas and as result tended to exaggerate the repercussions of the crisis more than we would today. But, despite this, the Socialist Party was clearly distinguished from all shades of social democrats by its emphasis on socialist understanding as the critical factor in any potentially revolutionary situation. Certainly, some statements appearing in the *Socialist Standard* had mechanistic undertones:

“The revolutionary forces at work within the capitalist society must eventually evolve to the point of upheaval. The result will be the downfall of capitalism and the consequent exhaustion of the forces which have destroyed it. Having accomplished its mission, revolution disappears and the new system starts to grow, not from a revolutionary base, but from an evolutionary base.” (June 1907).

and these provoked one correspondent into writing that “the whole of your teaching may, in fact be summed up a ‘Preach economic consideration as the sole factor in social development, and wait until the crash comes!’” But the editorial committee made our position quite clear in its reply to this critics:

“It is inevitable that economic development will bring things to a crisis, but whether from out: of this crisis will arise the Socialist Commonwealth depends upon whether sufficient of the working-class have been made Socialists, and have been class consciously organised. Obviously, then, to, ‘wait until the crash comes’ may be the policy of reform pedlars, but is decidedly not the policy of THE SOCIALIST PARTY OF GREAT BRITAIN.”

In other words, even conceding that a crisis might be the most opportune moment for stripping the capitalist class of its wealth and instituting Socialism, the Socialist Party hammered home the simple point which it has since never failed to stress—that there can be no Socialism without a majority of the working class understanding what needs to be done and prepared to take decisive action to establish the new society.

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(1) The SOCIALIST STANDARD for January 5th, 1907 carried a [report of Rosa Luxemburg’s trial at Weimar](#) and commented: “Well done ‘red Rosa’; you have grandly expressed the sentiments of the class-conscious workers of the world and may you live to see the Social Revolution accomplished.

(2) Wilhelm Liebknecht came to much the same conclusion in his *On the Erfurt Programme* (1894): “We see that the present society has created conditions that will destroy themselves; we see that present society with iron logic pushes forward to a catastrophe, into its own judgement day.