TOWARDS A CRITIQUE OF MARXIST POLITICAL ECONOMY

Views from the Imperialist Centre

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Abstract: This article suggests that a critique of Marxist political economy is the key to understanding the development of 20th-century socialisms and the state of global capitalism today. Although such a project requires engagement with Marxist political economy in all parts of the world, this article focuses on Marxist political economy in the imperialist centres. More specifically, it focuses on the theories of imperialism by Hilferding, Luxemburg and Lenin in the years leading up to World War I and the Russian revolution, and the neo-Marxisms and new readings of Marx’s Capital during the long post-World War II boom. Critical readings of these different theoretical approaches will allow a re-reading of Marx’s Capital focusing on capitalist development from Marx’s days to the present.

Key words: Marxist political economy; neo-Marxism; Marxist orthodoxies; imperialism; class

Introduction

There is no shortage of analyses of contemporary capitalism that draw on Marx’s Capital or later works of Marxist political economy. Considering that many Marxist classics, whether they came out in 1867, 1917 or 1967, read as if they were written today, this is not a surprise. However, the impression that old texts present contemporary phenomena well does not necessarily mean that the
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Theoretical concepts underlying those texts are still applicable today. One would expect Marxists to be particularly sensitive to the relations between the historical contexts in which theories are developed and the applicability of those theories in a different context. After all, the point of departure between Marxist and bourgeois political economy is that the former posits that the laws governing social developments are historically specific to different modes of production, while the latter claims to uncover eternal laws of human behaviour that explain developments in hunter-gatherer societies as much as in industrial societies.

The applicability of older Marxist theories for the analyses of contemporary capitalism might be justified by the fact that today’s world is more dominated by the capitalist mode of production than it was in the days of Marx, Lenin or 1960s neo-Marxists. However, this “more” points to the fact that the pure capitalism that Marx claimed to analyse in capitalism did not exist in actuality. The use of England as the country coming closer to the idea of a pure capitalism turned the analysis presented in *Capital* into a mix of an analysis of capitalism in general and of historical capitalism in mid-19th-century England. The tension between the abstract logical and concrete historical analyses that permeates *Capital* caused much stir among Marxists. Some argue that the concepts Marx used in *Capital* need refinements to account for historical developments since *Capital* was written; others argue that these concepts are abstract enough to be applied to any concrete form in which capitalism may appear.

Ironically enough, even Marxist orthodoxy took on different forms at different times, suggesting that historic specificity is inescapable. If that is the case, the specific contexts behind *Capital* and its later interpretations need to be considered before using them for present-day analysis. This article aims to contribute to such considerations. It presents a number of revisions and orthodox defences of Marxist political economy in their respective historical contexts that were advanced shortly before key turning points of capitalist developments and socialist movements in the 20th century.

The first wave of rethinking *Capital* began just before World War I and ended before the Russian revolution. It produced the classical Marxist theories of imperialism and made anti-imperialism an indispensable part of socialist politics. The Marxism–Leninism that developed as the official ideology of Soviet communism, once the Russian revolution had turned into a bureaucratic dictatorship, became the point of departure for various neo-Marxisms and back-to-Marx orthodoxies from the mid-1960s to the mid-1970s. This second wave of major rethinking of Marxist political economy coincided with a wave of labour militancy and the emergence of new social movements and receded with them after capitalists launched the neoliberal offensive against all strands of progressive politics. The article concludes with some preliminary thoughts on the ways in which a
contextualized reading of different approaches to Marxist political economy can enrich contemporary analyses of capitalism and contribute to a synthesis of analyses with rather different focuses.

**Hilferding**

Hilferding began his economic studies in the mid of a long boom. But this was also a time of imperialist expansion and rivalries. These developments led some socialists, later dubbed as revisionists, to rethink their Marxist commitments. They understood *Capital* as a forecast of the imminent breakdown of capitalism. Pointing at the fact that the depression from 1873 to 1896 had given way to another long boom, they argued that it was time to drop Marxian analysis. Instead of waiting for a final crisis that may never come, they aimed at a reform, rather than revolutionary overthrow, of capitalism. Hilferding, politically, sided with the Marxist orthodoxy represented, first and foremost, by Kautsky. However, rather than engaging with the revisionists, Hilferding supported Kautsky’s orthodoxy in an indirect way—by refuting the critique that Böhm-Bawerk, a prominent member of the Austrian school of economics, had levelled against Marx’s *Capital*. Böhm-Bawerk pointed out that, in Volume 1, the labour theory of value, that is, respective hours of labour spent to produce commodities for exchange, explains exchange values. In Volume 3, though, exchange is explained by production prices, that is, cost prices plus profit. This he found simply inconsistent. Hilferding (1904) responds to this charge that Böhm-Bawerk does not understand what Marx is doing in *Capital*.

According to Hilferding, Marx reconstructs historical developments as he progresses from Volume 1 to Volume 3 of *Capital*. This reading of *Capital* suggests that commodity exchange was governed by labour values in pre-capitalist times. This was possible because trade was limited to local markets where the production of the tools used to produce different commodities required more or less the same amount of labour. This changed with the generalization of production for market exchange, which connected economic activities where the organic composition of capital, that is, the ratio of variable to constant capital, varies widely across sectors and where capital can flow freely from one sector to the other. If exchange would still be governed by labour values, the rate of profit would be highest in the sector where the organic composition is lowest, assuming the rate of surplus value being the same across sectors, and all capital would flow into this sector, no matter how much demand there is for its products. For the amount of commodities made in each sector to equal demand for them and the rate of profit to be equal across all sectors, exchange needs to be governed by production prices. This transformation of values into prices represents, in Hilferding’s (1904, Chapter 2) reading of
Capital, “modifications of the law of value,” which reflects the historical transformation from simple commodity production to capitalist commodity production.

If simple commodity production marks a pre-capitalist mode of production, one would expect that Hilferding would take a look at the changes in production processes from this mode to the capitalist mode of production to support his claim that the theoretical development of Marx’s concepts reflects historical developments. Strangely enough, discussion of the capitalist production process is absent not only from his critique of Böhm-Bawerk but also from his book Finance Capital (Hilferding [1910] 2006). The latter, on which he began to work immediately after the Böhm-Bawerk critique, was presented as a necessary update to Capital. Following his claim that Marx supplemented the original theory of labour value with the concept of production prices to account for historical developments, he pointed at empirical changes that had taken place since Marx wrote Capital. By this standard, one would have expected him to look at the new industries that began to emerge in the late 19th century, the most significant of them being chemical, electrical and machine-building industries, operating with organic compositions of capital that were much higher than those in the textile mills Marx used as his empirical point of reference. One can only speculate that Hilferding considered updates of Marx’s analysis of the labour process unnecessary as it would, by and large, also apply to the types of work in new industries.

An argument could be made, indeed, that the cartels and trusts, on which Hilferding focused very much to demarcate the difference between the capitalism of Marx’s day and its “latest phase,” that Hilferding sought to analyse actually created the conditions for later transformations of the labour process. These cartels and trusts concentrated enough capital under the control of industrial monopolies to greatly enlarge the scale of operations and organize the labour process along Taylorist lines. While Hilferding is silent on actual or potential changes in the labour process, he directs his attention at the role of finance, banks, stock markets and joint-stock companies in making and controlling industrial monopolies. His analysis of finance capital was as much influenced by the German banking system as Marx’s analysis of the capitalist labour process was influenced by manufacturing in England. Although the long-term investments the German banks had made in industrial companies in the past, thereby gaining influence on management decisions, did not apply in England or the United States, the world’s two successive centres of finance, the theoretical framework Hilferding developed was flexible enough to also guide analyses of English and American finance. The two general conclusions that Hilferding drew from his diagnoses that capitalism had reached the stage of finance capital are as follows. One, that monopolies, due to their ability to constrain market access and set prices, circumvent the formation of a general rate of profit that Marx described in Volume 3 of Capital. Under the
reign of finance capital, monopolies earn higher profits than they would under conditions of perfect competition. At the same time, firms still exposed to competition earn lower profits. Two, that the concentration of control over much of the capital operating in an economy in the hands of a few financiers and industrialists allows them to manipulate levels of investment and aggregate demand according to their priorities. It lies in their hands to avoid major crises. Hilferding suspends the idea of economic breakdown and reduces crises to temporary disproportions between different economic sectors.

Highly concentrated economic control transpires also to have an effect on politics. In *Finance Capital*, Hilferding described how monopolies use protective tariffs as shelter against foreign competition that might undercut monopoly profits. At the same time, these profits are the source of capital exports and hence the economic basis of imperialism. After World War I, Hilferding used his conclusion that finance capital creates room for political interventions that did not exist in earlier phases of capitalist development to develop his concept of organized capitalism, in which the power of finance capital would be reduced to an even level, and possibly surpassed, by the power of the working class represented by unions and the democratic republic. With this concept, he offered Marxist underpinnings for the revisionist ideas he detested so much when he first delved into economic studies.

**Luxemburg and Lenin**

“The Industrial Development of Poland,” Luxemburg’s ([1898] 2013) doctoral thesis, was her first work on economics. In it, she identified the Russian market as a key factor for the rise of industrial capitalism in Poland, which was then part of the Tsarist Empire. To her, this also meant that working-class formation in Poland was ahead of other parts of the empire and could thus play a leading role in spreading revolution across the empire. The 1905 revolution confirmed this idea as economic and political uprising spreading from one corner of the empire to another with Poland’s industrial districts as centres of gravity. Her economic analysis of Polish industrial development and the experience of the 1905 revolution form the background of her rejection of Polish independence (Luxemburg [1898] 2013, 1906, 1909). She thought this would cut off Russia’s politically less advanced areas from the revolutionary lifeblood flowing in from Polish centres of opposition. She returned to the questions of economic development in the Tsarist Empire and, at least implicitly, socialist strategy in *The Accumulation of Capital* (Luxemburg [1913] 2016). Yet, the main line of arguments in *The Accumulation of Capital* developed out of *Reform or Revolution* (Luxemburg 1900), her rebuttal of Eduard Bernstein’s (1899) *Evolutionary Socialism*, which was the theoretical guidepost of revisionism in the socialist movement at the time.
She conceded that Bernstein was right in pointing at the discrepancy between Marxist expectations of capitalist breakdown and the reality of a new economic boom. However, she argued that Bernstein overstretched his case by assuming that changes in the make-up of capitalism, notably the significant expansion of credit and the rise of cartels, had created the conditions for permanent accumulation. She argued that the factors that had allowed a new boom would eventually lead to new crises. Credit expansion, a means to accelerate accumulation in the present time, would turn into a banking crisis exacerbating cyclical downturns of the accumulation of productive capital. Monopolies would allow the bypassing of the tendential fall of the rate of profit and thereby entice investment, but ultimately the ability to maintain high rates of profit would come at the price of leaving idle parts of the industrial capital that had already accumulated. Her brief discussion of credit and monopolies anticipated Hilferding’s in-depth analysis of these factors in Finance Capital, with a twist, of course. While Hilferding presented Bernstein’s argument about the possibility of accumulation uninhibited by crisis in a Marxist framework, Luxemburg used the same framework to show that recurrent booms would always end up in crisis. However, she used this framework quite differently than Hilferding did.

In Reform or Revolution, she added the opening of new markets to the list of factors driving the late 19th-century boom and posited that any such opening would only give temporary relief to an economic system whose sales potential tended to lag behind its production capacity. In The Accumulation of Capital, she took the argument further by saying that the additional demand needed to realize surplus value, and hence enable expanded instead of simple reproduction, comes from the expansion of capitalism into non-capitalist milieus. She derived this argument from a reading of Capital that suggests that Marx reconstructed theoretically the logic of the capitalist development that was unfolding in the real world. To do this, he began with an abstract model that demonstrated the theoretical possibility of continued accumulation in a closed capitalist economy. Luxemburg posited, though, that Marx, had he lived longer, would have moved on to a model demonstrating that, in the real world, accumulation relies on the expansion into non-capitalist milieus. In other words, the original accumulation of capital, presented as a transition phase from non-capitalist societies to the capitalist mode of production by Marx, is a permanent companion of capitalism. It penetrates non-capitalist social strata within the capitalist centres and colonizes the world beyond these centres where it leads to imperialist rivalries. Luxemburg concluded that, logically, capitalist accumulation would reach its limit only once all non-capitalist milieus have been absorbed by capitalism, but that, in actuality, the struggle for such milieus, that is, new markets, would lead to political conflicts long before reaching the endpoint of capitalism without non-capitalist surroundings.
Lenin also understood imperialist rivalries as a necessary outcome of capitalist development. He came to this conclusion by giving Hilferding’s theories of finance capital and imperialism a twist. Lenin accepted Hilferding’s proposition that capitalism had reached a new phase of development qualitatively different from the one Marx had known but shifted Hilferding’s strong emphasis on the dominant role of banks to the differences between competitive and monopoly capitalism. The twist he gave to Hilferding’s theory was that he dropped the idea that monopolies, no matter whether dominated by bankers or industrialists, could manipulate credit, and thereby effective demand, in a way that could reduce crises to temporary mismatches between different sectors of the economy. In its place, he put the theory of underconsumption that the proto-Keynesian John Hobson ([1902] 2011) had developed in his theory of imperialism. According to this theory, accumulation in the capitalist centres is constrained by capitalists’ stern resistance against wage increases that would open new markets at home. Under these conditions, capitalists seek new markets abroad and find themselves caught in imperialist rivalries. Hobson’s aim was to contribute to a new social bloc in the centres that would seek compromise with unions, reorient accumulation towards domestic markets and thereby alleviate tensions in the international system. Lenin, of course, dismissed the political implications of Hobson’s theory as utterly unrealistic.

Without the theoretical backing that Hilferding and Luxemburg put behind their theories of accumulation and imperialism, Lenin added a few arguments about the parasitic nature of monopoly capitalism to his Hilferding–Hobson blend. Although somewhat at odds with his claim that Hilferding overstated the role of banks, Lenin pointed at the profits flowing back from the colonial world into the pockets of financiers in the centre. He even speculated about these centres becoming entirely dependent on the appropriation of wealth created in the peripheries. These arguments would later be used in support of anti-colonial movements seeking to break free from colonial exploitation.

However, at the time Lenin wrote *Imperialism—The Highest Stage of Capitalism* ([1916] 2010), his focus was less on anti-colonial revolution than on the breaking of the weakest link of the imperial chain, in his view Russia, as the opening shot of workers’ revolution in the West. To demonstrate the applicability of Marxian socialism with its focus on industrial working classes, he had engaged in fierce polemics with the Narodniki, who considered capitalist development impossible and, based on this argument, suggested that Russia, after shaking off feudal rule, could build socialism on the foundation of village communes. Ironically, economists supporting the Narodniki used underconsumption theory to make their case against capitalist development in Russia, whereas Lenin ([1899] 2004) denied that a lack of consumer demand would hinder such development. He sought to demonstrate that capitalist relations of production had sunk their teeth
deep into Russian villages. In his view, there were not just sprinkles of industrial
capitalism in Russia but a fully fledged agrarian capitalism in its vast hinterlands.
This understanding of the Russian economy as comprised of a mix of industrial
and agrarian capitalism is the backdrop of Lenin’s strategic conception of a
workers–peasant alliance as the agent of revolutionary change. His expectation
that the revolution carried out by this alliance would lead to workers’ revolutions
in the West was disappointed, or, more precisely, revolutionary efforts, where they
occurred, failed. Moreover, his theory of imperialism is much less coherent than
that of Hilferding or of Luxemburg. But it offered starting points for a thorough
analysis of the economics of imperialist exploitation.

Hilferding and Luxemburg were mostly concerned with the role imperialism
played in sustaining capital accumulation in the centres. Luxemburg also had a
deep understanding of the sufferings of colonized people but, unlike Lenin, could
not envision these people as agents of change. For that, she was too firmly rooted
in the traditions of the Second International with its organizational basis in, and
strategic focus on, the industrial working classes of Western Europe. The dire
predictions about economic development in the capitalist centre did come true
during the age of catastrophe, so that revisionist ideas, whether presented in
Hilferding’s Marxist fashion of organized capitalism or Hobson’s proto-Keynesianism,
looked as utopian as Lenin and Luxemburg had called them. However, this did not
mean that their expectation of economic crisis translating into political crisis and
working-class revolution would come forth. The very possibility of such a devel-
opment was enough for the ruling classes to turn fascist movements into forces of
organized counter-revolution heading for another world war. After that war, the
world of recurrent economic crises and political turmoil that Hilferding, Luxemburg and Lenin thought to grasp in their respective ways was gone. Marxist
political economy needed to respond to the new realities of prosperity, cold war
and anti-colonial revolution.

**Neo-Marxism**

In one respect, Marxists during the post-World War II era found themselves in a
similar position to their pre-World War I predecessors. Both had to explain why a
long period of stagnation turned into a long boom, seemingly contradicting Marx’s
theory of capital accumulation running up against its own limits. Some of the
Marxists in the age of empire (Hobsbawm 1989) identified colonial expansion as
the driver of the unexpected boom and imperialist rivalries as the limiting factor.
These rivalries, they argued, would lead to war and revolution. Marxists after
World War II had to face the fact, though, that this war, unlike World War I, had
not led to revolutionary upheavals in the West. Moreover, neither anti-colonial
revolutions in the South nor the proliferation of communism in Eastern Europe and parts of Asia could stop unprecedented prosperity in the West. One brand of Marxists, dubbed neo-Marxists by one of their critics (Mattick 1974), responded to these changes in the same way Hilferding had responded to the changes he witnessed in comparison to the capitalism that Marx had seen when he wrote Capital. They, like Hilferding, read Capital as an analysis of the capitalism of Marx’s days. Consequently, coping with new realities required the refinement of the concepts Marx had developed in Capital and, where this did not suffice to grasp the new realities, the introduction of new concepts. Baran and Sweezy probably undertook the furthest reaching refinement of Marxist political economy, earning them the label Keynesian Marxists (O’Connor 1987, 90).

Sweezy ([1942] 1970) wrote his first work in Marxist political economy, The Theory of Capitalist Development, during the war when it was widely expected that the economy would fall back into depression once war production was scaled back to peacetime levels. The Theory of Capitalist Development reflected the tension between war-induced full employment and expected depression. Analytically, Sweezy followed Hilferding’s lead of combining Marx’s “method of rising from the abstract to the concrete” (Marx [1858] 1993, 101) with analysing historical developments. Accordingly, he focused very much on the economic causes of crises and state capacities to fix them. He concluded that such a Keynesian fix is possible economically but would be resisted by the ruling classes politically as it would undermine their power. Based on this argument, he did not see much prospect for liberal reforms in the tracks of the American New Deal but also rejected the argument that capitalist development would inevitably lead to fascism. This analysis was still very much shaped by a capitalist system torn apart by imperialist rivalry but without seeing these rivalries and the war they produced as triggers for socialist revolution.

In terms of when it was written, but also conceptually, The Theory of Capitalist Development marked an intermediate step between the Marxism of Hilferding, Luxemburg and Lenin and of neo-Marxism. A key contribution towards the latter came with Baran’s (1957) The Political Economy of Growth in which he developed a systematic approach to imperialist exploitation at which Lenin had hinted more polemically than analytically. Baran, writing at a time of de-colonization, made clear that political independence might be a necessary precondition to overcome such exploitation but does not suffice to do so. He argued that peripheral countries lack the surplus to develop their own industries because whatever surplus is produced is transferred to the imperialist centres. Theories of unequal exchange attempted to explain such transfers on the basis of Marx’s theory of labour value (Amin 1977; Mandel [1972] 1985, Chapter 11). Using Baran’s centre–periphery framework, these theories show that the equalization of real wages and profit rates
that Marx theorized in *Capital* cannot happen. This means that, to import commodities whose production requires $x$ number of hours, commodities from the peripheries have to be exported that require more than $x$ numbers of hours.

Paradoxically, even without infusions of surplus from the peripheries, the centres are already plagued by the problem to absorb the surplus churned out by their own large-scale industries. Critics considered the concept of surplus as a major departure from Marx’s surplus value. Baran and Sweezy (2012) located it firmly in Marxian tracks even though the book chapter they wrote about this was not published until a few years ago. A major innovation was the concept of potential surplus that gave an idea of how much a capitalist economy could produce if it was not constrained by a tendency towards stagnation. Another innovation was the idea of planned surplus that could be used to demonstrate how much better off people could be in a socialist economy.

*Monopoly Capital* (Baran and Sweezy 1966), the book for which the theoretical chapter on the concept of surplus and surplus value just mentioned was written, represented some kind of synthesis of Baran’s and Sweezy’s single-authored earlier books. It retained Sweezy’s scepticism regarding the prospects of liberal reform and pointed at the sales effort and public spending as means to absorb an ever-rising economic surplus. The sales effort, due to its sheer magnitude, creates additional demand and also helps to create consumers’ willingness to pay prices way above their costs for brand-name products. Oligopolistic price setting, then, helps large corporations to escape the threat of falling profit rates that Marx explored in Volume 3. Public spending is highly concentrated in the military-industrial complex that, under cold war conditions, creates a political climate in which high employment levels can be maintained without workers’ claims for higher wages going beyond levels considered acceptable by capitalists. The threat of being considered and persecuted as a communist sympathizer works not only against union activists but also against advocates for an expansion of the welfare state and the overcoming of racial discrimination that divides the American working class. Incidental remarks on finance as an absorber of surplus (Baran and Sweezy 1966, 139–141) later served as starting points to analyse the increasing financialization of capitalism (Magdoff and Sweezy 1987).

Baran and Sweezy’s analysis of a rising surplus and the different ways to absorb it showed parallels with Keynes’s theory of effective demand constraints. However, their understanding of the capitalist state made them highly critical of Keynes’s technocratic policy prescriptions. Mandel, however, offered analyses that stayed much closer to Marx but, at the same time, were much more eclectic. He labels the capitalism of the post-World War II era as late capitalism, a term that carries forward Lenin’s notion of decaying capitalism that Soviet Marxists had developed into a theory of capitalist decline during the interwar period (Varga 1924). Mandel
(1962) 1968) presented his first attempt to square the continuation of a theory of decay or decline with the reality of postwar prosperity in *Marxist Economic Theory*. In that book, Mandel traced divisions of labour from their very first historical appearances through different forms of trade and money to simple commodity production and, finally, different stages of capitalist development including late capitalism. He hinted at the uneven development of capitalism across different parts of the world but, by and large, stuck to a framework of capitalism as moving through qualitatively different stages, each of them requiring specific analytical concepts. In this view, Marx is the theoretician of competitive capitalism, Hilferding and Lenin are theoreticians of monopoly capitalism and Mandel claims to be the theoretician of late capitalism. However, unlike Hilferding and Lenin who amended Marx’s concepts to analyse later stages of capitalist development, Mandel was seeking traces of these theoretical concepts in pre-capitalist history. This method blurs the notion that capitalism is governed by a law of motion historically distinct from pre-capitalist, and possibly also post-capitalist, societies.

In fact, *Marxist Economic Theory* might have been more aptly titled Marxist Economic History as the development of analytical categories almost disappears behind empirical details. In contradistinction to this heavy emphasis on historical exposition, for which Mandel was even criticized by his close companion Rosdolsky, *Late Capitalism* (Mandel 1972 1985) began with an explication of Mandel’s views about the relations between history and theory. He charged earlier Marxists, including Hilferding and Luxemburg, with focusing too much on Marx’s schemes of reproduction and the question of disequilibria. According to Mandel, these schemes are abstract concepts that cannot be used for the analyses of concrete phenomena without mediation through concepts developed by analytically rising from the abstract to the concrete. It is debatable whether his charges against Hilferding and Luxemburg were justified. In *Finance Capital*, Hilferding drew on a variety of Marx’s concepts and discussed the question of (dis-)equilibria between means of production and consumer goods-making sectors only after extensive discussion of money and credit. Luxemburg, it is true, focused very narrowly on the question of (dis-)equilibria but traced it back through the history of economic thought before developing her own theory of capitalist expansion in non-capitalist milieus.

Be this as it may, Mandel used this critique to demarcate his methodological approach that relied on five variables: the organic composition of capital, the relations between fixed and circulating capital, the rate of surplus value, the rate of accumulation, the rate of capital turnover and the relations between Marx’s Departments 1 and 2. He did not see the rate of profit as the factor determining the allocation and accumulation of capital but rather as a seismograph indicating the state of actual processes of allocation and accumulation. In other words, it is not the average rate of profit that determines investment decisions. Instead, Mandel
argued, capitalists invest where they expect surplus profits, which can originate from uneven development across different regions within but also between countries. Another source of surplus profits lies, of course, in innovations that put labour productivity in firms using new methods ahead of firms that do not use them. Mandel used this theoretical framework to take another look at issues, such as permanent inflation and arms spending, that he already addressed in *Marxist Economic Theory*. But *Late Capitalism* also broke new ground, notably by looking at the internationalization of capital that, at the time Mandel wrote the book, began to undermine the link between national cartels and states on which Hilferding’s and Lenin’s theories of imperialism had focused so much.

Mandel’s focus on surplus profits, and technological progress as one of its sources, also led him to pick up a theme that Marxists had pretty much abandoned since Marx’s days. However, his perspective on the production process was very much that of capital. Changes in the organic composition or turnover of capital affect profits but do not say much about workers’ agency. Even when he wrote about class struggle and its effect on the rate of surplus value, he very much limited his explorations to the wage bargain without considering workers’ experiences that may have an impact on their willingness, or lack thereof, to engage in struggle in the first place. *Late Capitalism* may not be as narrowly focused on the relations between Marx’s Departments 1 and 2 as in some other works, notably, of course, Luxemburg’s *The Accumulation of Capital*, but still devotes most of its attention to exchange processes, not only between individual capitals but also between capital and labour, rather than labour processes. In this regard, he stuck closer to the theoretical traditions invented by Hilferding and Luxemburg than he might have thought. And, of course, he followed Hilferding’s and Lenin’s tradition of reading *Capital* as an analysis of the historical capitalism of Marx’s days, one that needed theoretical updates and additions due to capitalist development occurring since then.

**Orthodoxy or Going Back to Marx**

The continuation of historical readings of *Capital* that the neo-Marxists offered was seen with suspicion in other corners of the Marxist camp. Baran and Sweezy’s engagement with Keynesianism was seen as an abandonment of Marxist political economy, and Mandel’s continuation of Lenin’s reading of Marx and Hilferding was considered to be too close to Soviet Marxism. A leading voice defending Marxist orthodoxy against such neo-Marxist revisionism was Paul Mattick’s articles (Mattick 1966, 1972). As a council communist, he sought to defend what he understood as Marx’s true spirit against the distorted Marxisms of the Second and Third International.Neo-Marxism, from this angle, was seen either in the tracks of these Marxisms or tending towards them. His economic reading of *Capital* was
very much informed by Grossmann’s ([1929] 1992) *The Law of Accumulation and the Breakdown of the Capitalist System* with its heavy emphasis on Marx’s ([1894] 1981, Part 3) “Law on the Tendential Fall in the Rate of Profit” (Mattick 1934). This theoretical reference, coming from the author of *Anti-Bolshevik Communism* (Mattick 1978), was somewhat surprising considering the fact that Grossmann was a Communist Party member when he wrote *The Law of Accumulation and the Breakdown of the Capitalist System* and later became an economics professor in East Germany. Grossmann’s core argument, though, was that the two variables determining the rate of profit, the organic composition of capital and the rate of surplus value develop differently. The first would increase without bounds. But increases of the rate of surplus, which can offset the pressure on the rate of profit caused by a rising organic composition, are limited. Wages cannot be pushed below the level of physical subsistence and working hours only extended so far. Ultimately, the organic composition of capital rises faster than the rate of surplus value, causing not only the rate of profit to fall but, beyond a certain point, also the mass of profits to decrease. Once this happens, capitalists stop investing and the capitalist economy breaks down.

In *Marx and Keynes*, Mattick (1969) claimed that the law of accumulation that Grossmann had derived from *Capital*, and which may have been quite convincing during the 1930s depression, began operating only once the capitalist mode of production began to dominate in England and was still operating during the post-World War II boom. To support this counter-intuitive claim, Mattick further argued that Marx’s ([1867] 1976) concepts from value and exchange value in Volume 1 of *Capital* to the rate of profit in Volume 3 of *Capital* (Marx [1894] 1981) theoretically reconstruct social forces that are no more apparent to the observing eye than the law of gravity. From this proposition, he derived the more controversial conclusion that attempts to test Marxist propositions empirically were misguided, in fact, were distortions of Marx’s intentions. This allowed him to present post-World War II prosperity as some sort of a charade, a visible surface beneath which the law of accumulation was tirelessly working towards capitalist breakdown. In fact, he interpreted the Keynesian policies that were widely heralded for fixing capitalism’s economic problems at the time as just another expression of capitalism’s long-term decline. Deficit spending helped to sell commodities for which there wasn’t sufficient private demand. However, boosting sales without revitalizing private investments turned public deficits into escalating government debt, which, in turn, caused permanent inflation. These conclusions were actually quite similar to those the neo-Marxists had drawn from their analyses of post-World War II prosperity.

What is possibly most striking about Mattick’s highly anti-empirical and deterministic analysis is the disconnect from his commitment to workers’ direct action
to which he had committed himself politically. The retreat into highly abstract reasoning might just have been a response to his political isolation in cold war America. interestingly enough, a new brand of Marxists (Wright 2017), later dubbed autonomous, working under similar cold war conditions in Italy, rejected the idea of economic laws governing capitalist development. While Mattick sought to lay bare these laws behind the fetishized appearances of commodity and money exchanges, the autonomous Marxists considered these laws as fetishized expressions of capitalist rule. To identify possible challenges to this rule, and thereby reconnect Marxist theory with revolutionary practice, they looked at the hidden abodes of production in which Marx had found not only the source of surplus value but also the core of class divisions and struggle. even though Marxists from Hilferding onwards had shown little to no interest in the labour process, Italy’s autonomous Marxists went back to Marx’s analysis of it in *Capital*.

This combined refocusing and re-reading was also stimulated by the publication of the *Grundrisse*, notably the fragment on machinery. Based on the re-reading of *Capital* and first-time readings of *Grundrisse*, the autonomous Marxists argued that skilled workers who could overcome the alienation imposed on them by the factory regime by taking over factories and managing them collectively had been largely replaced by unskilled mass workers whose alienation was so complete that they struggled against work, not just against the capitalist organization of it. Struggles against work ranged from escalating wage demands to outright sabotage, they pushed the capitalist economy into a profit squeeze and challenged the factory regime. Because this regime had penetrated the whole of societies, shop-floor struggles against foremen, managers and bosses translated into challenges of capitalist rule beyond factories. Autonomous Marxists, then, rejected the division between economic struggles on the shop floor and political struggles centred on party and parliament. To them, economic struggles were also political struggles.

The upsurge of militant workers struggles in the late 1960s seemed to confirm many of the arguments made by autonomous Marxists but also revealed theoretical contradictions and strategic weaknesses. The concept of the mass worker struggling against work was derived from the Taylorist reorganization of manufacturing and the de-skilling of work that came with it. However, the capitalist penetration of entire societies, the second main argument put forward by autonomous Marxists, did not turn the mass worker, usually conceived of as male, into a role model for everyone in society. Notably autonomous women’s groups objected to the chauvinism of their male comrades and began organizing their own struggles, most notably the wages for housework campaign, that bore some resemblance with workers’ factory struggles but also marked a sharp division between workers’ and women’s movements (Federici 2012, part 1; 2017).
Despite such divisions, the end of the post-World War II boom can be understood in terms of autonomous Marxism—with the caveat that the profit squeeze and the drop-in investment caused by it did not open the way towards a post-capitalist world but to capitalist restructuring. Relocations, automation and outsourcing allowed capitalists to bypass the bastions of working-class power and thereby restore profit rates to levels not seen since the age of catastrophe had taken its toll on workers’ incomes and working conditions (Silver 2003).

The failure to advance workers’ struggles beyond the Keynesian class compromise, that had allowed social reforms during the long boom but collapsed once the boom went bust, seemingly confirmed another new reading of Capital going back to the late 1960s, a time when almost everything seemed possible on the left (Schmidt 2011). Rather than seeking breaking points underneath the institutional superstructures of a seemingly stable welfare capitalism, as the autonomist Marxists did, but without joining the neo-Marxists, another group of Marxists made the understanding of the sources of stability in the post-World War II era their starting point (Hoff 2017). One inspiration for this was critical theory, which, without explicitly drawing on Capital, focused very much on the cultural sphere as a means of integrating the working class into the capitalist system and thereby cutting its, at least potentially, revolutionary teeth (Marcuse 1964). Another inspiration was Althusser’s ([1965] 2009) Reading Capital. Similarly, to the dissidents in Italy’s socialist and communist parties who initiated the tradition of autonomous Marxism, Althusser in France was puzzled by the fact that parties with a mass following and programmatically committed to socialist change integrated so smoothly into welfare capitalism. For Trotskyists, like Mandel, this was simply a question of the wrong leadership. For autonomous Marxists, it was a question of workers emancipating themselves from party politics. For Althusser, who was actually a member of the French communist party, the answer lay in capitalist structures hardened to the point where change was next to impossible. This conclusion was similar to that which critical theorists had drawn from their work, just Althusser had arrived there directly from reading Capital. This reading also led him to cut all ties to history. Even Luxemburg, who understood Capital as a purely theoretical work, located this work and its subject matter in the course of historical developments. The historical readings from Hilferding to the neo-Marxists were even more explicitly concerned with the place of their respective theories in history. Mattick’s orthodoxy, though strangely detached from class struggle, still maintained the hidden hope that the law of accumulation would lead to something more than capitalist breakdown. However, it was exactly this kind of teleology, which can be found, to varying degrees, in many Marxist theories, to which Althusser objected. He thought a new political beginning would require the shedding of
any such views. Yet, before the various social movements of the 1970s could consolidate into a new socialist beginning, capitalists, rallying around a neoliberal program, had taken the initiative.

The neoliberal turn, and the weakening of the left that came with it, also impacted Marxists whose reading of Capital was inspired by Althusser and critical theory without adopting the philosophical focus of these authors. The value-form and money became the key focus of this reading of Capital that would later develop a monetary theory of value (Heinrich 2012). This value-form Marxism is critical of the claim that money relies on a money commodity and also of the law of the tendential fall in the rate of profit. Heavily drawing on earlier drafts of Capital but also on a comparison of various editions of it, this reading is more a Marxology than an original critique of political economy. This focus is justified by the claim that Marx, to popularize it, took the sting out of his analysis. In much sharper form this charge is levelled against Engels’s editing of Volumes 2 and 3 of Capital (Marx [1885] 1978, [1894] 1981). Further developments of the critique of political economy, then, require the uncovering of Marx’s original, though unfinished and often ambiguous, critique.

In the context of the retreat of the left such charges led to an increasingly sharp distinction between Marx, the critic of political economy, and Engels, the ideology producer. This implies that all ties between theory and practice have to be cut to preserve the integrity of Marx’s scientific efforts. What started as an effort to reclaim the autonomy of critical inquiry against the ideological appropriation of Marx’s ideas through the Second and Third Internationals turned into the complete separation between theory and practice. Along the way, the contributions that dissident currents inside and outside these Internationals, some of which were discussed in this article, made towards using Marxism as a toolkit for critical inquiry fell by the wayside.

Dismissive views on the possibility of using theoretical understandings of capitalism as a compass to orient socialist politics are based on Marx’s analyses of fetishism, ranging from commodity to capital fetishism, and the mystifications of actual relations of power and exploitation produced by the exchange process and its governing principle of exchange of equal values between legally equal trading partners. So invisible are the realities of class rule and exploitation, according to this reading, that capital turns into an automatic subject that may produce a never-ending stream of crises but none of them will cause the working class to rise up. Ironically, these conclusions, drawn from highly abstract theoretical reasoning, can also be understood as apt descriptions of today’s capitalism in which money in all its elaborate forms has not only taken on a life of its own but also governs over crisis-ridden economies, thereby producing a lot of discontent but no effective opposition movements.
Towards a Synthesis

With the emergence of value-form Marxism, Marxist political economy had come full circle, with a twist. Value-form Marxism focused as much on money and finance as Hilferding did, the revisionist value-form Marxists detest so much. But unlike Hilferding who was committed to socialism of one kind or another until his death in a Nazi prison, value-form Marxists supported socialism, or even communism, in very broad terms but stayed away from any political commitments to building it. This disconnect from political engagement coincided with the rise of neoliberal capitalism that signalled the defeat of the various 1960s new lefts and 1970s new social movements. It seems that the circle of Marxist political economy overlaps with the rise and fall of 20th-century socialisms. These socialisms, whether in the traditions of the Second or Third International or grounded in new left efforts to create a socialism beyond the fixation on parties and states, were common points of reference for critics and adherents that guaranteed at least a certain coherence of theoretical debates. However, all of these socialisms were either defeated or suffered self-inflicted failures. These defeats and failures led to the emergence of a thousand Marxisms (Tosel 2005). Among them exist a fair number of traditions of Marxist political economy that have as few common points of reference as do Marxisms concerned with the state, other institutions or, increasingly, culture. However, a contextualized reading of the Marxist political economies that were advanced as part of the rise and fall of 20th-century socialisms could help us to forge a synthesis between these isolated traditions and possibly open new theoretical perspectives.

Working through such a synthesis has to begin with Hilferding’s work as he was the first to revise *Capital* beyond the interpretations that Engels, Kautsky and, to some degree, Marx himself had advanced in the First and Second Internationals. Hilferding introduced new analytical concepts, notably the controversial socially necessary value in circulation (Hilferding [1910] 2006, Chapter 2), to link Marx’s analysis of money to developments in banking, joint-stock companies and stock markets that, along with the emergence of cartels and trusts, led to finance capital and its imperialist policies. His analysis of finance capital and imperialism also broadened the scope of Marxist political economy to include the state and the world market. Marx touched on these issues here and there but the separate books he had planned as follow-ups to *Capital* were never written. In this sense, *Finance Capital* can be seen as a contribution to Marx’s plans, no matter whether one agrees with the way he carried out his analysis of the relations between (finance) capital, the state and the world market or not. Reflecting the rise of the Keynesian state during World War II, Baran and Sweezy (1966) not only further developed Hilferding’s argument that political intervention could mitigate capitalism’s
built-in tendency towards crises but also pointed at the new contradictions produced by such intervention, notably the increasing role of economic waste, the difficulties of avoiding a wage push induced by full employment and the possibility of finance producing its own crisis tendencies. The analysis of US society that Baran and Sweezy provided in *Monopoly Capital* fit into the larger picture of a world capitalism divided between imperialist centres and their peripheries than Baran (1957) had drawn in *The Political Economy of Growth*, a work that marked a major shift of focus compared with the theories of imperialism advanced by Hilferding, Luxemburg and Lenin. The latter were mostly concerned with capital’s efforts to overcome limits to capital accumulation at home through outward expansion and the imperialist rivalries produced by these efforts.

Under cold war conditions, with the United States as the unchallenged leader of imperialist centres, these old imperialist rivalries lost most, if not all, of the explosiveness they had had during the age of catastrophe from 1914 to 1945 (Hobsbawm 1995, Part 1). In light of these changes, Baran shifted his focus from political rivalries within the capitalist system to its economic make-up. His analysis can be understood as a continuation of Luxemburg’s work, though he himself did not make this connection. Luxemburg looked at the relations between the capitalist system in its entirety and its non-capitalist milieus and considered the latter’s penetration by the former as the underlying economic cause of great power competition. However, beyond scattered remarks that colonies supplied the imperialist centres with cheap resources, labour power and agricultural products, Luxemburg did not pay much attention to the internal relations of the capitalist system. Lenin, although in a more polemical than analytical fashion, had pointed at the extraction of imperial rents from the colonies and the subsequent emergence of rentier states in the imperialist centres. Baran developed this idea into a theory of surplus transfer from the peripheries, including postcolonial states, to the centres. Theories of unequal exchange, advanced by Marxists like Mandel and others, like Amin, who was more subscribed to third worldism, corroborated the argument about surplus flowing from the peripheries to the centre on the basis of Marx’s labour theory of value, which they applied to conditions where the equalization of real wages and productivity between centres and peripheries was systematically blocked.

The neocolonial world these post-World War II Marxists saw has been turned upside down, of course. High employment levels led to escalating demands for higher wages and even challenges of the boss–worker hierarchies on the shop floor and thereby undermined the class compromise on which the Keynesian state rested. Baran and Sweezy had hinted at such a possibility, but it was the Autonomist Marxists who, abandoning Baran and Sweezy’s macroeconomic perspective for a focus on factory struggles, highlighted the breaking point of the Keynesian compromise. Contrary to Marxist wisdom that considered technological innovation as
an outcome of individual capitalists struggling to survive the competitive game, even if the big players were able to reduce competitive pressures for themselves. Autonomist Marxists presented such innovations as efforts to bypass militant groups of workers. Supplemented by the relocation of operations to areas where such groups did not exist, at least not yet, the Autonomist approach goes a long way towards understanding the combined process of automation and relocation of manufacturing processes to the peripheries. Marxist theories of finance, taking Hilferding’s *Finance Capital* as the main point of reference (Chesnais 2017; Lapavitsas 2013) or extending Baran and Sweezy’s *Monopoly Capital* into a theory of globalized monopoly-finance capital (Foster and McChesney 2012), help to understand how financial crises and their management helped to restructure states and economies in such a way that the control of today’s global networks of production and distribution are concentrated in the imperialist centres, while most of the production is done in the peripheries.

In the past, when these centres held a near monopoly on manufacturing, workers could use their position in the production process to enforce higher wages, shorter hours and better working conditions. The forward march of labour was marked by many setbacks, most notably during the age of catastrophe, but it was real; until neoliberal capitalism stopped it. In contrast, the emergence of industrial working classes in the peripheries since the 1980s did not lead to a forward march of labour in those peripheries comparable to that which had happened in the centres from the 1880s onwards. Despite the setbacks that working classes suffered in the centres over the last decades, mass consumption is still largely located in these centres, while production is mainly concentrated in the peripheries. Theories of unequal exchange from the 1960s and 1970s, which assume that manufacturing is concentrated in the centres, cannot explain this phenomenon but can serve as starting points for new theories of unequal exchange (Smith 2016).

Contrary to some sociologists’ view that the decline of manufacturing work in the centres would signal the end of work, employment rates in the centres stayed more or less the same during the neoliberal wave of accumulation. During the preceding Keynesian wave, they had risen considerably. Working classes in the centres did not disappear but changed their composition in terms of jobs and required skills beyond recognition (Schmidt 2015). Underlying this remaking of working classes was, alongside the effects of automation and relocations on remaining manufacturing jobs, the continuous creation of service sector jobs, many of them in areas Baran and Sweezy associated with economic waste and the sales effort. The other significant source of job growth was the commodification of household labour, which can be explained by Luxemburg’s theory of accumulation (Schmidt 2014). Although developed to understand the concrete phenomenon of late 19th-century colonization, the abstract core of her theory—the capitalist
penetration of non-capitalist milieus—also explains the colonization of life-worlds of people living in the imperialist centres. Critical theorists and Autonomist Marxists pointed at this colonization as a key factor of integrating the working class into the capitalist system. The Autonomists also speculated, though in highly philosophical terms that stood in stark contrast to their very concrete analysis of mass workers in manufacturing industries, whether the organization of entire societies along the lines of the factory regime would eventually expand the antagonism between workers and bosses from individual shop floors to the social factory. However, neither of these theoretical currents considered the colonization of life-worlds as a way of opening new markets and establishing new limits to capital accumulation. As many tasks essential for social reproduction, notably education and care work, cannot be automated in the same way as the manufacturing of tangible goods, the potential for productivity increases is limited. Thus, wage demands in these new sectors of employment can hardly be offset by rising productivity. If wages are raised, they actually present a much graver threat to profit rates than the same demands coming from manufacturing workers. A similar argument can be made about the commodification of nature. Having to pay for the use of natural resources like clean water and air, which had been free inputs in the past, limits the possibilities of externalizing the costs of ecological devastation and thereby breeds the danger of a profit squeeze and a frantic search for areas where the unloading of these costs is still possible.

All in all, the issues Marxist political economists were concerned with in the 20th century—finance, the state, colonization processes, unequal exchange, changing class compositions and effects of enhancing but, beyond a certain point, also limiting capital accumulation—are still relevant to understanding capitalism today. At certain times, some of these aspects are quite obviously more urgent than others, such as questions of colonization and imperialism during the 1910s or of finance, crises and crises management more recently. However, a key motivation behind *Capital*, and any other work following in its tracks, was to uncover the forces leading to the visible phenomena, such as imperialist wars or financial meltdown. This requires us to consider a whole range of issues beyond the all too visible expressions at particular points in time. In the early 1970s, with the post-World War II prosperity nearing its end, Mandel ([1972] 1985) tried to synthesize a broad range of factors into the analysis of what he called *Late Capitalism*. To this end, he drew on various currents of Marxist political economy. Some Marxists found this much too eclectic, insisting on their respective more focused, but maybe also reductionist, analyses. Others found *Late Capitalism* too orthodox, an analysis desperately trying to hang on to Marx’s framework while adding all kinds of ornaments to it. Needless to say, this kind of criticism came mostly from ex-Marxists desperately trying to explain why they chose to drop anything to do with Marxism.
Either way, Mandel’s *Late Capitalism* is as old now as *Capital* was around the time Hilferding, Luxemburg and Lenin wrote their respective masterpieces. Reading it today, along with other works written in the 1960s and 1970s, one gets a sense of reading about times further back in history than *Capital*, notably because they, implicitly or explicitly, considered the presence of socialist movements that were absent in Marx’s days and are absent again today.

Pulling together various currents of Marxist political economy was not easy at the time Mandel wrote *Late Capitalism*, but it is even more difficult now in light of today’s 1,000 Marxists. It is also more urgent to do so now if Marxists want to overcome the postmodern condition with its partial world views and, in the political world, its single issue movements. A new synthesis, drawing on 20th-century Marxist political economy and based on a new reading of *Capital*, should, on a theoretical level, contribute to a framework in which different social movements can articulate their respective concerns without losing sight of each other or of the larger picture that binds them together.

References


