

## **Opinionated Notes On Reform or Revolution For My Students** **Liam Kofi Bright**

Rosa is responding to Bernstein's argument that the Social Democratic Party should adopt a stance of permanent reformism. Which is to say, the party should exist within a basically capitalist society but be a guiding hand by which we ensure that society works to the benefit of a proletariat majority. This was, at the time, a radical proposal, since Social Democracy was often thought to be flatly incompatible with capitalism - but it is safe to say that in so far as the social democratic tradition still exists in Europe and North America they are Bernstein's heirs. I am not qualified to comment much on social democracy without, though I know that in Ghana the NDC are social democrats and retain some popularity. I also think social democracy has some strength left in the Nordics, though even there it is fading; and elsewhere in those zones it is on its knees. Even so, with hindsight, we can say that Rosa is here mounting a rearguard against the wave of the future.

Before getting going proper, a note that you might find [this](#) podcast episode interesting if you have access to it. [This](#) from LSE's own Lea Ypi is a nice general overview of Rosa's life and work. I will highlight points for discussion in red.

The essence of Bernstein's argument is summarised by Rosa in the first chapter — she adopts the irritatingly polemical style typical of Marxist theorists, and so refers to this as “the opportunist method”. You will never be at any risk of accidentally thinking she might be sympathetic to Bernstein, and to me this style borders on the condescending. It's as if she must constantly remind the reader who they're supposed to be cheering for, who they're supposed to be booing. It is very typical among Marxists so I don't hold her especially to blame for it, but I will note that it is perhaps extra galling from her given that she begins the text with stirring remarks on how the working class, if they are to govern, must be conversant with and full participants of the leading theoretical discussions about politics and economy. Quite so! But then why she seems to utterly mistrust them and any other readers unless she continually presses home the point is beyond me.

(This gets even worse when contemporary Marxists adopt the tone. I think because Marx himself, along with Rosa and Lenin, have been so very influential culturally there is some desire to ape their style. And because Marx and Rosa are genuinely witty at times (note that I do not here repeat Lenin's name - see, I can patronisingly hold the reader's hand too!) it can even seem aspirational, as one enjoys the experience of reading them. But if you adopt this writing style while in fact being an incredibly stupid know-nothing educated in the school of Twitter dunks it is insufferable.)

Anyway, per Bernstein the original *raison d'être* of socialist parties has been refuted by late 19th century developments in the major capitalist economies. By developing elaborate credit regimes, and by accepting the rise of cartels and monopolies, capitalists have managed to curb the boom-bust cycle that made crisis and collapse inevitable and which was to precipitate the rise of socialism as an alternate governance form. This is because access to credit allows for the kind of liquidity capital needs to avoid being trapped in places where it is unproductive, and by forming cartels capitalists have been able to avoid various inefficiencies inherent to the competitive market that spur them into waste and mutual destruction. What is more, by expanding the franchise and normalising the role of unions in the economy, liberal capitalist social forms have created the possibility that a well organised social democratic movement can ensure the benefits of this stable prosperity machine flow to the proletariat rather than getting captured by capital.

Rosa thinks nearly every single thing about that is incorrect. Elaborate regimes of credit are no bulwark against crisis and in fact can be the basis of significant economic crises. Cartels and monopolies will not stably generate prosperity for the many, but drive up prices, drive down wages, and generate inevitable competition between major capitalist powers as each national block must raise tariff walls to prevent rivals underbidding them while at the same time secure access to primary resources at the base of their value chain through imperial conquest. The union movement cannot possibly secure general prosperity for workers, and will inevitably be undercut as formerly non-capitalist economies are brought into the sphere of global capitalism. And the boom-bust cycle not only has not been tamed (indeed there was a major economic crash between the time she began writing her response to Bernstein and her publishing this book, as she rather smugly points out) but could not be within capitalism, as the existence of busts is necessary to wipe out unproductive capital allocations and ensure they are redirected elsewhere.

We can go through each of these points in turn, including some notes on the background to all this and why Bernstein thought as he did (where some of his ideas now, I think, seem so implausible as to be curious why he ever thought them - they were more normal in his day). In the main history has more vindicated Rosa than Bernstein, so the general consensus (reflected, for instance, in the Ypi piece linked above) is that she got the better of this debate.

But in advance I'll say I think two things are worth thinking about more - first, why is it that the social democratic parties of the wealthy parts of the world (and the NDC in Ghana too) so overwhelmingly came to agree with Bernstein's proposal? My current suspicion is this is an artefact of the Soviet Union's (with the exception of a brief period under Krushchev) largely trying to simply dictate ("coordinate") the policy of communist parties around the world on the one hand, and the CIA along with various local security agencies or secret polices repressing communist movements on the other. A kind of evolutionary selection. The only form of Social Democracy that could survive without a) being raided by the FBI/Special Branch/the Mounties or whoever else in Canada/local equivalent thereof, and b) completely discredited by the clownishly evil behaviour of the Soviet Union a la the invasion of Hungary, were Bernstein-model social democratic parties. But that is just a suspicion, I would like to be able to speak with more confidence.

Second, why did Nordic social democracy prove to be much more resilient despite working along Bernstein's basic lines? To the point that achieving something like them is still more or less the whole ambition of the largest and most politically (and certainly electorally) relevant wing of American "socialism" (I recall memes getting shared around in 2016 among leftists critical of Bernie's success — a google search brings me [this](#), posted on Reddit 8 years ago). All the more striking, since this model of social democracy generally failed to bring about its ends, and is now largely squeezed out on the electoral left by a dynamic wherein neoliberal parties fairly explicitly committed to rejecting the social democratic social contract (witness the [British establishment's response to the prospect of Corbyn](#)) battle it out against permanently enraged ethnonationalist grifters. Yet, despite being just as exposed to the same basic social conditions as the rest of Europe, the Nordics have retained much larger and more entrenched state role in the economy, powerful unions involved in sectoral bargaining, and a prominent role for genuinely Social Democratic parties in their parliaments. **Why there and nowhere else in the rich countries? I don't know the answer to these questions, but I think in understanding why Bernstein's project failed it would be useful to know why this apparent regional counter-example exists.**

In any case, returning to Rosa's response to Bernstein let's go through some noteworthy points before moving on to discussing Luxemburg's critiques.

- 1) One thing that was of great interest to social theorists at the turn of the 19th century was what we would now call financialisation, the control of a significant sector of the economy by finance capital, owners of banks or merchants of debt and credit, rather than industrial capitalists themselves. Everyone noticed it and everyone thought it would be very significant indeed, since it seemed to represent a kind of concentration of capital in relatively few hands. Even if you apparently have a bunch of capitalists running around doing their own thing, if most of them are in debt to a very few of them, there is a sense in which their assets are more or less just on loan from the real owners - the ones dispensing credit and collecting the interest off repayments. Many apparent owners are functionally in fact just administrators.
- 2) Bernstein has also noticed (1) and sometimes in some moods thinks it is a good thing, more or less (it's complicated). This is related to the fact that he generally thinks the formation of cartels and monopoly capitalist practices is a good thing. One of the truly fascinating things about capitalist theorising in this era is how widespread that was. Neumann's analysis of Nazi Germany (LSE social theory Represent), *Behemoth*, notes that in the run up to world war two and the heady days of the Weimar Republic, there was a constant and very significant lobby actively espousing turning the country's economic life over to cartels who would be able to manage it efficiently. You can also find opposition to early anti-trust law in America which explicitly made arguments in defence of cartels and monopoly capitalism. For a discussion of such arguments see [here](#) (§2), though note that they associate anti- anti-trust with being suspiciously communist, in part because it amounts to a form of socialising the economy!

- 3) As far as I can tell common reasons for thinking (2) were i) the belief that capitalist crises were caused by the tendency of the rate of profit to fall. It seemed to follow that cartels by suppressing competition within themselves arrest that, and so prevent periodic crisis. ii) the belief that economies of scale and information sharing achieved by vertical integration were so very good indeed for efficiency that they would generate massive savings passed on to consumers even while keeping super profits for capitalists running the cartel. iii) “patriotic”/ nationalist drivel that equated powerful local cartels with “the national interest” or the like.
- 4) Of these, Bernstein is clearly most moved by (i), but (ii) no doubt also plays a role for him. (You would hope that he would be above (iii), but his somewhat deplorable actions at the outset of the first world war might suggest otherwise.) So the belief about the good of the expanded role of credit in the economy is, I think, that it ensures that capitalists have an efficient means of moving their money around to ensure they do not get trapped in unprofitable areas, where in the background the understanding that more or less what constitutes an economic crash is large swathes of capital suddenly finding themselves insufficiently profitable to support their own maintenance while at the same time being insufficiently liquid to get turned into something profitable elsewhere. So we are stuck with “fettered” capital, and social crises ensue while we go through the painful process of rearranging ourselves to make use of our stuff. No problems with liquidity means we won’t get stuck transitioning out of the bad states.
- 5) What’s more, cartels can quickly identify where crises are at risk of occurring, and take sensible collective action to avert their own obsolescence. In general, by pooling their resources and acting to protect their own profit rate they can ensure that society can keep on doing whatever it was doing before while effecting orderly transitions into profitable fields.
- 6) None of these arguments should strike you as all that economically viable or persuasive, because they are not. Rosa is among many people at the time pointing that out. Interestingly Lenin was another, and he spends a lot of time in his work on *Imperialism* pointing out that the concentration of capital in the form of credit unions was on the one hand, it is true, indeed managing to facilitate capital moving more efficiently between sectors and so avoiding some crises, but was also actually driving imperialist expansion and ultimately generating the mass conflagration seen in world war one. Schliesser reminded me that Nkrumah would later pick up on this theme in his work on *Neocolonialism*. Rosa will make a similar point here.

Now on to various objections of hers that I found interesting, going by topic.

### Credit.

While it’s not one of the central discussions of the text I think it is worth spending a bit of time on the discussion of the role of credit if only because of subsequent events that apparently bore out Luxemburg so dramatically. This is certainly the thing that most affected me when I first read it.

As noted above, Bernstein thinks that financialisation of the economy will do a lot to avoid crashes. In the form of “industrial credit” it is a means by which capitalists can lend each other their money, and smooth out problems as mentioned. But, in addition, in the form of “commercial credit” it allows for the continued exchange of goods even when people fall on hard times. This prevents spirals wherein people can’t afford to consume during the bad times, so producers have to lay off workers, who now can’t themselves consume... etc. No more! Now the bad times can borrow against the anticipated good, and people in bits of the economy not affected by local crisis can prop up those presently on the downturn. Socialising risk! We thereby, again, smooth out things that in earlier, less enlightened, ages would have generated crises.

But, not so, says Luxemburg. For one thing, credit (her words) “increases disproportionately the capacity of the extension of production and thus constitutes an inner motive force that is constantly pushing production to exceed the limits of the market”. This “provokes overproduction”; what’s more, if people are also buying things on tick (since you’re all a bunch of foreigners) then when the the overproduction becomes apparent and credit lenders start calling in their debts to try and protect their own assets, that will itself only exacerbate the crisis. So the financialisation of the economy “strikes from two sides” and makes crisis all the worse.

Rosa describes these as the principle results of the expanded role of credit in the capitalist economy (circa the early 20th century) so let's pause to discuss them. Now, they have the not insignificant virtue of being, so far as I can tell from my admittedly non-expert perspective, largely correct. In that "credit booms" have caused crises in which people initially massively over-estimated their own future capacity to generate profit, or the value their assets could actually create, then upon realising their error recalled their loans en masse, and in this way generated simultaneous crises of production and consumption. These arguably played a significant role in the '29 and '08 crashes. Sources [for that here](#). And, well, since those are some of the largest and most significant global economic crises ever to have occurred, so it's hard to argue with Rosa that we should not think the total financialisation of capitalist economies will bring stability. Indeed, I take it nobody would now argue as Bernstein did given our historical experience - though of course both the most major crises are in the future at the time of her writing this text (though there had been financial crashes before based on credit runs) so her insight deserves recognition.

But I confess I found her somewhat condensed argument for why we should expect these to be very puzzling. IIRC when I first read this I was relatively young and the '07 crash had just occurred, so it seemed so wise and prophetic even that I did not much care to examine her chain of reasoning. Now that I do so I would say it is just very elliptical. **I would suggest we therefore do some follow up reading on the Luxemburgian theory of credit and crashes?**

In any case, Rosa also makes some other observations on the nature of credit. First, elaborate financial mechanisms allow for speculation where one is essentially risking other people's property in order to secure private gain. She predicts will lead to irresponsible behaviour. And of course, again, this is the principal-agent problem that [some think](#) contributed to the '08 crash. So while I don't think it's an especially Luxemburgian or even Marxist insight to pay heed to this salient risk, it at least shows she had her finger on the pulse and was an astute economic observer. Along with the aforementioned consequence of concentrating ownership (on which more in a moment) she also predicts the erratic crises all this will induce will necessitate state intervention in the economy. All in all, she says, the best thing capitalists could do to preserve their own social form is "breaking up and suppressing credit", i.e. regulating credit markets and ensuring that certain kinds of speculation on assets are forbidden. This, [again](#), proved prophetic.

### **Cartels.**

Now in this sphere Luxemburg's argument is rather curious and interesting. Again in line with what I would take to be contemporary orthodoxy (certainly among bien pensants the left - there is even a [popular substack](#) dedicated entirely to the topic!), Rosa is entirely hostile to the idea that organising industry into a network of cartels will be to the general economic good and able to secure a stable capitalist regime.

Some of her reasons for this are, I think, fairly common sensical. For instance she argues that cartels "aggravate the... struggle between the producer and the consumer" (here she name-checks the then-contemporary anti-trust struggles in the US), i.e. they raise prices. This is, so far as I know, a very widely accepted reason in favour of anti-trust law even among those she would call "bourgeois economists", and "consumer protection" is a common rationale for existing anti-trust law. Further, I think the evidence largely bears this concern out, though see [here](#) for some fascinating counter-evidence, though, in the case of Amazon specifically. I am genuinely not sure what is going on in that case and would love to know more.

They also aggravate tensions between employers and workers by "opposing, in the most brutal fashion, to the working class the superior force of organised capital, and thus increasing the antagonism between Capital and Labor". She considers this so obvious as to not be worth expanding upon, and I think it's fairly easy to see why. For one thing, where cartels can basically act as monopsony employers within an industry or trade, we should expect that to lead to all sorts of abuses - we might expect workplace safety or conditions to become horrid, say. Amazon warehouse conditions seem to back that up, even where their pricing behaviour is odd. For another thing, we should expect cartels to exert great political power in light of their concentration of economic clout, and to use that to their own ends wherever that might conflict with labour's. Her next point touches on this, but also Neumann's aforementioned analysis of fascism in Germany suggests that just this was soon to occur in her homeland, to tragic effect.

Finally, presumably in order to avoid getting undercut from abroad in a globalised market, they must lobby for things like tariffs. In her words, “capitalist combinations aggravate the contradictions between the international character of the capitalist world economy and the national character of the State - insofar as they are always accompanied by a general tariff war, which sharpens the differences between capitalist states”. This will not only be a further source of price problems for consumers as mentioned above, but also tariff wars have a habit of spilling over into hot wars, and so encourage anticipatory militarism in the short term and death and destruction in the medium term. Imperial competition between the UK and Germany surely had many sources - but such antagonism was no doubt among them, and so this too seems to have been borne out (this relates, again, to Lenin’s analysis of imperialism mentioned above - though he was writing with the hindsight of WW1 already having broken out).

These arguments are, if not uncontroversial, at least points where I do not feel inclined to raise controversy. But I think there are two related points that might be worth further discussion.

First, she later discusses under a slightly different framing the extent to which we are actually seeing the concentration of capital in capitalist economies. She thinks we are in the relevant sense that - conglomerations of capitalists pooling their resources into shareholder companies control ever more of the economy. This is, she thinks, even consistent with the absolute number of capitalists increasing in the world. She clearly has in mind such situations as: once upon a time there were 10 small proprietors in a pre-capitalist economy who handled the town’s affairs, then 5 of them form a shareholder company by pooling their resources and drive the other 5 out. Now if we suppose the town was in some meaningful sense a peasant economy before this, and has now had capitalism introduced, there are thus in that sense 5 more capitalists in the world than there were previously. (Re global spread of capitalism and its effects on concentration of wealth.) Bernstein, she thinks, mistakes such a scenario for the diffusion of wealth, the creation of a mass property owning society. But, as far as Rosa is concerned — and surely in some sense she has a natural read — what we have got is 10 independent agents being replaced by 1 economic agent; in a real sense this is the concentration of capital even if the number of capitalists increased.

One might see the formation of cartels and the like as similar. In some similar sense this is a concentration of economic power, even if the absolute number of capitalists remains the same or even increases, such as if the cartel became large and profitable enough to offer shares to workers involved in their components as an incentive. So I think there is a connection between her discussion of cartels and her discussion of the concentration of capital.

I think she is right to view things as she does, but I am not sure how it interacts with another point that I would have imagined she is committed to. In that Bernstein may well have been wrong about this being a diffusion of economic power, but he might yet be right that it could avoid certain immiseration results. Suppose all ten of the peasant proprietors had gone in on the shareholder company - it would still, as Rosa said, have been a concentration of economic power. But it might not be one that immiserates anyone, in fact they may all now enjoy whatever growth in wealth that access to capitalist credit and world markets brings them. Bernstein is clearly concerned to show not just that economic power is dispersed but that thereby wealth is shared around; this combines with his points about democracy and unions which we shall discuss below.

Now, maybe Rosa wanted us to read this in light of her other arguments and didn’t feel the need to spell out why the fact that economic power was concentrated also means wealth will not be more widely diffused. But I think her explicitly social ontology (“the economic notion of “capitalist” no longer signifies an isolated individual. The industrial capitalist of today is a collective person, composed of hundreds or even thousands of individuals. The category “capitalist” has become a social category”) actually makes that a bit complex, since any one economic agent can be composed of arbitrarily many members of the society. **How to understand the relationship between the concentration of capital and wealth according to Rosa?**

The second thing I can state more briefly, since it was just an argument which I found hard to understand. She stresses that cartels ensure profit in one sector by suppressing it in others and that therefore they cannot become the dominant economic form, or that they must invariably eventually break down and dissolve into individual mutually competing capitalist enterprises. I simply didn’t see **why this is?**

## **Democracy.**

Bernstein pins much of his hopes on the expansion of democracy as a means of achieving social democratic ends without having to engage in revolution. This seems related to his sincere hopes for unions and cooperatives to become means through which workers win reforms in their own interests, so we can treat them altogether. The hope basically is that now that liberalism has won enough concessions from the feudal order to enshrine various (bourgeois) rights and freedoms, these are actually sufficient basis for workers to self-organise and win a gradual amelioration of their own condition, gradually taking control of more and more social apparatus and turning it to the commonweal. As such a democratised political order generates an equitable economic order.

The great contrast with democratic transition in socialist history and theory is Blanquism, wherein a small cadre of armed people basically achieve a coup d'etat and, now in control of the armed forces, simply impose socialist measures on a previously capitalist society. Much though Leninists will insist that this is very different from what they do and/or want to do, it is in fact pretty obviously what Leninists did and/or want to do. Bernstein is deeply opposed to Blanquism; and this is interesting because, despite feeling the need to, as ever, present herself as Bernstein's personal worst enemy, Luxemburg rather famously agrees with him that Blanquism is a bad idea. So here they are agreed in what they oppose, but disagree on what that entails positively.

Luxemburg has a number of objections to Bernstein's plan. First and most fundamental of which is that she thinks Bernstein is being naive about the extent to which democracy will be tolerated in so far as it ever seems like it might plausibly lead to genuine worker control, or anything that would seriously upset the power of capitalists. This takes the form of her accusing Bernstein of thinking that there is some sort of historical law whereby the extent to which society is democratic must ever increase, so having won what we have won reaction cannot set us too far back. (To be honest, I thought this whole argument of hers was markedly absent of direct Bernstein quotes, and I would be willing to bet good money he was more subtle than she made out here. I think something like this is maybe present in Condorcet's historical sketch, though he is pretty explicit that this is consistent with fairly large temporary set-backs so even there I am not sure.)

But of course there is no such inevitability. Capitalist countries have, Rosa points out, slipped in and out of democratic government forms. Germany was, infamously, within a generation of this to undergo a brief foray into liberal democracy before one of the most horrific backslides in human history. To this day, though one might reasonably dispute their measures, scholars worry that we are presently undergoing "democratic backsliding" in many liberal capitalist nations. So I think it is fair to say that Rosa was correct in her substantial worry here, even if she plays a bit loose with Bernstein's actual position — one cannot rely on liberal capitalist countries remaining bastions of democracy that will permit one to simply vote capitalists' wealth away. Modern socialists will tend ourselves to point to what happened in Chile as perhaps the most painful example of this.

Luxemburg thus concludes that "[o]nly the hammer blow of revolution, that is to say, the conquest of political power by the proletariat" will ensure that capitalist State's do not permanently block any serious reforms or moves towards genuine worker control. But what exactly does that mean?

Well, I confess, it is rather difficult to say exactly what she does want, if one were to go only on the basis of this text. What we get clearly here is i) she does not want a Blanquist coup d'etat, ii) she does not think one can simply reform the state by winning elections within a liberal democracy, iii) she does not think that militant union activity will ever suffice, iv) she does not think that one can create the kernel of the new from within the shell of capitalism by combining workers cooperatives for production and consumption (She argues that these can only work by in effect becoming indistinguishable from normal capitalist employers - witness John Lewis in the UK - or being very decidedly regional/local - witness Mondragon in Spain - and so in any case cannot be the basis for general socialism.) I think one might fairly wonder what she does think we can do.

We do get a note (repeated in her last piece) that the process will be faltering. And she positions socialism as the best support of democracy, cohering with her being in favour of expanding the franchise. **But her positive vision is largely not here; I raise it in case people want to discuss.**

## **Idealism.**

No doubt of interest given its prominence in contemporary socialist debates is her fairly hard line against “idealist” tendencies in Bernstein, which she equates with his habit of setting up socialism as something that will arise from the fact that workers recognise that a more equal distribution of wealth would be just, and so seek to realise socialism in order to bring that about.

In contemporary socialist theory this is hotly debated. It was a central focus of analytic Marxism back when that was a thing; see [here](#) for an admittedly somewhat hostile (and disputed) account of the history thereof. As it lies behind some of the Marxist contempt for Rawls, it’s debated back and forth in semi-popular forums by socialist intellectuals. Even intellectuals sympathetic to an anti-moralist position (often known as “realism”) worry that it is in the end a prop for conservatism, while intellectuals otherwise sympathetic to Rosa are often engaged in projects one suspects she would dismiss as idealist on similar grounds as to her dismissal of Bernstein.

For her part here Rosa more or less just thinks all this moral talk about how we distribute wealth is simply irrelevant. For one thing, following Marx in critique of the Gotha programme, she thinks that the way you arrange production will very predictably produce a certain patterns of distribution through the operation of the economic/legal form and the sort of behaviour it encourages or requires. To keep the social form but object to the resulting distribution is fighting against yourself, granting with one hand what you struggle against with the other. Why worry about justice in distribution when you can simply rearrange production to foster your preferred outcomes?

For another, she has an incredibly strict realism in her philosophy of science. She even insists on value as conceived of by the labour theory (on which) as something directly observable in the form of money! A consequence of this is, I think, general hostility to anything so abstract and subjective as ideals being able to move people or have causal consequences by inspiring action.

To lay my cards on the table, I think a lot of socialist attraction to anti-moralism amounts to a kind of nerd machismo. The “hard nosed” analysis it fostered has largely been dogmatic prophesying, and the actions it lead to in practice (which are thankfully rare, since by the grace of God most of the people who profess this doctrine are nebbish cowards) have been thuggish brutality and mass murder. Aversion to using abstract models and unwillingness to admit unobservables in any serious fashion has just led to Marxist theorising being stuck in a worst-of-all-worlds compromise between 19th century empiricism and Hegelian high fantasy; embarrassing from the perspective of philosophy of science. One of the worst aspects of Rosa Luxemburg’s thought, in my opinion.

**But then again some realists are, I am sure, good people. So let’s discuss!**