La dialectique du capital chez Rosa Luxemburg et la phase actuelle de la financiarisation

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La dialectique du capital chez Rosa Luxemburg et la phase actuelle de la financierisation (Rosa Luxemburg: the dialectic of capital and the current phase of financialization)

Abstract

I wish to start with the familiar discussion about Luxemburg's "The Accumulation of Capital" (1913). Many fellow Marxists rebuked Luxemburg's central thesis that the extended reproduction of capital requires a non-capitalist "exterior". In my opinion, when rereading Marx's Capital in its totality, her adversaries were right on a logical level for two main reasons. First, the second volume describing the extended reproduction schemes has to linked to the (more concrete-empirical) third volume regarding Marx's explanation of the tendency of the rate of profit to fall. This point of view has already been covered in older literature. Second, her thesis is epistemologically unsound when retracing these schemes to the more abstract level of a dialectic of capital in volume one. The first conclusion can be made that Luxemburg confused several levels of abstraction/analysis - amalgamating a general outline of the abstract dialectic of capital (a general theory of capital in abstract time) with the more concrete observations about the classical imperialist/monopolist phase of capitalism (the political economy of capitalism between 1880 and 1920, in historical time). In short, Luxemburg deployed a logico-historical method, in which the dialectic and historical evolutions collapse onto each other. I therefore contend that her crisis theory should be conceived as a crisis theory in historical time, a crisis theory of classical imperialism, thereby subtracting her claim that the abstract logic of capital is inherently and necessarily driven by a lack of the exterior. The last and most important question is how much our contemporary
political economy, financialization, still resembles her eight crisis features of classical imperialism. How do we interpret the advent of equity markets, debt-driven consumption, etc?

**Introduction**

Together with Joan Robinson, the grandmother of post-keynesian economics, Rosa Luxemburg was arguably the most talented female economist of the twentieth century. The magnus opus, *The Accumulation of Capital* (1913), was an intellectual lightning bolt in her own time. This work was an intervention in the ongoing debates of the possibility of a final crisis or breakdown of developed industrial capitalism in the Western core countries. In other words, Luxemburg reassessed the late-nineteenth- and early-twentieth-century Marxist contributions regarding the conceptualisation of capital as a social accumulation process, by which she attempted to extract her own crisis theory in the age of monopoly capitalism and imperialism. She emphasized both the abstract and historical uniqueness and peculiarities of capitalism in comparison to other modes of production. The power relation between labour and capitalism essentially determined all facets of circulation, production and distribution of the value-forms and natural resources. Luxemburg reiterated this point in her introductory chapter:

Reproduction here depends on purely social considerations: only those goods are produced which can with certainty he expected to sell, and not merely to sell, but to sell at the customary profit. Thus profit becomes an end in itself, the decisive factor which determines not only production but also reproduction. Not only does it decide in each case what work is to be undertaken, how it is to be carried out, and how the products are to be distributed; what is more, profit decides, also, at the end of every
working period, whether the labour process is to be resumed, and, if so, to what extent and in what direction it should be made to operate (Luxemburg 2003: 6).

Paul Mattick - another great Marxist economist, an erstwhile Spartacist and a critical admirer of Luxemburg – completed this statement. A short parenthesis to clarify the adjective “critical”: Mattick’s negative assessment pertains to Luxemburg’s economic contributions and not to her political viewpoints. Mattick was greatly influenced by the economist Henryk Grossman, whose main contribution revolved around Luxemburg’s very same questions about crisis and reproduction. Mattick, linking Marx’s observations about capital in general to his more particular-concrete investigations in *Capital* volumes 2 and 3, stated:

> Capitalism as accumulation for the sake of accumulation – that is, without regard for actual social needs or even for the valorization requirements of capital- is exactly what is characteristic of surplus value production and nothing to be wondered at. Competition on the basis of value production impels every capital, in the interests of self-preservation, to accumulate. It must grow or go under, and the total result of all these strivings is the growth of the total capital and the resulting changes of the value relations, which bring with them the fall in the profit rate as soon as the blind drive to accumulate overshoots the actual productivity of labor (Mattick 1981: 115).

What brings Luxemburg and Mattick together is the very notion of inherent contradiction of capital in its self-movement. Both want to trace the causes and concrete expressions of the repeated crises of capital in the real and historical world. But, when returning to Luxemburg’s initial statement, another, more methodological, matter comes to surface. When constructing the logical-formal definition of capital (as Marx did in the first chapters of *Capital* volume 1), Luxemburg explicitly wrote about “periods” and “directions”. These crucial words indicate that her theoretical endeavour also included a thorough itemization of all historical conditions which capital generates and in which it has to reproduce the value relation. This essay will
therefor explore how Luxemburg conceptualized the relation between the formal exposition of a self-mediated dialectic of capital and how it deploys itself in a world imbued with historical contingencies.

However, she misinterpreted Marx’s expanded reproduction schemes found in volume 2 of *Capital*. This misinterpretation was guided by the main idea that capitalism in the core countries always was led by an unresolvable tendency of underconsumption. She ignored Mattick’s remark that the capital-labor relation is not determined by facilitating sufficient demand, but that capital itself expresses the tendency to expand without regard of existing market conditions. This tendency is not only a fundamental aspect of “capital in general,” but it is also imposed onto each individual capital within a framework of competition. This, in turn, leads to the ceaseless cycles of investment in capital goods in order to augment production efficiency.

**Intellectual contexts**

A preliminary remark has to be that capital as an abstract self-movement can never be identical to the real historical setting in which subjects reproduce the necessary relations of production. Current researchers writing about the conceptual status of capital particularly in volume one of *Capital* all emphasize that Marx made a crucial distinction between his abstract-formal exposition of the dialectic contained within the concept called capital and the historical emergence and spatio-temporal expansion of capital. Research currents such as the *Neue Marx-Lektüre*, *The New Dialectic* and the *Uno-Sekine Approach* immensely invested in this crucial distinction in order to further reconstruct Marx’s theory of the dialectic of capital (Versieren 2018). In addition, it is important to reiterate this distinction from the historian’s perspective: there does not exist one model of capitalism. Institutional and cultural elements
are inherently determining instances of the historical developments of capitalism as a mode of production (Versieren and De Munck 2018). Each social formation or spatial cluster of social formations tend to overcome the inherent contradictions of the social reproduction of capital according to a unique pattern of development. It is not a coincidence Lenin coined the word “phases of capitalism” in order to make this crucial distinction between “modes of regulation” and the abstract dialectical logic of capital. Perhaps Zizek’s remark on the self-enclosed movement of capital clarifies the matter:

The central "antinomy" of capital is its driving force, since the movement of capital is ultimately not motivated by the endeavour to appropriate/penetrate all empirical reality external to itself, but by the drive to resolve its inherent antagonism (Zizek 2011: 216).

In the historical realm, there does not exist an expressed ulterior force guiding all economic movements in a capitalist social formation. For example, commodification is the logical movement forwards enclosed in the dialectic of capital in order to have a value-augmenting production system, but this logical element does not immediately, instantly and necessarily penetrates all facets of social life. The Keynesian welfare states de facto partially decommodified labour after World War Two as the outcome of an intensified conflict between labour and capital. The current age of neoliberalism tended to undo this partial decommodification, but this new phase did not entail a simple retour to mid-nineteenth-century free-trade liberalism. A gamut of state apparatuses have been deployed in order to manage and control civil society in alignment with the “new economy” under the banner of “good governance”.

I return to the intellectual history of Luxemburg’s seminal work on accumulation and reproduction for understanding its precise conceptual nature. When arriving in imperial Germany in 1898, she encountered the most powerful and successful socialist movement before the First World War: the German Sozialdemokratische Partei Deutschlands. Firmly
entrenched within civil society with its own newspapers, labour unions, social services, etc., this party elicited admiration and praise from all other epigones of pre-war Marxism – such as Lenin, Vandervelde and Guesde. In addition, the German socialists were the theoretical powerhouse of Marxist thought in Europe – compared to, for example, the politically and ideologically divided French socialist movement.

As a result of the scrupulous popularization of Marx’s economic writings by Liebknecht and Bebel, Marxism overcame all theoretical limitations of the earlier conceptual constellations of corporative or utopian thought expounded by craft artisans and the free professions. Under the ensuing intellectual leadership of Karl Kautsky, innovating advancement of Marxist inquiries into the political economy of capitalist social formations took place. This research had direct practical implications. Conceptualizing capitalism and capital also determined the manner in which the party had to achieve socialism in the real world. And, vice versa, daily political praxis also had a direct effect onto the conceptual lens through which leading party members made abstractions of a social world in constant flux. The most well-known examples of the ongoing dance between theory and praxis were the constitution of the 1890 Erfurt Programm, Revisionismusstreit, Massenstreikdebatte and the social-political question of the middle classes.

Luxemburg became instantly famous amongst rank and file with her forceful reply to Bernstein’s evolutionist interpretation of Marx, thereby warning her colleagues that institutionalization and bureaucratization of the labour movement could quickly slip into an indefinite postponement of its final goal. In conjunction with these remarks, Luxemburg was highly critical of the general necesserian economicism – the objective laws of capitalism ineluctable creating the necessary conditions for socialism – which both Kautsky and Bernstein spelled out. For Luxemburg, calling forth relentless activism by the collective worker, “the collapse of capitalism is guaranteed, the victory of socialism is not (Johnson
This position resembled Antonio Gramsci’s illustrious call for “a revolution against *Das Kapital,*” in other words reintroducing the pivotal role of the revolutionary agency against all determinist fatalisms of the Second International. Luxemburg reiterated her political viewpoints in the 1906 seminal work *The Mass Strike, the Political Party and the Trade Unions,* which became highly influential amongst interwar Marxist intellectuals:

She resisted the technocratic notion that the political and economic struggle were two different, unconnected moments of the fight against capitalism and that mass strikes could be simply mobilized by the party or trade-union apparatus in times of revolution and demobilized when “the time was not ripe” … Luxemburg emphasizes revolutions and mass strikes as testimony to people’s capacity to change their society. Their spontaneous nature is proof of their grassroots foundations. The “masses” “cannot be called at will, even when the decision to do so may come from the highest committee of the strongest social democratic party. Political parties, trade unions, and other civil society organizations cannot control the unfolding events “because revolutions do not allow anyone to play the schoolmaster with them” (De Smet, Zemni & Bogaert 2013: 889-90).

The logic of capital does not impress its essence onto a historical society in the form of a few immutable economic laws. It is therefore not a coincidence that the praxis of a bureaucratized party would tend to be attracted into the orbit of a cult of economic objectivism expelling the subjective side of social reality. Both Kautsky and Bernstein interpreted Marx’s *Capital* in such manner. In their expositions of the conceptual tenets of this great work, the logical and the historical sides of Marx investigations collapse into each other. This logico-historical method, at moments also propagated by the older Engels, explains history as a teleological and fixed scheme of transformations of society. The dialectical exposition of capital in the first chapters were therefore conceived as a fixed sequence of economic developments: from
mercantile capitalism – money and the commodity – to industrial capitalism – value and production. In short, the logico-historical method consolidated the overall outlook of mechanical materialism. Ironically, this method was actually conceptually correlative to Lasalle’s obsolete ideas of the iron laws of wages and the immiseration thesis – two logics of capital already defining the course of history. The logico-historical reading of Marx would remain dominant until recently. Gabriel Deville’s *Le Capital de Karl Marx, résumé et accompagné d’un aperçu sur le socialisme scientifique* (1883) gave a summary of this interpretation. It was widely used amongst party cadres in many European countries. Soviet economists expounded a simplified version. Even Ernest Mandel deployed the logico-historical method in his seminal work *Traité d’économie marxiste* (1962) when devoting a chapter on “simple commodity production” as a historical stage preceding capitalism instead of considering it as a logical instance within the exposition of the dialectic of capital.

In sum, Luxemburg was inevitably determined by the intellectual context in which she operated. Her immediate frame of reference were the logico-historical contributions of the Second International economists. *The Accumulation of Capital* neither succeeded into breaking away from this method. Her treatment of Marx’s schemes of reproduction – belonging to the logical exposition as another abstraction of the self-movement of capital – collapsed with her explanation of imperialism and crisis in times of monopoly capitalism. Again, in one of her last essays on the theoretical tenets of the three volumes of capital, written in 1918, she maintained that volume 2 was underdeveloped in terms of stating an abstract theory of secular trends and cyclical fluctuations – struggling to separate the dialectic from the historical and therefore unable to clearly demarcate the conceptual levels between “capital in general”, “competing capitals” and a historical-cyclical theory (Luxemburg 2015: 572; see also: Bellofiore 2009). This element determined her overall underconsumptionist outlook. Her analysis of the assumed contradictions between the production of capital goods
and consumption goods led her to believe that capital—whether “capital in general” or individual capital—was determined by a lack of demand of the workers, which in turn determined a deficient rate of investment:

Her difficulty seems to arise from a confusion of levels of abstraction akin to her search for a ‘purpose’ of production. She insisted that the problem of realization must be examined on the level of the aggregate social capital, but she treated the aggregate capital as though it were an individual capital which has to sell to others, and buy from others. She seems to have been unwilling to recognize the difference between a system and a component element within a system (Brewer 1980: 63).

On the other hand, in political terms, she absolutely developed an alternative to the prevailing mechanical and objectivist materialism of which interwar Hegelian Marxism was a close ally in terms of resuscitating Marx’s historical materialism as a theory of social praxis. Luxemburg’s overall theoretical framework has its own fascinating conceptual contradictions, which allows contemporary readers to keep reinventing her contributions:

Luxemburg knew things had changed from the time of Marx, and she worried publicly over the “stagnation of Marxism” … Since her death, even more profound changes have taken place. And what is good for the goose is good for the gander. The same critical method Luxemburg employed against Marx must now be turned against what appears inadequate about her own views (Johnson 2013: 12).

Errors and innovations in *The Accumulation of Capital*

The Accumulation of Capital, drafted at the end of the golden age of “classical Marxism,” immediately brought along controversies on an international scale. It was highly indebted to Marx’s *Capital* volume 2. When a hypothetical history could be written about the intellectual
histories of Marx’s economic contributions, it can be established that the second volume always had been undervalued. The first print came out in 1885, carefully prepared by Engels. It gained worldwide recognition in the 1890s and 1900s, when many translations were published as a result of international cooperation between the members of the Second International. The wave of translations coincided with the zenith of secondary literature. The last decades before World War One were the only period during which the second volume could generate a lot of scientific attention – with the exception of the post-Stalinist era in the Soviet Union and Western research on Michal Kalecki who was deeply influenced by this volume. This attention can further be explained by the fact that the Long Depression (between 1873 and 1896) imprinted a lasting impression to many of the leading intellectuals of the Second International. As this long-drawn-out crisis was qualitatively different from the recurrent but short-lived overproduction crises until then, contemporaries considered this period as the final point of no return for the capitalist mode of production; an encompassing crisis theory was therefore politically of imperative importance. Luxemburg herself described volume 2 as following:

Volume 2 has more of a theoretical and scientific character. It deals with problems that do not lend themselves to immediate application for use in practical life, for example, in agitational work. On the other hand, it is especially important for solving the problem of economic crises … It gives special treatment to the conditions [necessary] for the realization of the commodities produced by capital to be carried out smoothly. It turns out that the content of this volume mainly provides material for solving the question of crises, although Marx seldom mentions the term “crisis” in this volume (Luxemburg 2014: 363-5).

After the interwar years, the “volume 2 crises debates” dissipated. Ironically, the basic tenets of the second volume were later being recycled by post-war non-Marxian economists
until the 1970s, who regarded the reproduction schemes as the cornerstone of modern macro-economics. The two departments of social production in conjunction with Keynes’ *General Theory* were highly utilizable for creating growth models in the era of Keynesian mixed economies – Domar, Harrod, Kaldor, Tsuru, Leontief, etc. In conclusion, the pre-war interpretations of volume 2 were guided by the motive of developing a general crisis theory. In the post-war era, the very same tome had to provide the conceptual tenets for constructing a crisis-free growth model.

Luxemburg was genuinely surprised that her seminal work generated many heated debates amongst her colleagues. And this happened within a very short time-span. From a general outlook, her book just appeared to be an ensuing extension of the scholarly study of volume 2. Luxemburg sketched the reception history herself:

> When I wrote my *Accumulation* a thought depressed me from time to time: all followers of Marxist doctrine would declare that the things I was trying to show and carefully substantiate were self-evident. Nobody would voice a different opinion; my solution of the problem would be the only possible one imaginable. It turned out very differently. A number of critics in the Social Democratic press declared that the book was totally misguided to start with … Against those who had published a positive review of the book a high-handed action was taken by the central organ. A quite unique and somehow funny event – a purely theoretical study on an abstract scientific problem was censured by the entire staff of a political daily paper (Luxemburg 1972: 47).

She was right. The first reactions were inspired by political animosity. Her initial proposition reasserted Kautsky’s earlier thesis that capitalist growth if sufficient demand is available from customers outside the capitalist world. In other words, capitalism always requires an exterior in order to accelerate its interior accumulation. The “compulsive quest for non-capitalist
markets transforms the economies of the backward areas, overwhelming traditional pre-capitalist modes of subsistence” (Howard & King: 107).

This underconsumptionist explanation of the “exterior” firmly belongs to Marx’s investigations of the genesis of capitalism in last chapters of Capital volume 1. It is an account of cycles and phases firmly rooted in historical time as opposed to Marx’s treatment of capital as a concept in abstract time. The expanded reproduction schemes are explanatory tools of the dialectic in abstract time. Marx was univocally clear about this fact (see: Bell 2009). The “exterior” was completely absent in the abstract-logical exposition of the dialectic. If it has any abstract validity, it should be treated according to the same abstraction procedure as in the case with labour as being commodified and represented as a passive use value. In abstract time, labour as a use value does not contain a historical agency – it goes along with the self-movement of capital. In historical time, the agency of labour within the value-relation has never been passively submitted to the demands of capital. In other words, here it belongs to the world of historical contingencies, and it has the potential to fundamentally change the modes of accumulation. Luxemburg agreed with this viewpoint. In fact, she developed an innovative theory of wages, in which she emphasized the historical fact that labour as a use value has the purpose to defend the value of labour power during the bargaining exchange with capital (see: Krätke 2009). The exterior is neither a necessary passive instance. It has the historical potential to resist integration into the capitalist world market. From the viewpoint of the dialectic of capital, this exterior is neither an a priori requirement for the self-movement of capital. This has been proven by the famous debate between Luxemburg and Otto Bauer (see: Versieren 2010).1 Bauer’s rebuttal of Luxemburg’s underconsumptionist treatment of the expanded reproduction schemes have shown us that the exterior is not a logical consequence

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1 I refer to this paper for the mathematical and technical explanation why Bauer was right and Luxemburg was wrong. Bauer also deviated from Marx’s exposition at the end of volume 2 – introducing a variable organic composition of capital – but his methodology was fully consistent with Marx’s volume 3 regarding the tendency of the rate of profit to fall.
of the expanded schemes of reproduction. But Bauer was wrong to presume he also could deduce that Luxemburg’s crisis theory was wrong in historical time. History has shown us that underconsumptionism can be the main causal factor of a crisis, also happening throughout the twentieth century. In other words, Bauer overshot the mark regarding his criticism of Luxemburg’s crisis theory in historical time.

Returning to Luxemburg’s crisis theory, she taught us that colonialism, monopoly capitalism and imperialism were three sides of the same coin. And the imperialist age shows us, Luxemburg stated, that the classical political economists were wrong to assume that the logic of capital simply reflects Ricardo’s international trade theory with its free trade doctrine:

The doctrine of Free Trade with its delusion about the harmony of interests on the world market corresponded with an outlook which conceived of everything in terms of commodity exchange. It was abandoned just as soon as big industrial capital had become sufficiently established in the principal countries of the European Continent to look to the conditions for its accumulation. As against the mutual interests of capitalist countries, these latter bring to the fore the antagonism engendered by the competitive struggle for the non-capitalist environment (Luxemburg 2003: 430).

Again, Luxemburg assumed that the abstract logic of capital identically coincides with the historical evolutions of capitalism. Imperialism is a direct result of this logic: from primitive accumulation/simple commodity production to the free trade system characterized by light industries to the monopoly phase of heavy industries. However, her historical explanation of monopoly capitalism as such is clearly valid and gives a complex picture how capitalism evolved throughout the nineteenth century. And moreover, she attacked a mechanical materialist interpretation of the development of capitalism. Although an aforementioned general evolution can be discerned, each social formation also contains a myriad of unique characteristics as nations have to develop particular strategies in order to compete on the
world market. In addition, the non-capitalist exterior also influences the modes of accumulation. Luxemburg made the insightful remark that slavery in the United States was highly profitable for agrarian capitalists, a social formation driven by “uncommodified” labour. In other words, she foreshadowed Trotsky’s notion of combined development and post-war structuralist approach of the articulation of modes of production. In historical time, contra mechanical materialism, there does not exist a necessary teleological direction towards a generic form of capitalism.

Luxemburg listed eight central features of the colonial and imperial age in relation to the always present possibility of a crisis within the accumulation circuits of the core capitalist countries (Luxemburg 2003: 367-444):

a. Monopoly capitalism requires forceful state-power in order to conquer the capitalist exteriority. Economic power comes hand in hand with the state-making abilities.

b. In any initial phase of colonialism, capital accumulation requires the acquisition and possession of natural productive forces in terms of raw materials and land.

c. The gradual penetration and break-down of other modes of production. After the initial phase, capital requires its most valuable resource: labour power. The social principle of the capital-labour relation has to be established by a combination of brute military force and the abilities of the world market to commodify the use value of labour. However, subjugation by extra-economical forces is a predominant feature.

d. The generalization of a commodity economy, in which the subjugated subjects cannot seek “economic exits” from the imposition of the capitalist mode of production. The market mediates their purchases of the means of subsistence.

e. An ongoing social differentiation and social division of economic activities, especially between trade and agriculture. The monopolization of the productiveness of land is quintessential.
f. The expansion of international loans at which colonialized countries became eternal debtors to the banking system.

g. A system of a combination of protectionism and free trade in which judicial power between nations, cartels, tariffs and subsidies play a key role.

h. The ongoing and necessary expansion of exports of finished commodities from industrialized countries to their colonies.

**Luxemburg in a time of financialization**

Luxemburg generally stated that during the imperialist phase the exterior would become increasingly exhausted as a fix for the chronic tendency of underconsumption in the core countries (Luxemburg 2003: 420). This account of the imperialist phase was perhaps true in part, but it was not the case for post-war monopoly capitalism, which was characterized by growing consumerism amongst the western working classes – only Soviet economists uphold the underconsumption thesis until the 1970s. On the other hand, her prediction that this exhaustion would lead to intense political competition between leading economic powers was particularly true for the first half of the twentieth century. And post-war American hegemony, also based upon the containment of ideological rivals, could not have taken place without unprecedented investment in the defence department as a tool for matchless state-making abilities.

The golden age of capitalism – the Keynesian mixed economy - between 1950 and 1975 negated Luxemburg’s underconsumptionist thesis. The solution was brought by extra-economic circumstances, namely the institutional installation of social consultation between capital and labour by means of political state intervention. The political-institutional strength of the unions, successfully defending the value of their labour power, forced capitalists to
redesign the modes of accumulation in order to preserve the capitalist mode of production. For a short while, capitalism seemed to be driven by an endless series of cyclical booms – buttressed by policies of social-public expenditures and interventionist fiscal governance. From the perspective of the Southern regions, a small window of opportunity for industrial development appeared within an international framework of monetary stability – the Bretton Woods system. Many countries, ideologically diverse, initiated their projects of import substitution industrialization – a policy giving birth to the Chinese state-capitalist miracle.

After the 1970s, this Keynesian system imploded after the United States decided to unilaterally dismiss the international fixed currency system pegged to the dollar (Westra 2012: 87-91). Our neoliberal age is being driven by the dominance of equity markets and floating currency rates. These elements define the new mode of “accumulation,” financialization. Financialization qualitatively differs from the notion of finance capital: equity markets tend to dismediate themselves from the productive system. It does not facilitate the monetary means of enlarging the value augmenting production basis as with the old banking system. Rather, it is being driven by an unbounded rentier motive, in which financial centres are determined by the principle of profiting without producing. The short-term “value” of equities instead of long-term investment strategies define the interests of the managerial boards – the shareholder model replacing the organizational unity between ownership and management.

A few features remain unaltered in the age of financialization. I hereby cite Jan Toporowski, who compared Luxemburg’s discussion of finance and monopoly capitalism with today’s world:

In her analysis, the financial system is international, but based in the advanced capitalist countries (as it is today). Governments are weak and, in the poorer countries, are dependent upon the international financial system for financing their loans …
Luxemburg recognized that, in poorer countries, the socialization of financial risk, through state guarantees of commercial foreign debts, has costs that are unequally distributed between locally based and foreign-based enterprises. The locally based ones, largely in traditional activities, have virtually no possibility of escaping from the tax demands of their government. Foreign-based enterprises, usually in the more modern sector of the economy, have numerous opportunities to escape. Hence, the costs of foreign indebtedness in less developed countries are borne by the traditional sector, which benefits least from foreign investment. Over the longer term, the traditional sector becomes economically marginalized, and the traditional state that underwrites the country’s foreign debts becomes politically marginalized. In this way the developing world approaches the neoliberal ideal of a small state, whose apparent partiality for business masks an oppressive concentration of tax and debt burdens on households and businesses in the traditional sector. The economic dynamics of such states are then determined by financial inflows of foreign aid, and the pulse of foreign direct investment, punctuated by natural disasters and civil disorders (Toporowski 2009: 89-90).

The same could be said about the accelerating mode of extracting raw materials from the developing world. After the import substitution industrialization projects were gradually overpowered by a system of international debt, developing countries were forced to become, yet again, the providers of cheap resources for the core countries – and these resources being recycled as tools for speculative portfolio investments on the financial markets.

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